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SENATE FILE 2325
BY COMMITTEE ON NATURAL
RESOURCES AND ENVIRONMENT

(SUCCESSOR TO SF 2133)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the renewable energy tax credit.
2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 2325

1 Section 1. Section 476C.1, subsection 6, unnumbered
2 paragraph 1, Code Supplement 2005, is amended to read as
3 follows:

4 "Eligible renewable energy facility" means a wind energy
5 conversion facility, a biogas recovery facility, a biomass
6 conversion facility, a methane gas recovery facility, ~~or~~ a
7 solar energy conversion facility, or a refuse conversion
8 facility that meets all of the following requirements:

9 Sec. 2. Section 476C.1, subsection 6, paragraph d, Code
10 Supplement 2005, is amended to read as follows:

11 d. Was initially placed into service on or after July 1,
12 2005, and before January 1, ~~2011~~ 2012.

13 Sec. 3. Section 476C.1, subsection 8, Code Supplement
14 2005, is amended to read as follows:

15 8. "Heat for a commercial purpose" means the heat in
16 British thermal unit equivalents from refuse fuel pellets,
17 methane, or other biogas produced in this state sold to a
18 purchaser of renewable energy for use for a commercial purpose
19 in this state or for use by an institution in this state.

20 Sec. 4. Section 476C.1, Code Supplement 2005, is amended
21 by adding the following new subsection:

22 NEW SUBSECTION. 12A. "Refuse conversion facility" means a
23 facility in this state used in connection with a sanitary
24 landfill that converts solid waste into fuel in the form of a
25 pellet that can be burned to generate heat for a commercial
26 purpose in this state.

27 Sec. 5. Section 476C.3, subsections 2, 3, 4, and 5, Code
28 Supplement 2005, are amended to read as follows:

29 2. The board shall review the application and supporting
30 information and shall make a preliminary determination
31 regarding whether the facility is an eligible renewable energy
32 facility. The board shall notify the applicant of the
33 approval or denial of the application within thirty days of
34 receipt of the application and information required. If the
35 board fails to notify the applicant of the approval or denial

1 within thirty days, the application shall be deemed denied
2 unless the application is placed on a waiting list as
3 described in subsection 5. An applicant who receives a
4 determination denying an application may file an appeal with
5 the board within thirty days from the date of the denial
6 pursuant to the provisions of chapter 17A. In the absence of
7 a timely appeal, the preliminary determination shall be final.
8 If the application is incomplete, the board may grant an
9 extension of time for the provision of additional information.

10 3. A facility that is not operational within eighteen
11 thirty months after issuance of an approval for the facility
12 by the board shall cease to be an eligible renewable energy
13 facility. A facility that is granted and thereafter loses
14 approval may reapply to the board for a new determination.

15 4. The maximum amount of nameplate generating capacity of
16 all wind energy conversion facilities the board may find
17 eligible under this chapter shall not exceed ninety one
18 hundred eighty megawatts of nameplate generating capacity.
19 The maximum amount of energy production capacity equivalent of
20 all other facilities the board may find eligible under this
21 chapter shall not exceed a combined output of ten twenty
22 megawatts of nameplate generating capacity and one hundred
23 sixty-seven billion British thermal units of heat for a
24 commercial purpose. Of the maximum amount of energy
25 production capacity equivalent of all other facilities found
26 eligible under this chapter, at least one eligible facility
27 shall be a refuse conversion facility for processed,
28 engineered fuel from a multi-county solid waste management
29 planning area.

30 5. The board shall maintain a waiting list of facilities
31 that may have been found eligible under this section but for
32 the maximum capacity restrictions of subsection 4. The
33 priority of the waiting list shall be maintained in the order
34 the applications were received by the board. The board shall
35 remove from the waiting list any facility that has

1 subsequently been found ineligible under this chapter. If
2 additional capacity becomes available within the capacity
3 restrictions of subsection 4, the board shall grant approval
4 to facilities according to the priority of the waiting list
5 before granting approval to new applications. An owner of a
6 facility on the waiting list shall provide the board each year
7 by August 31 with a sworn statement of verification stating
8 that the information contained in the application for
9 eligibility remains true and correct or stating that the
10 information has changed and providing the new information.

11 5- 6. An owner meeting the requirements of section
12 476C.1, subsection 6, paragraph "b", shall not be an owner of
13 more than two eligible renewable energy facilities. A person
14 that has an equity interest equal to or greater than fifty-one
15 percent in an eligible renewable energy facility shall not
16 have an equity interest greater than ten percent in any other
17 eligible renewable energy facility.

18 Sec. 6. Section 476C.5, Code Supplement 2005, is amended
19 to read as follows:

20 476C.5 CERTIFICATE ISSUANCE PERIOD.

21 A producer or purchaser of renewable energy may receive
22 renewable energy tax credit certificates for a ten-year period
23 for each eligible renewable energy facility under this
24 chapter. The ten-year period for issuance of the tax credit
25 certificates begins with the date the purchaser of renewable
26 energy first purchases electricity, hydrogen fuel, methane gas
27 or other biogas used to generate electricity, or heat for
28 commercial purposes from the eligible renewable energy
29 facility for which a tax credit is issued under this chapter.
30 Renewable energy tax credit certificates shall not be issued
31 for renewable energy purchased after December 31, ~~2020~~ 2021.

32 Sec. 7. TRANSITION PROVISIONS -- APPLICABILITY.

33 1. The waiting list described in this Act is the waiting
34 list maintained by the Iowa utilities board for applications
35 for eligibility received prior to the effective date of this

1 Act.

2 2. As of the effective date of this Act, the section of
3 this Act amending section 476C.3, subsection 6, applies to all
4 facilities on the waiting list described by this Act
5 regardless of the date a facility applied for eligibility.

6 Sec. 8. PROPOSAL FOR TRANSMISSION STUDY. The utilities
7 board shall submit to the government oversight committee by
8 January 1, 2007, a proposal to conduct a study on the
9 transmission of electricity in Iowa. The proposal shall
10 include a description of the content to be studied which shall
11 include examining the reliability and limitations of the
12 primary grid system and the development of additional small
13 wind projects in all regions of the state. The content to be
14 studied shall also include issues related to the security of
15 Iowa's energy supply in the event of a national or local
16 emergency affecting the primary grid system. The proposal
17 shall include a description of the estimated time needed to
18 complete the study, an estimate of the cost to complete the
19 study, and any other information the board deems necessary.

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EXPLANATION

21 This bill relates to the renewable energy tax credit. The
22 bill extends the eligibility of renewable energy facilities
23 for the renewable energy tax credit by one year to include
24 those facilities that are initially placed into service before
25 January 1, 2012. The bill extends the time by which an
26 eligible renewable energy facility must be operational after
27 approval of eligibility is granted from 18 months to 30
28 months.

29 The bill provides that an eligible renewable energy
30 facility includes a refuse conversion facility as defined by
31 the bill. The bill provides that "heat for a commercial
32 purpose" includes heat from refuse fuel pellets and may be for
33 use by an institution.

34 The bill provides that the board may place an application
35 for a determination of whether a facility is an eligible

1 renewable energy facility on a waiting list if the facility
2 may have been found eligible but for the maximum capacity
3 requirements. The bill requires owners of facilities on the
4 waiting list to provide the board an annual verification of
5 the content of the application for eligibility. The bill
6 prohibits a person with an equity interest of 51 percent or
7 more in an eligible facility from owning more than 10 percent
8 in another eligible facility.

9 The bill allows additional tax credits for the production
10 of wind energy by increasing the maximum amount of nameplate
11 generating capacity that the board may find eligible for a
12 renewable energy tax credit from 90 megawatts to 180
13 megawatts. The bill similarly increases the maximum
14 eligibility for other nonwind renewable energy facilities from
15 10 megawatts to 20 megawatts of nameplate generating capacity.

16 The bill extends the tax credit certificate issuance period
17 by one year to allow tax credits issued for facilities placed
18 into service before January 1, 2012, to have the same 10-year
19 period of eligibility to produce and sell renewable energy for
20 a renewable energy tax credit certificate as facilities are
21 allowed under current law.

22 The bill provides that the waiting list described in the
23 bill is the same waiting list maintained by the board for
24 applications received prior to the effective date of the bill.

25 The bill requires the board to conduct a study on the
26 transmission of electricity in this state.

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Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2325 – Wind & Alternative Energy Credit Expansion (LSB 5725 SV)
Analyst: Jeff Robinson (Phone: [515] 281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version - New

Description

Senate File 2325 doubles the production capacity (from 100 megawatts to 200 megawatts) available for small wind and alternative electrical generation approved in SF 390 (Wind and Alternative Energy Act of 2005). The additional capacity is allowed the same 1.5 cents per kilowatt-hour income tax credit for energy produced that is available under SF 390. The Bill also extends a deadline for projects already approved under SF 390 and codifies a waiting list of proposed projects. In addition, the Bill requires one of the alternative energy projects approved to be a refuse conversion facility producing fuel pellets from a multi-county solid waste management area.

The Bill is effective July 1, 2006.

Assumptions

1. Each megawatt or nameplate capacity could generate \$131,500 in tax credits if operating at full capacity for an entire year.
2. The facilities will not operate at full capacity. Wind production facilities will operate at 36.5% of maximum capacity, and other energy sources will operate at 90.0% of capacity over the life of the tax credit program.
3. All 100 megawatts of additional capacity authorized by the Bill will be constructed and operational by FY 2009 (three years).
4. Tax credits earned in one fiscal year will be redeemed over three fiscal years.
5. The tax credits will be redeemed through a combination of personal income tax, corporate income tax, and state sales tax reductions.
6. The portion of the credit redemption impacting personal income tax will be less than 25.0%.

Fiscal Impact

The energy production tax credits authorized in SF 2325 will reduce net General Fund revenue by the following estimated amounts:

<u>Fiscal Year</u>	<u>General Fund Impact</u>
FY 2007	\$ 0.0 million
FY 2008	\$ - 2.8 million
FY 2008	\$ - 4.4 million
FY 2010	\$ - 5.4 million
FY 2011	\$ - 5.5 million
FY 2012	\$ - 5.5 million
FY 2013	\$ - 5.5 million
FY 2014	\$ - 5.5 million
FY 2015	\$ - 5.5 million
FY 2016	\$ - 5.5 million
FY 2017	\$ - 5.2 million
FY 2018	\$ - 3.1 million
FY 2019	\$ - 1.0 million
FY 2020	\$ - 0.1 million
Total	<u>\$ - 55.0 million</u>

If the portion of the credit redemption impacting personal income tax is less than 25.0%, the impact on any local option income surtax for schools will be less than \$50,000 per year.

Project and credit approval, as well as credit monitoring, will increase administrative costs of the Utilities Division and the Department of Revenue. The Utilities Division has identified \$26,000 in administrative expenses in FY 2007 and \$54,000 in FY 2008 related to the Bill. The Utilities Division is financed by fees paid by utilities.

Sources

Fiscal Note for SF 390 (2005 Session)
Iowa Utilities Division
Legislative Services Agency

/s/ Holly M. Lyons

March 29, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
