

APR 19 1995

HOUSE FILE 567

WAYS & MEANS CALENDAR

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 327)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
 Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the electricity purchase or wheeling  
 2 requirements for alternate energy production and small hydro  
 3 facilities, providing a methane energy purchase sales tax  
 4 credit, and providing an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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**HOUSE FILE 567**

H-4032

1 Amend House File 567 as follows:  
 2 1. Page 2, line 8, by inserting after the figure  
 3 "476.44." the following: "The legislative council is  
 4 requested to include the following persons as members  
 5 of the interim study committee: the administrator for  
 6 the energy and geological services division of the  
 7 department of natural resources or the administrator's  
 8 designee; the consumer advocate or the advocate's  
 9 designee; a person representing the electric utility  
 10 industry; and a person representing the alternate  
 11 energy production industry."

By SHOULTZ of Black Hawk

H-4032 FILED APRIL 20, 1995

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HF 567

1 Section 1. Section 422.51, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 5. The taxes remitted pursuant to this  
4 division shall be reduced by a methane energy purchase tax  
5 credit. An electric utility which has purchased electricity  
6 from a methane-producing sanitary landfill pursuant to a  
7 contract entered into on or after July 1, 1995, under section  
8 476.43 shall be granted the credit. The credit shall equal  
9 the amount paid by the electric utility in excess of its  
10 incremental cost. For purposes of this subsection,  
11 "incremental cost" means the cost to the electric utility of  
12 the electric energy which, but for the purchase from the  
13 alternate energy production facility or small hydro facility,  
14 the electric utility would have generated or purchased from  
15 another source. The amount of the credit shall, in the first  
16 instance, be determined by the electric utility, which shall  
17 make a monthly report of such credits to the department,  
18 deducting this credit from the periodic deposits of taxes due  
19 under this division.

20 Sec. 2. Section 476.43, Code 1995, is amended by adding  
21 the following new subsections:

22 NEW SUBSECTION. 7. Whenever a contract approved by the  
23 board requires an electric utility to purchase electricity  
24 from a methane-producing sanitary landfill pursuant to this  
25 section, the electric utility shall be entitled to a methane  
26 energy purchase tax credit as provided in section 422.51. The  
27 electric utility shall reflect the methane energy purchase tax  
28 credit received by the electric utility in the electric  
29 utility's automatic adjustment pursuant to section 476.6,  
30 subsection 11, to the extent its payments to the methane-  
31 producing sanitary landfill, in excess of the incremental cost  
32 of alternative electric energy, were included in the automatic  
33 adjustment clause.

34 NEW SUBSECTION. 8. For purposes of this section,  
35 "methane-producing sanitary landfill" means any electric



1 the utility would generate or purchase from another source.  
2 The bill places a moratorium from the effective date of the  
3 Act until April 15, 1996, requiring electric utilities to  
4 enter into long-term contracts to purchase alternate energy.  
5 The bill provides that contracts existing as of the effective  
6 date of the Act remain in effect. The bill also requests the  
7 legislative council to establish an interim study committee to  
8 review alternate energy purchasing requirements.

9 The bill is effective upon enactment.

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**HOUSE FILE 567  
FISCAL NOTE**

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A fiscal note for House File 567 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 567 provides a sales tax credit for electric utilities that purchase electricity from a methane-producing sanitary landfill. The amount of the credit is equal to the amount paid by the electric utility in excess of its incremental costs. The Bill addresses a number of other provisions relating to alternate energy sources for which no fiscal impact has been determined.

**ASSUMPTIONS**

1. Future methane contracts could result in the production of approximately 24,000 megawatt hours per year.
2. This estimate assumes that electricity from methane is generated 90.0% of the time.
3. This estimate assumes that contracts currently in existence will not qualify for the credit.
4. One kilowatt hour costs utility producers 2.0 cents to produce. It costs utility producers 6.0 cents to purchase one kilowatt hour of methane produced electricity.
5. No contracts will be established in FY 1996 or FY 1997.

**FISCAL IMPACT**

House File 567 is not expected to have any fiscal impact on revenues to the General Fund in FY 1996 or FY 1997. The Bill would result in a decrease in revenues to the General Fund of approximately \$960,000 annually once anticipated contracts are in force.

**SOURCES**

Midwest Resources  
Metropolitan Solid Waste Agency

(LSB 2634hv, JAM)

FILED APRIL 20, 1995

BY DENNIS PROUTY, FISCAL DIRECTOR

## HOUSE FILE 567

H-4019

1 Amend House File 567 as follows:

2 1. Page 1, by inserting before line 1 the  
3 following:

4 "Section 100. NEW SECTION. 422.11D ALTERNATE  
5 ENERGY CREDIT.

6 1. The taxes imposed under this division, less the  
7 credits allowed under this division, shall be reduced  
8 by an alternate energy tax credit. An electric  
9 utility required to purchase alternate energy pursuant  
10 to section 476.43 may claim the credit under this  
11 section. For purposes of this subsection, "alternate  
12 energy production" does not include a methane produced  
13 from a sanitary landfill. An individual may claim the  
14 alternate energy tax credit allowed a partnership,  
15 subchapter S corporation, or estate or trust electing  
16 to have the income taxed directly to the individual.  
17 The amount claimed shall be based upon the pro rata  
18 share of the individual's earnings of a partnership,  
19 subchapter S corporation, or estate or trust.

20 2. The amount of this credit is equal to one-half  
21 of the amount of the difference in the cost of the  
22 electricity purchased from an alternate energy  
23 production facility or small hydro facility pursuant  
24 to section 476.43 and the cost of the electricity  
25 which the electric utility would have generated or  
26 purchased from another source, but for the required  
27 purchase of alternate energy.

28 3. Any credit in excess of the tax liability for  
29 the tax year may be credited to the tax liability for  
30 the following five tax years or until depleted,  
31 whichever is the earlier.

32 Sec. 101. Section 422.33, Code 1995, is amended by  
33 adding the following new subsection:

34 NEW SUBSECTION. 9. The taxes imposed under this  
35 division shall be reduced by an alternate energy tax  
36 credit. An electric utility required to purchase  
37 alternate energy pursuant to section 476.43 may claim  
38 an alternate energy tax credit. For purposes of this  
39 subsection, "alternate energy production" does not  
40 include a methane produce from a sanitary landfill.  
41 The amount of the credit is equal to one-half of the  
42 amount of the difference in the cost of the  
43 electricity purchased from an alternate energy  
44 production facility or small hydro facility pursuant  
45 to section 476.43 and the cost of the electricity  
46 which the electric utility would have generated or  
47 purchased from another source, but for the required  
48 purchase of alternate energy. Any credit in excess of  
49 the tax liability for the tax year may be credited to  
50 the tax liability for the following five tax years or

H-4019

**H-4019**

Page 2

1 until depleted, whichever is the earlier."

2 2. Page 2, by inserting after line 25 the  
3 following:4 "Sec. \_\_\_\_ . Sections 100 and 101 of this Act are  
5 repealed on that date that the utilities board  
6 determines that the cost to the electric utility to  
7 purchase alternate energy is less than the cost  
8 incurred by the electric utility to generate or  
9 purchase the electricity from another source."

By SHOULTZ of Black Hawk

**H-4019 FILED APRIL 20, 1995****HOUSE FILE 567****H-4020**

1 Amend House File 567 as follows:

2 1. Page 2, line 11, by inserting after the word  
3 "energy." the following: "The Iowa utilities board  
4 shall provide testimony regarding the estimated cost  
5 savings to the investor-owned electric utilities and  
6 the amount of that cost savings that may be passed on  
7 to the customers of investor-owned electric utilities  
8 if the alternate energy purchasing requirements  
9 contained in sections 476.43 and 476.44 were  
10 repealed."

By DODERER of Johnson

**H-4020 FILED APRIL 20, 1995****HOUSE FILE 567****H-4021**

1 Amend House File 567 as follows:

2 1. Page 2, line 20, by inserting after the words  
3 "hydro facilities." the following: "However, the Iowa  
4 utilities board may require electric utilities to  
5 enter into long-term contracts with alternate energy  
6 production facilities or small hydro facilities, if  
7 the parties were in the process of ongoing contract  
8 negotiations on or prior to the effective date of this  
9 Act and the alternate energy production facility or  
10 small hydro facility relied upon the negotiations to  
11 the economic detriment of the alternate energy  
12 production facility or small hydro facility."

By BURNETT of Story

BERNAU of Story

**H-4021 FILED APRIL 20, 1995****HOUSE FILE 567****H-4022**

1 Amend House File 567 as follows:

2 1. Page 2, by striking lines 16 through 25.  
3 2. By renumbering as necessary.

By VANDE HOEF of Osceola

HOLVECK of Polk

**H-4022 FILED APRIL 20, 1995**

## HOUSE FILE 567

H-4024

- 1 Amend House File 567 as follows:  
2 1. By striking page 1, line 1, through page 2,  
3 line 2.  
4 2. Page 2, line 8, by inserting after the figure  
5 "476.44" the following: ", and to review the  
6 promotion of methane energy purchases by electric  
7 utilities through the use of tax credits".  
8 3. Title page, lines 3 and 4, by striking the  
9 words ", providing a methane energy purchase sales tax  
10 credit,".  
11 4. By renumbering as necessary.

By VANDE HOEF of Osceola  
MERTZ of Kossuth

H-4024 FILED APRIL 20, 1995

*Adopted 4/25/95 (p. 1857)*

## HOUSE FILE 567

H-4018

- 1 Amend House File 567 as follows:  
2 1. By striking everything after the enacting  
3 clause and inserting the following:  
4 "Section 1. INTERIM STUDY. The legislative  
5 council is requested to authorize an interim study to  
6 analyze the issue of requiring the purchase of  
7 alternate energy from alternate energy production  
8 facilities and small hydro facilities. The study  
9 committee shall work with the energy project of the  
10 national conference of state legislatures which has  
11 offered to provide technical assistance to the  
12 committee. The study committee shall evaluate the  
13 existing energy efficiency and alternate energy policy  
14 of the state, including the laws and regulations of  
15 the state and provide recommendations to the general  
16 assembly."  
17 2. Title page, by striking lines 1 through 4 and  
18 inserting the following: "An Act relating to an  
19 interim study of alternate energy policies."

By SHOULTZ of Black Hawk  
HOLVECK of Polk

H-4018 FILED APRIL 20, 1995

*Last 4/25/95 (p. 1857)*

## HOUSE FILE 567

H-4023

1 Amend House File 567 as follows:

2 1. Page 2, by inserting after line 2 the  
3 following:

4 "Sec. \_\_\_\_ . Section 476.44, subsection 2, Code  
5 1995, is amended to read as follows:

6 2. An electric utility subject to this division,  
7 except a utility which elects rate regulation pursuant  
8 to section 476.1A, shall not be required to purchase,  
9 at any one time, more than its share of one two  
10 hundred five ten megawatts of power from alternative  
11 energy production facilities or small hydro facilities  
12 at the rates established pursuant to section 476.43.  
13 The board shall allocate the one two hundred five ten  
14 megawatts based upon each utility's percentage of the  
15 total Iowa retail peak demand, for the year beginning  
16 January 1, 1990, of all utilities subject to this  
17 section. If a utility undergoes reorganization as  
18 defined in section 476.76, the board shall combine the  
19 allocated purchases of power for each utility involved  
20 in the reorganization.

21 Notwithstanding the one two hundred five ten  
22 megawatt maximum, the board may increase the amount of  
23 power that a utility is required to purchase at the  
24 rates established pursuant to section 476.43 if the  
25 board finds that a utility, including a reorganized  
26 utility, exceeds its 1990 Iowa retail peak demand by  
27 twenty percent and the additional power the utility is  
28 required to purchase will encourage the development of  
29 alternate energy production facilities and small hydro  
30 facilities. The increase shall not exceed the  
31 utility's increase in peak demand multiplied by the  
32 ratio of the utility's share of the one two hundred  
33 five ten megawatt maximum to its 1990 Iowa retail peak  
34 demand."

35 2. Page 2, by striking lines 16 through 25.

36 3. Renumbering as necessary.

By HOLVECK of Polk

H-4023 FILED APRIL 20, 1995

*Last 4/25/95 (p.1859)*

## HOUSE FILE 567

H-4026

1 Amend House File 567 as follows:  
2 1. Page 2, by inserting before line 26 the  
3 following:  
4 "Any person who suffers actual economic loss,  
5 including developers of alternate energy production  
6 facilities or small hydro facilities who relied upon  
7 the provisions of sections 476.43 and 476.44 in  
8 conducting ongoing contract negotiations, landowners  
9 who are deprived of wind energy royalties, and cities  
10 or counties who lose property taxes because of the  
11 effect of the moratorium contained in this Act, shall  
12 be reimbursed by the state for the full amount of the  
13 loss."

By BERNAU of Story  
SHOULTZ of Black Hawk  
BURNETT of Story

H-4026 FILED APRIL 20, 1995

## HOUSE FILE 567

H-4027

1 Amend House File 567 as follows:  
2 1. Page 2, by inserting after line 2 the  
3 following:  
4 "Sec. \_\_\_\_ . NEW SECTION. 476.58 ELECTRICITY  
5 GENERATED WITHIN STATE.  
6 A rate-regulated electric utility shall purchase  
7 any available electricity generated within the state,  
8 including electricity generated by alternate energy  
9 production facilities or small hydro facilities, prior  
10 to purchasing electricity generated from outside the  
11 state."  
12 2. By renumbering as necessary.

By SHOULTZ of Black Hawk  
HOLVECK of Polk

H-4027 FILED APRIL 20, 1995

## HOUSE FILE 567

H-4028

1 Amend House File 567 as follows:  
2 1. Page 2, line 11, by inserting after the word  
3 "energy." the following: "The Iowa utilities board  
4 shall conduct hearings to determine the estimated cost  
5 savings to the investor-owned electric utilities, if  
6 any, and the amount of that cost savings that shall be  
7 passed on to the customers of investor-owned electric  
8 utilities if the alternate energy purchasing  
9 requirements contained in sections 476.43 and 476.44  
10 were repealed. The Iowa utilities board shall make  
11 recommendations to the interim study committee based  
12 upon their findings."

By SHOULTZ of Black Hawk

H-4028 FILED APRIL 20, 1995

## HOUSE FILE 567

H-4025

1 Amend House File 567 as follows:

2 1. Page 2, by inserting after line 2 the  
3 following:

4 "Sec. \_\_\_\_ . Section 476.44, subsection 2, Code  
5 1995, is amended to read as follows:

6 2. An electric utility subject to this division,  
7 except a utility which elects rate regulation pursuant  
8 to section 476.1A, shall not be required to purchase,  
9 at any one time, more than its share of one hundred  
10 five megawatts of power from alternative energy  
11 production facilities or small hydro facilities at the  
12 rates established pursuant to section 476.43. An  
13 alternate energy production facility or a small hydro  
14 facility is limited to providing not more than thirty-  
15 three percent of the total alternate energy required  
16 to be purchased under this section. The board shall  
17 allocate the one hundred five megawatts based upon  
18 each utility's percentage of the total Iowa retail  
19 peak demand, for the year beginning January 1, 1990,  
20 of all utilities subject to this section. If a  
21 utility undergoes reorganization as defined in section  
22 476.76, the board shall combine the allocated  
23 purchases of power for each utility involved in the  
24 reorganization.

25 Notwithstanding the one hundred five megawatt  
26 maximum, the board may increase the amount of power  
27 that a utility is required to purchase at the rates  
28 established pursuant to section 476.43 if the board  
29 finds that a utility, including a reorganized utility,  
30 exceeds its 1990 Iowa retail peak demand by twenty  
31 percent and the additional power the utility is  
32 required to purchase will encourage the development of  
33 alternate energy production facilities and small hydro  
34 facilities. The increase shall not exceed the  
35 utility's increase in peak demand multiplied by the  
36 ratio of the utility's share of the one hundred five  
37 megawatt maximum to its 1990 Iowa retail peak demand."

38 2. Page 2, by striking lines 16 through 25.

39 3. By renumbering as necessary.

By HOLVECK of Polk  
SHOULTZ of Black Hawk

H-4025 FILED APRIL 20, 1995

## HOUSE FILE 567

H-4029

1 Amend House File 567 as follows:

2 1. Page 2, by inserting after line 2 the  
3 following:

4 "Sec. \_\_\_\_ . NEW SECTION. 476.46 NEW GENERATING  
5 CAPACITY -- YEAR 2012.

6 A rate-regulated electric utility shall be  
7 prohibited from providing for new generating capacity,  
8 other than by means of alternate energy production  
9 facilities or small hydro facilities, until January 1,  
10 2012."

11 2. By renumbering as necessary.

By JOCHUM of Dubuque

MASCHER of Johnson

MURPHY of Dubuque

DODERER of Johnson

H-4029 FILED APRIL 20, 1995

## HOUSE FILE 567

H-4030

1 Amend House File 567 as follows:

2 1. Page 2, lines 3 and 4, by striking the words  
3 "is requested to" and inserting the following:  
4 "shall".

5 2. Page 2, line 11, by inserting after the word  
6 "energy." the following: "It is the intent of the  
7 general assembly that the developers of alternate  
8 energy production facilities or small hydro facilities  
9 who have proceeded in good faith under the terms and  
10 conditions of sections 476.41 through 476.44 to  
11 develop such facilities not suffer economic losses as  
12 a result of legislation that would alter the  
13 obligation of electric utilities to enter into long-  
14 term contracts to purchase or wheel electricity from  
15 those facilities. The committee shall consider a  
16 mechanism for reimbursement of reasonable net losses  
17 incurred by those developers, both prior to the  
18 effective date of this Act and during the moratorium  
19 imposed by section 4 of this Act, if any such losses  
20 are determined by the Iowa utilities board to have  
21 been incurred."

By BLODGETT of Cerro Gordo

H-4030 FILED APRIL 20, 1995

*Adopted 4/25/96 (p. 1860)*

## HOUSE FILE 567

H-4031

1 Amend House File 567 as follows:

2 1. Page 2, line 8, by inserting after the figure  
3 "476.44" the following: "and to review the use of tax  
4 credits to promote the execution of contracts under  
5 section 476.43".

By SHOULTZ of Black Hawk

H-4031 FILED APRIL 20, 1995

HOUSE FILE 567

H-4039

1 Amend House File 567 as follows:  
2 1. Page 2, line 8, by inserting after the figure  
3 "476.44" the following: ", and to review the  
4 environmental costs associated with each method of  
5 electricity generation. The Iowa utilities board  
6 shall quantify and establish a range of environmental  
7 costs associated with each method of electricity  
8 generation. Environmental costs shall include  
9 socioeconomic costs, and the costs to the environment  
10 from production of toxins and disposal of toxins,  
11 including production and disposal of toxins in out-of-  
12 state generating plants. The committee shall take  
13 into account the total range of environmental costs  
14 for each method of electricity generation when  
15 providing long-range planning recommendations for  
16 Iowa's future alternate energy policies".

By WITT of Black Hawk  
VANDE HOEF of Osceola

H-4039 FILED APRIL 24, 1995

HOUSE FILE 567

H-4041

1 Amend House File 567 as follows:  
2 1. Page 1, by striking lines 17 through 19 and  
3 inserting the following: "deduct the amount of the  
4 credit from the tax due with its quarterly return."

By NUTT of Woodbury

H-4041 FILED APRIL 24, 1995

*Adopted 4/25/95 (p. 1857) Out of Order (p. 1857)*

HOUSE FILE 567

H-4034

1 Amend the amendment, H-4019, to House File 567 as  
2 follows:  
3 1. Page 1, line 40, by striking the words "a  
4 methane produce" and inserting the following:  
5 "methane produced".

By SHOULTZ of Black Hawk

H-4034 FILED APRIL 24, 1995

HOUSE FILE 567

H-4038

1 Amend House File 567 as follows:  
2 1. Page 2, by inserting after line 2 the  
3 following:  
4 "NEW SUBSECTION. 9. Notwithstanding other  
5 provisions of this section, the rates required for  
6 purchase of alternate energy for long-term contracts  
7 entered into on or after July 1, 1995, shall be set at  
8 a minimum of four cents per kilowatt hour. A contract  
9 entered into pursuant to subsection 1 shall include an  
10 escalation provision which shall provide for an annual  
11 rate increase which is based upon the increase in the  
12 consumer price index."

By WITT of Black Hawk  
SHOULTZ of Black Hawk  
VANDE HOEF of Osceola

H-4038 FILED APRIL 24, 1995

## HOUSE FILE 567

H-4054

1 Amend House File 567 as follows:  
2 1. Page 2, line 25, by inserting after the word  
3 "incurred." the following: "The moratorium in this  
4 section shall not apply to projects which have been  
5 granted a hydroelectric license under subchapter 1 of  
6 the federal Power Act, 16 U.S.C. § 791 et seq., by the  
7 federal energy regulatory commission as of the  
8 effective date of this Act."

By CORMACK of Webster  
MUNDIE of Webster

H-4054 FILED APRIL 25, 1995

## HOUSE FILE 567

H-4060

1 Amend House File 567 as follows:  
2 1. Page 2, line 20, by inserting after the words  
3 "hydro facilities" the following: "and shall not  
4 approve a proposed rate, charge, schedule, or  
5 regulation of an electric utility under section 476.6  
6 which may result in an increase in customer rates".

By WEIGEL of Chickasaw  
SHOULTZ of Black Hawk  
VANDE HOEF of Osceola

H-4060 FILED APRIL 25, 1995

## HOUSE FILE 567

H-4061

1 Amend House File 567 as follows:  
2 1. Page 2, line 17, by striking the word and  
3 figures "April 15, 1996" and inserting the following:  
4 "December 31, 1995".

By SHOULTZ of Black Hawk

H-4061 FILED APRIL 25, 1995

## HOUSE FILE 567

H-4062

1 Amend House File 567 as follows:  
2 1. Page 2, line 25, by inserting after the word  
3 "incurred." the following: "The moratorium provided  
4 in this section does not apply to wind-generated  
5 sources of electricity."

By FALLON of Polk

H-4062 FILED APRIL 25, 1995

## HOUSE FILE 567

H-4070

1 Amend House File 567 as follows:

2 1. Page 2, line 20, by inserting after the words  
3 "hydro facilities" the following: "and investor-owned  
4 utilities shall be prohibited from entering into  
5 contracts with any other energy-producing facility for  
6 the purchase of electricity. Contracts for the  
7 purchase of electric energy which are in effect on the  
8 effective date of this Act shall remain in effect."

By VANDE HOEF of Osceola

H-4070 FILED APRIL 25, 1995

HSB 327

Mutt, Chm  
Van Fossen  
Schultz

WAYS AND MEANS  
Succeeded by  
SF / HF  
HOUSE FILE 567

BY (PROPOSED COMMITTEE ON WAYS  
AND MEANS BILL BY CHAIR-  
PERSON HALVORSON)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the electricity purchase or wheeling  
2 requirements for alternate energy production and small hydro  
3 facilities, providing a methane energy purchase sales tax  
4 credit, and providing an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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Succeeded By  
2/1/72

1 Section 1. Section 422.51, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 5. The taxes remitted pursuant to this  
4 division shall be reduced by a methane energy purchase tax  
5 credit. An electric utility which has purchased electricity  
6 from a methane-producing sanitary landfill pursuant to section  
7 476.43 shall be granted the credit. The credit shall equal  
8 the amount paid by the electric utility in excess of its  
9 incremental cost as defined in section 476.43A, subsection 2.  
10 The amount of the credit shall, in the first instance, be  
11 determined by the electric utility, which shall make a monthly  
12 report of such credits to the Iowa utilities board and the  
13 department, deducting this credit from the periodic deposits  
14 of taxes due under this division. If the department disputes  
15 the amount of any such credit, such disputes shall be resolved  
16 by the Iowa utilities board.

17 Sec. 2. Section 476.1A, unnumbered paragraph 3, Code 1995,  
18 is amended to read as follows:

19 However, sections 476.20, 476.21, ~~476.41 through 476.44~~  
20 476.42, 476.43, 476.43A, 476.51, 476.56, 476.62, and 476.66  
21 and chapters 476A and 478, to the extent applicable, apply to  
22 such electric utilities.

23 Sec. 3. Section 476.1B, subsection 1, paragraph g, Code  
24 1995, is amended to read as follows:

25 g. Encouragement of alternate energy production  
26 facilities, as set forth in sections ~~476.41 through~~ 476.42,  
27 476.43, 476.43A, and 476.45.

28 Sec. 4. Section 476.42, subsection 1, Code 1995, is  
29 amended by adding the following new unnumbered paragraph:

30 NEW UNNUMBERED PARAGRAPH. An alternate energy production  
31 facility does not include a methane-producing sanitary  
32 landfill.

33 Sec. 5. Section 476.42, subsection 3, Code 1995, is  
34 amended by striking the subsection.

35 Sec. 6. Section 476.43, Code 1995, is amended to read as

1 follows:

2 476.43 RATES FOR ~~ALTERNATE-ENERGY-PRODUCTION-FACILITIES~~  
3 METHANE-PRODUCING SANITARY LANDFILLS.

4 1. ~~Subject-to-section-476.44,~~ the The board shall require  
5 electric utilities to enter into long-term contracts to do the  
6 following:

7 a. Purchase or wheel electricity from ~~alternate-energy~~  
8 ~~production-facilities-or-small-hydro-facilities~~ methane-  
9 producing sanitary landfills located in the utility's service  
10 area under the terms and conditions that the board finds are  
11 just and economically reasonable to the electric utilities'  
12 ratepayers, and are nondiscriminatory to ~~alternate-energy~~  
13 ~~producers-and-small-hydro-producers-and-will-further-the~~  
14 ~~policy-stated-in-section-476.41~~ methane-producing sanitary  
15 landfills.

16 b. Provide for the availability of supplemental or backup  
17 power to ~~alternate-energy-production-facilities-or-small-hydro~~  
18 ~~facilities~~ methane-producing sanitary landfills on a  
19 nondiscriminatory basis and at just and reasonable rates.

20 2. Upon application by the owner or operator of an  
21 ~~alternate-energy-production-facility-or-small-hydro-facility~~  
22 ~~or-any-interested-party,~~ a methane-producing sanitary landfill  
23 the board shall establish for the affected public utility just  
24 and economically reasonable rates for electricity purchased  
25 under subsection 1, paragraph "a". The rates shall be  
26 established at levels sufficient to stimulate the development  
27 of ~~alternate-energy-production-and-small-hydro-facilities~~  
28 electricity generated from methane production in a sanitary  
29 landfill in Iowa and to encourage the continuation of existing  
30 capacity from those ~~facilities~~ landfills.

31 3. The board may adopt individual utility or uniform  
32 statewide facility rates. The board shall consider the  
33 following factors in setting individual or uniform rates:

34 a. The estimated capital cost of the next generating  
35 plant, including related transmission facilities, to be placed

1 in service by the electric utility serving the area.

2 b. The term of the contract between the electric utility  
3 and the seller.

4 c. A levelized annual carrying charge based upon the term  
5 of the contract and determined in a manner consistent with  
6 both the methods and the current interest or return  
7 requirements associated with the electric utility's new  
8 construction program.

9 d. The electric utility's annual energy costs, including  
10 current fuel costs, related operation and maintenance costs,  
11 and other energy-related costs considered appropriate by the  
12 board.

13 e. External factors, including but not limited to,  
14 environmental and economic factors.

15 f. Other relevant factors.

16 g. If the board adopts uniform statewide rates, the board  
17 shall use representative data in lieu of utility specific  
18 information in applying the factors listed in paragraphs "a"  
19 through "f".

20 4. In the case of a utility that purchases all or  
21 substantially all of its electricity requirements, the rates  
22 established under this section must be based on the electric  
23 utility's current purchased power costs.

24 5. In lieu of the other procedures provided by this  
25 section, an electric utility and an owner or operator of an  
26 ~~alternate-energy-production-facility-or-small-hydro-facility~~ a  
27 methane-producing sanitary landfill may enter into a long-term  
28 contract in accordance with subsection 1 and may agree to  
29 rates for purchase and sale transactions. A contract entered  
30 into under this subsection must be filed with the board in the  
31 manner provided for tariffs under section 476.4.

32 6. This section does not require an electric utility to  
33 construct additional facilities unless those facilities are  
34 paid for by the owner or operator of the ~~affected-alternate~~  
35 ~~energy-production-facility-or-small-hydro-facility~~ methane-

1 producing sanitary landfill.

2     7. Whenever a contract approved by the board requires an  
3 electric utility to purchase electricity from a methane-  
4 producing sanitary landfill pursuant to this section, the  
5 electric utility shall be entitled to a methane energy  
6 purchase tax credit as provided in section 422.51. The  
7 electric utility shall reflect the methane energy purchase tax  
8 credit received by the electric utility in the electric  
9 utility's automatic adjustment pursuant to section 476.6,  
10 subsection 11, to the extent its payments to the methane-  
11 producing sanitary landfill, in excess of the incremental cost  
12 of alternative electric energy, were included in the automatic  
13 adjustment clause.

14     8. For purposes of this section, "methane-producing  
15 sanitary landfill" means any electric generating facility  
16 fueled by methane extracted from a sanitary landfill.

17     Sec. 7. NEW SECTION. 476.43A RATES FOR ALTERNATE ENERGY  
18 PRODUCTION FACILITIES OR SMALL HYDRO FACILITIES.

19     1. The board shall require electric utilities to enter  
20 into long-term contracts to purchase electric energy from  
21 alternate energy production facilities or small hydro  
22 facilities.

23     2. The rates for purchases under this section shall not  
24 exceed the incremental costs to the electric utility of  
25 alternative electric energy. For purposes of this section  
26 "incremental cost" means the cost to the electric utility of  
27 the electric energy which, but for the purchase from the  
28 alternate energy production facility or small hydro facility,  
29 the electric utility would have generated or purchased from  
30 another source.

31     3. In the case of a utility that purchases all or  
32 substantially all of its electricity requirements, the rates  
33 established under this section must be based on the electric  
34 utility's current purchased power costs.

35     4. In lieu of the other procedures provided by this

1 section, an electric utility and an owner or operator of an  
2 alternate energy production facility or small hydro facility  
3 may enter into a long-term contract in accordance with  
4 subsection 1 and may agree to rates for purchase and sale  
5 transactions. A contract entered into under this subsection  
6 must be filed with the board in the manner provided for  
7 tariffs under section 476.4.

8 5. This section does not require an electric utility to  
9 construct additional facilities unless those facilities are  
10 paid for by the owner or operator of the affected alternate  
11 energy production facility or small hydro facility.

12 Sec. 8. Sections 476.41 and 476.44, Code 1995, are  
13 repealed.

14 Sec. 9. Notwithstanding the provisions of this Act, the  
15 Iowa utilities board shall continue to allow, until the  
16 termination of contracts between an electric utility and an  
17 alternate energy production facility or a small hydro facility  
18 in effect on the effective date of this Act, the recovery of  
19 costs incurred.

20 Sec. 10. This Act, being deemed of immediate importance,  
21 takes effect upon enactment.

22 EXPLANATION

23 This bill strikes the existing procedure for determining  
24 rates for purchase of alternate energy except for methane  
25 produced from a sanitary landfill and replaces it with similar  
26 provisions which are used for determining rates for non-rate-  
27 regulated electric utilities under federal law. The bill  
28 directs the utilities board that the rates for purchase of  
29 alternate energy cannot exceed the incremental costs to the  
30 electric utility of alternative electric energy. For purposes  
31 of the bill, "incremental cost" means the cost to the electric  
32 utility of the electric energy which, but for the purchase  
33 from the alternate energy production facility or small hydro  
34 facility, the utility would generate or purchase from another  
35 source.

1 The bill provides a sales tax credit for an electric  
2 utility which purchases electricity from a methane-producing  
3 sanitary landfill in an amount equal to the amount paid by the  
4 electric utility in excess of its incremental costs.

5 In addition the bill repeals section 476.41 which declares  
6 that it is the policy of the state to encourage development of  
7 alternate energy production facilities and small hydro  
8 facilities. It also repeals section 476.44 which requires  
9 that investor-owned electric utilities must purchase shares of  
10 105 megawatts of power from an alternate energy production  
11 facility or a small hydro facility.

12 The bill directs the utilities board to continue to allow  
13 the recovery of costs incurred until contracts are terminated  
14 between an electric utility and an alternate energy production  
15 facility or small hydro facility.

16 The bill is effective upon enactment.

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