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COMMERCE AND REGULATION

HOUSE FILE 2309  
BY HATCH

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

**A BILL FOR**

1 An Act relating to renewable energy, by providing for a renewable  
2 energy tax credit for alternative energy property, requiring a  
3 report on renewable energy by the utilities board, increasing  
4 the requirement for purchase of renewable energy by electric  
5 public utilities, and establishing a wind energy assistance  
6 fund, and providing for applicability and an effective date.

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

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HF 2309

1 Section 1. NEW SECTION. 15E.221 RENEWABLE ENERGY TAX  
2 CREDIT FOR PLACING ENERGY PROPERTY INTO SERVICE.

3 1. For tax years beginning on or after January 1, 2003, a  
4 renewable energy tax credit shall be allowed against the taxes  
5 imposed under chapter 422, divisions II, III, and V, and under  
6 chapter 432. An individual may claim the credit of a  
7 partnership, limited liability company, S corporation, estate,  
8 or trust electing to have income taxed directly to the  
9 individual. The amount claimed by the individual shall be  
10 based upon the pro rata share of the individual's earnings  
11 from the partnership, limited liability company, S  
12 corporation, estate, or trust.

13 2. The tax credit allowed under this section shall be for  
14 ten percent of the cost of energy property placed into service  
15 during a tax year. For purposes of this section, "energy  
16 property" means an alternate energy production facility or a  
17 small hydro facility, both as defined in section 476.42.

18 3. Any tax credit in excess of the taxpayer's liability  
19 for the tax year may be credited to the tax liability for the  
20 following years until depleted. A tax credit shall not be  
21 carried back to a tax year prior to the tax year in which the  
22 taxpayer redeems the tax credit.

23 4. A taxpayer seeking a tax credit under this section  
24 shall submit an application to the department of economic  
25 development for certification of eligibility for a tax credit.

26 5. The department of revenue and finance, in consultation  
27 with the department of economic development, shall develop a  
28 system for registration, authorization, and redemption of tax  
29 credits issued by the state under this section. The  
30 department of revenue and finance and the department of  
31 economic development shall adopt any other policies,  
32 procedures, or rules pursuant to chapter 17A necessary for the  
33 administration of this section and of tax credits issued by  
34 the state under this section.

35 Sec. 2. NEW SECTION. 422.11F RENEWABLE ENERGY TAX

1 CREDIT.

2 The taxes imposed under this division, less the credits  
3 allowed under section 422.12 and any other nonrefundable  
4 credit, shall be reduced by a tax credit as authorized  
5 pursuant to section 15E.221.

6 Sec. 3. Section 422.33, Code Supplement 2001, is amended  
7 by adding the following new subsection:

8 NEW SUBSECTION. 12. The taxes imposed under this division  
9 shall be reduced by a tax credit as authorized pursuant to  
10 section 15E.221.

11 Sec. 4. Section 422.60, Code 2001, is amended by adding  
12 the following new subsection:

13 NEW SUBSECTION. 4. The taxes imposed under this division  
14 shall be reduced by a tax credit as authorized pursuant to  
15 section 15E.221.

16 Sec. 5. NEW SECTION. 432.12A RENEWABLE ENERGY TAX

17 CREDIT.

18 The taxes imposed under this chapter shall be reduced by a  
19 tax credit as authorized pursuant to section 15E.221.

20 Sec. 6. Section 476.2, subsection 6, Code 2001, is amended  
21 to read as follows:

22 6. The board shall provide the general assembly with a  
23 report ~~on-the-energy-efficiency-planning-efforts-undertaken-by~~  
24 ~~utilities-required-to-offer-energy-efficiency-plans-pursuant~~  
25 ~~to-section-476-6,-subsection-17~~ providing an analysis of the  
26 costs and benefits of generating and transmitting electricity  
27 from renewable sources, and shall include a proposal for a  
28 formula for establishing a fair cost for transmitting  
29 electricity from renewable sources. The report shall be  
30 completed by January 1, ~~1998~~ 2003.

31 Sec. 7. Section 476.44, subsection 2, Code 2001, is  
32 amended to read as follows:

33 2. a. An electric utility subject to this division,  
34 except a utility which that elects rate regulation pursuant to  
35 section 476.1A, shall not be required to purchase, at any one

1 time, more than its scheduled percentage share of one-hundred  
2 five-megawatts-of-power its Iowa retail load from alternative  
3 energy production facilities or small hydro facilities at the  
4 rates established pursuant to section 476.43. The board shall  
5 ~~allocate-the-one-hundred-five-megawatts~~ make the allocations  
6 based upon each utility's percentage of the total Iowa retail  
7 peak demand, for the each year, beginning January 1, 1990, of  
8 all utilities subject to this section, based on the following  
9 schedule:

10 (1) Until January 1, 2002, two percent.

11 (2) Beginning January 1, 2004, four percent.

12 (3) Beginning January 1, 2006, seven percent.

13 (4) Beginning January 1, 2008, ten percent.

14 (5) Beginning January 1, 2010, fifteen percent.

15 (6) Beginning January 1, 2012, twenty percent.

16 b. If a utility undergoes reorganization as defined in  
17 section 476.76, the board shall combine the allocated  
18 purchases of power for each utility involved in the  
19 reorganization.

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

33 Sec. 8. NEW SECTION. 476.48 WIND ENERGY ASSISTANCE FUND.

34 1. A wind energy assistance fund is created in the state  
35 treasury under the control of the department of economic

1 development. Moneys deposited in the fund shall be used for  
2 providing no-interest or low-interest loans to small  
3 businesses, farms, and public facilities that build wind-  
4 generating capacity.

5 2. The wind energy assistance fund may receive moneys  
6 including, but not limited to, the following:

7 a. Moneys appropriated by the general assembly for the  
8 fund.

9 b. Contributions from customer utility bills under  
10 subsection 3.

11 c. Any other moneys available to, obtained, or accepted by  
12 the board for placement in the fund.

13 3. Each electric utility shall periodically notify its  
14 customers of the availability and purpose of the fund and  
15 provide them with forms on which they can authorize the  
16 electric utility to bill a contribution to the fund on a  
17 monthly basis. The board shall adopt rules pursuant to  
18 chapter 17A regarding such contributions.

19 4. Notwithstanding section 12C.7, subsection 2, interest  
20 or earnings on moneys deposited in the energy assistance fund  
21 shall be credited to the fund. Notwithstanding section 8.33,  
22 moneys remaining in the energy assistance fund at the end of a  
23 fiscal year shall not revert to the general fund of the state.

24 Sec. 9. EFFECTIVE AND APPLICABILITY DATES. Sections 1  
25 through 5 of this Act take effect January 1, 2003, for tax  
26 years beginning on or after that date.

27 EXPLANATION

28 This bill creates new sections in Code chapter 15E that  
29 provide for a renewable energy tax credit for businesses equal  
30 to 10 percent of the cost of energy property placed into  
31 service during the tax year. "Energy property" is defined to  
32 mean an alternate energy production facility or small hydro  
33 facility as defined in Code section 476.42, which encompasses  
34 solar, wind turbines, waste management, resource recovery,  
35 refuse-derived fuel, agricultural crops or residues, wood-

1 burning facilities, and hydroelectric facilities at a dam,  
2 including the related land, systems, buildings, improvements,  
3 and transmission or distribution facilities. Unused credits  
4 may be carried forward to future tax years. New Code sections  
5 and subsections are also added to various parts of Code  
6 chapters 422 and 432 to implement the tax credit. This part  
7 of the bill takes effect January 1, 2003, for tax years  
8 beginning on or after that date.

9 The bill amends Code section 476.2 to provide that by  
10 January 1, 2003, the utility board shall prepare for the  
11 general assembly an analysis of the costs and benefits of  
12 generating and transmitting electricity from renewable  
13 sources, and shall include a proposal for a formula for  
14 establishing a fair cost for transmitting electricity from  
15 renewable sources.

16 The bill amends Code section 476.44 to provide that the  
17 requirement for electric public utilities to purchase 105  
18 megawatts, or approximately 2 percent of their current Iowa  
19 retail load, from renewable sources, should increase gradually  
20 over the next 10 years, culminating in a 20 percent purchase  
21 requirement by 2012.

22 The bill creates new Code section 476.48, which creates a  
23 wind energy assistance fund to provide no-interest or low-  
24 interest loans to small businesses, farms, and public  
25 facilities that build wind-generating capacity. Money for the  
26 fund primarily will come from contributions from customers of  
27 electric utilities, but may also come from the general  
28 assembly and other sources. Interest earned by moneys in the  
29 fund remains in the fund, and moneys in the fund do not revert  
30 at the end of the fiscal year.

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