

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on January 31, 2001 in Room 231-N of the Capitol.

All members were present except: Senator Lee, excused

Committee staff present: Raney Gilliland, Legislative Research
Tom Severn, Legislative Research
Bruce Kinzie, Revisor of Statutes
Lisa Montgomery, Revisor of Statutes
Ann McMorris, Secretary

Conferees appearing before the committee: none

Others attending: See attached sheet

The committee reviewed drafts of conceptual bills as follows:

Irs 0727 - relating to natural gas public utilities; concerning performance-based ratemaking mechanism. Jim Clarity, attorney for Greeley Gas from Ottawa, explained the proposed amendments to KSA 2000 Supp. 66-117. This change would allow natural gas public utilities to file a PBRM which encourages the utilities to maximize its gas purchasing activities at minimum costs. It would also establish a predefined benchmark index and allows net incentive savings or costs to be shared by the utility's customers and the utility on an equal basis. Consensus of committee to take action.

Lrs0734 - providing for competitive bidding for certain power contracts. J.C. Long noted Aquilla industry requested this proposed legislation but he felt the language was not quite right and they would continue work and should have it ready within seven days.

Lrs0623 - Senate Concurrent Resolution urging the US government to establish a federal energy policy. Committee added in the "Be it further resolved" paragraph the American Association of Petroleum Geologists to receive an enrolled copy of the resolution. Consensus of committee to send it through.

Lrs0601 - change from Senate Resolution to Current Resolution (requested by Chair of House Utilities Committee Rep. Holmes). This is a resolution requesting all state agencies to lower the temperature setting in all state buildings to 66 degrees. Consensus of committee to send it through.

Lrs0597 - concerning reports of state agencies; amending K.S.A. 75-3048. Language changed so that reports not required by law to be sent all legislators, would be sent to secretary of the senate and chief clerk of the house with notice to each member of the legislature of the availability of such copies. Consensus of committee to send it through.

Lrs0596 - concerning certain electric generation facilities; relating to regulation and taxation thereof. J.C. Long, Utilicorp United, explained this bill changes the definition of public utilities to exclude merchant power plants which changes their tax rate from 33% to 25%.

Lrs0700 - concerning the Kansas air quality act; relating to permits. JC Long encouraged the change in time frame for air quality control permits from 18 months to 184 days after receipt of a completed application. Some language needed in section (i) to coordinate this change. Bill should be ready for introduction in seven days.

Moved by Senator Brownlee, seconded by Senator Tyson, the following conceptual bills be introduced as amended - Irs0727, Irs0623, Irs0601, Irs0597, Irs0596. Motion carried.

Chair Clark provided the committee with a copy of the Energy Efficient Technology Tax Act from which alternate energy people requested a bill be drafted. This bill would provide for a number of tax credits for energy efficiency. (Attachment 1)

Moved by Senator Brownlee, seconded by Senator Tyson, introduction of conceptual bill on tax credits for energy efficiency. Motion carried.

Chair Clark reported on a request for a bill regarding setback on hog facilities to change distances from hog facilities for people to same as birds; also to add a provision for people and municipal drinking water wells with the same setback to apply..

Moved by Senator Tyson, seconded by Senator Wagle, introduction of conceptual bill on setback on hog facilities. Motion carried.

Chair asked if there were any other bills to be considered for introduction. None reported. He noted all bills have been worked except lrs0734 and lrs0700.

Next meeting of the committee will be on February 1, 2001.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 1

Energy Efficient Technology Tax Act

640.800 : Definitions

640.810 : Tax credits for energy efficiency features in low-rise homes and residential units.

640.815 : Tax credits for energy efficiency features in commercial buildings and NON low-rise residential units.

640.820: Tax credits for residential solar electric generating equipment;

640.825 : Tax credits for residential and commercial renewable energy equipment;

640.835 : Effective date, annual cap, rule making

640.800 : Definitions

As used in sections 640.800 to 640.835, the following terms mean:

1. Energy efficiency improvements – means improvements made to a building related to the building envelope, heating and cooling and ventilation system(s) and lighting system(s). This includes, but is not limited to adding insulation, caulking, sealing of air ducts, purchase and installation of higher efficiency heating and cooling devices, energy management systems, lighting systems and controls, daylighting, or elements of a passive solar building design. Improvements in the efficiency of work-related processes or machinery are not eligible.
2. Certified home energy rating technician – means a person certified to conduct home energy audits by a home energy rating system recognized by national secondary home mortgage lenders.
3. Commercial building – means buildings occupied for assembly, business, education, institutions, merchants, and storage that use energy primarily to provide human comfort.
4. Department – means the Missouri Department of Natural Resources
5. Eligible customer-generator – as used in section 640.830, means a customer who owns and operates an electrical generating facility with a capacity of not more than 100 kilowatts powered by renewable energy, as defined by the Department of Natural Resources by rule per this section, that is located on the customer's premises, and is intended primarily to offset part or all of the customer's own electricity requirements.
6. Low rise residence — means one family, and multi-family residential structures three stories or less in height.
7. Non-low rise residence –means a residential structure with more than three stories.
8. Renewable energy – means usable energy recovered from solar, wind, biomass, and other sources as the Department of Natural Resources may promulgate by rule.
9. Residential Unit – means a structurally distinct single-family home, or a dwelling area within a building containing multiple single-family dwelling areas, such as one apartment in an apartment building or a single condominium unit in a condominium development.
10. Solar electric generating equipment- means equipment which, when installed at a residence, uses solar energy for the purpose of generating electricity for use in such residence.

640.810 Tax credits for energy efficiency features in low-rise homes and residential units.

1. The provisions of chapter 143, RSMo, notwithstanding, a credit of twenty five percent of documented costs up to a total credit of \$2,000 per home or residential unit in a multi-family structure located in Missouri, may be granted against Missouri taxable income for energy efficiency improvements purchased and implemented after the effective date of this section.
2. To be eligible for this credit, energy efficiency improvements implemented in an existing residential unit must result in at least a twenty-five percent home energy usage savings over the pre-improvement home energy usage as determined by a certified home energy rating technician.
3. This credit may also be granted for that portion of the cost of a new residential unit located in Missouri as attributable to energy efficiency improvements which exceed the requirements of the latest edition of the Model Energy Code as revised in the International Code Council's International Residential Code, so long as the residential unit is determined by a certified home energy rating technician to exceed the energy efficiency levels of a like home built to the above referenced standards by thirty percent or more.
4. A one-time additional credit of up to \$250 per residential unit toward the documented cost of services of a certified home energy rating technician is allowed in conjunction with the credit earned through purchase and implementation of energy efficiency improvements. The Department may determine eligible costs for multiple residential units located within one residential structure.
5. The Department of Natural Resources is to review applications for this tax credit to determine if applications for energy efficiency improvements credits have been verified by properly certified home energy rating technicians. Once such assurances are completed, the Tax Credit Certificate will be sent to the taxpayer, and a duplicate will be forwarded to the Department of Revenue.

640.815 Tax credits for energy efficiency features in commercial buildings and non low-rise residential units.

1. The provisions of chapter 143, RSMo, notwithstanding, a credit of twenty five percent of documented costs up to a total credit of \$250,000 per eligible building located in Missouri may be granted against Missouri taxable income for energy efficiency improvements purchased and implemented after the effective date of this section. To be eligible for this credit energy efficiency improvements implemented in an existing NON-low rise residential building or commercial building located in Missouri must result in at least a twenty five percent energy usage savings as determined by use of such nationally recognized energy analysis process as designated by the department.
2. This credit may also be granted for that portion of the cost of an eligible new NON low-rise residential or commercial building located in Missouri as attributable to energy efficiency measures which exceed the requirements of the latest edition of the applicable building energy code as revised in the International Code Council's International Energy Conservation Code, if it is determined by a licensed professional architect or engineer that the building exceeds the energy efficiency levels of a like building built to the above referenced standards by thirty percent or more.
3. Identification and verification of energy efficiency improvements and the resulting reduction in energy use for existing and new buildings must be performed through a technical energy study conducted by a licensed professional architect or engineer.

4. A one-time additional credit per non low-rise residential or commercial building is allowed toward the cost of the technical energy study performed by a licensed professional architect or engineer. The additional credit shall not exceed \$50,000 or 10 percent of the total cost of the energy efficiency improvements, whichever is less. The Department may determine eligible costs for multiple residential units located within one residential structure.

5. The department is to review applications for this tax credit to determine if energy efficiency improvements have been implemented consistent with plans approved by the department and verified by a Missouri licensed professional engineer or architect according to nationally accepted protocols approved by the department. The department shall have final authority in approving technical energy studies. Once such assurances are completed, the Tax Credit Certificate will be sent to the taxpayer, and a duplicate will be forwarded to the Department of Revenue.

640.820: Tax credits for residential solar electric generating equipment; eligibility ; contents.

1. General. An individual taxpayer shall be allowed a credit of up to three-thousand, seven hundred and fifty dollars (\$3,750) against the tax imposed by chapter 143 RSMo, equal to twenty-five percent of qualified solar electric generating equipment expenditures.

2. Qualified solar electric generating equipment expenditures.

a. For expenditures related to the installation of solar electric generating equipment to be eligible for the tax credits authorized by this section, the following conditions must be met:

- i. the owner of the residence has submitted plans and specifications, and expected costs, as described by the department,
- ii. the plans and specifications, have been approved by the department,
- iii. no expenditures for the purchase or installation of the solar electric generating equipment have been incurred prior to the department's approval of the plans and specifications,
- iv. the solar electric generating equipment is installed on the owner/taxpayer's residential property,
- v. such component reasonably can be expected to remain in use for at least 5 years,
- vi. the property is located in Missouri,
- vii. the property is used by the taxpayer as his or her principal residence at the time the solar electric generating equipment is placed in service,
- viii. upon completion of the installation, on a form specified by the department, the taxpayer is to submit to the department a notice of completed installation providing information on the solar electric generating equipment, as installed, including documentation of the qualified expenditures eligible for the tax credit, and
- ix. based on a review of the notice of completion, the approved plans and specifications, and other verification that may be deemed necessary by the department, the department will issue to the taxpayer a Tax Credit Certificate that specifies the dollar amount of the tax credit the taxpayer can claim on tax liabilities within the limitations of 640.835. The department will send an official copy of the Tax Credit Certificate to the Department of Revenue.

- b. Expenditures eligible for this tax credit cannot exceed the number of watts included in the rated capacity of the solar electric generating equipment multiplied by six dollars (\$6.00) multiplied by 0.25 (twenty-five percent).
 - c. The portion of the qualified expenditures that can be claimed as a tax credit cannot exceed \$3,750 (three thousand seven hundred and fifty dollars).
 - d. Qualified expenditures include expenditures for materials, labor costs properly allocable to on-site preparation, assembly and original installation, architectural and engineering services, and designs and plans directly related to the construction or installation of the solar electric generating equipment.
 - e. Such qualified expenditures shall not include interest or other finance charges.
3. Multiple taxpayers. Where solar electric generating equipment is purchased and installed in a principal residence shared by two or more taxpayers, the amount of the credit allowable under this subsection for each such taxpayer shall be prorated according to the percentage of the total expenditure for such solar electric generating equipment contributed by each taxpayer.
4. Grants. For purposes of determining the amount of the expenditure incurred in purchasing and installing solar electric generating equipment, the amount of any federal, state or local grant received by the taxpayer, which was used for the purchase and/or installation of such equipment and which was not included in the federal gross income of the taxpayer, shall not be included in the amount of such expenditures.
5. When credit allowed. The credit provided for herein shall be allowed with respect to the taxable year, commencing after December 31, 2000 in which the solar electric generating equipment is placed in service.

640.825 Tax credits for residential and commercial renewable energy equipment; eligibility; contents.

- 1. General.
 - a. An individual taxpayer shall be allowed a credit of up to two thousand dollars (\$2,000) against the tax imposed by chapter 143 RSMo, equal to twenty-five percent (25%) of qualified renewable energy equipment expenditures.
 - b. A business taxpayer shall be allowed a credit of up to two hundred fifty thousand dollars (\$250,000) against the tax imposed by chapter 143 RSMo, equal to thirty-five percent (35%) of qualified renewable energy equipment expenditures.
- 2. Qualified renewable energy equipment expenditures.
 - a. For expenditures related to the installation of renewable energy equipment to be eligible for the tax credits authorized by this section, the following conditions must be met:
 - i. the owner has submitted plans and specifications, and expected costs, as described by the department,
 - ii. the plans and specifications, have been approved by the department,
 - iii. no expenditures for the purchase or installation of the renewable energy equipment have been incurred prior to the department's approval of the plans and specifications,
 - iv. the renewable energy equipment is installed on the owner/taxpayer's property,

- v. such component reasonably can be expected to remain in use for at least 5 years,
- vi. the property is located in Missouri,
- vii. upon completion of the installation, on a form specified by the department, the taxpayer is to submit to the department a notice of completed installation providing information on the renewable energy equipment, as installed, including documentation of the qualified expenditures eligible for the tax credit, and
- viii. based on a review of the notice of completion, the approved plans and specifications, and other verification that may be deemed necessary by the department, the department will issue to the taxpayer a Tax Credit Certificate that specifies the dollar amount of the tax credit the taxpayer can claim on tax liabilities within the limitations of 640.835. The Department will send an official copy of the Tax Credit Certificate to the Department of Revenue.

b. For individual income taxpayers, expenditures eligible for this tax credit cannot exceed eight thousand dollars (\$8,000). When multiplied by a tax credit rate of 0.25, (twenty five percent), yielding a maximum tax credit of two thousand dollars (\$2,000).

c. For business taxpayers, expenditures eligible for this tax credit cannot exceed seven hundred fourteen thousand, two hundred eighty five dollars (\$714,285). When multiplied by a tax credit rate of 0.35, (thirty five percent), yielding a maximum tax credit of two hundred fifty thousand dollars (\$250,000).

d. Qualified expenditures include expenditures for materials, labor costs properly allocable to on-site preparation, assembly and original installation, architectural and engineering services, and designs and plans directly related to the construction or installation of the solar electric generating equipment.

e. Such qualified expenditures shall not include interest or other finance charges.

3. Multiple taxpayers. Where renewable energy equipment is purchased and installed in a building owned by two or more taxpayers, the amount of the credit allowable under this subsection for each such taxpayer shall be prorated according to the percentage of the total expenditure for such renewable energy equipment contributed by each taxpayer.

4. Grants. For purposes of determining the amount of the expenditure incurred in purchasing and installing renewable energy equipment, the amount of any federal, state or local grant received by the taxpayer, which was used for the purchase and/or installation of such equipment and which was not included in the federal gross income of the taxpayer, shall not be included in the amount of such expenditures.

5. When credit allowed. The credit provided for herein shall be allowed with respect to the taxable year, commencing after December 31, 2000 in which the renewable energy equipment is placed in service.

640.835: Effective date, rule making, annual cap, longevity of tax credits.

1. The tax credits allowed by sections 640.800 to 640.835. shall be claimed by the taxpayer at the time such taxpayer files a return, with a copy of the Tax Credit Certificate(s) attached.

2. The Director of the Department may promulgate rules and regulations to administer the provisions of sections 640.800 to 640.835. No rule or portion of a rule promulgated pursuant to

the authority of this section shall become effective unless it has been promulgated pursuant to the provisions of chapter 536, RSMo.

3. The provisions of sections 640.800 to 640.835 shall become effective on January 1, 2001, and shall apply to all taxable years beginning after December 31, 2000.

4. Beginning January 1, 2001, tax credits shall be allowed pursuant to sections 640.800 to 640.835 in an amount not to exceed twenty million dollars per year.

5. If the amount of the credit, allowable under sections 640.800 to 640.835 exceed the taxpayer's tax for such year, the excess amount may be carried over to the five taxable years following the taxable year the credit is allowed and may be deducted from the taxpayer's tax for such year or years.

Net metering amendment to Energy Efficient Technology Tax Act bill

640.800 Definitions

Eligible customer-generator – as used in section 640.830, means a customer who owns and operates an electrical generating facility with a capacity of not more than 100 kilowatts powered by renewable energy, that is located on the customer's premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer's own electricity requirements.

Net energy metering – means measuring the difference between the electricity supplied by the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over an annual billing period.

640.830 Net Metering by small electrical customer-generators.

1. The legislature finds and declares that a program to provide net energy metering for eligible customer-generators is one way to encourage private investment in renewable energy resources, stimulate in-state economic growth, enhance the continued diversification of the state's energy resource mix, and reduce interconnection and administrative costs.
2. Net energy metering shall be accomplished using a single meter, capable of registering the flow of electricity in two directions. An additional meter or meters to monitor the flow of electricity in each direction may be installed with the consent of the customer-generator, provided that it is not at the expense of the customer-generator. If an additional meter or meters are installed, the net energy metering calculation shall yield the same result as when a single meter is used. The net energy metering calculation shall be made by taking the difference between the electricity supplied by the electric grid and the electricity generated by the eligible customer-generator and fed back to the electric grid over an annual billing period.
3. A standard contract or tariff providing for net energy metering shall be developed and made available to eligible customer-generators on a first-come, first-served basis until the time that the total rated generating capacity owned and operated by eligible customer-generators, statewide, equals 10,000 (ten-thousand) kilowatts or 0.1% percent of the state's peak electricity demand forecast for 2000, whichever is less.
4. At the start of the legislative session that begins after the 5th anniversary of the effective date of this section, the Missouri Public Service Commission, in consultation with the Department, is to prepare and submit to the President Pro Tem of the Senate, and the Speaker of the House, a report on Missouri's experience with net metering, and offer recommendations regarding the appropriateness of increasing the cap on net metering enacted by this subsection.
5. Each eligible customer-generator, as defined in 640.805, and meeting the criteria of subsection 3 shall be entitled to net energy metering, under the following conditions:
 - a. Each net energy metering contract or tariff shall be identical, with respect to energy rates, rate structure, monthly charges and interconnection standards, to the contract or tariff to which the same customer would be assigned if such customer was not an eligible customer-generator.
 - b. Any new or additional "demand," "stand-by," "customer," "minimum monthly," or other charges that would serve to increase an eligible customer-generator's minimum monthly charge to an amount greater than that of other customers in the rate class to which the eligible customer-generator would otherwise be assigned are contrary to the intent of this legislation, and shall not form a part of net energy metering contracts or tariffs.

6. The period during which the net energy measurement is calculated shall be annualized. The following provisions shall apply to the annualized net energy measurement:
 - a. The net energy produced or consumed on a monthly basis shall be measured in accordance with normal metering practices.
 - b. Where the electricity supplied by the electric grid exceeds the electricity generated by the customer-generator during the month, the customer-generator shall be billed for the net energy supplied in accordance with subsection 4.
 - c. Where the electricity generated by the customer-generator exceeds the electricity supplied by the electric grid, the customer-generator shall be credited for the excess kilowatt hours generated in accordance with subsection 4. This kilowatt hour credit shall appear on the next monthly bill.
 - d. At the end of the annual period, any remaining unused credit for the excess kilowatt hours generated by the customer-generator during the prior year shall be purchased by the local utility or distribution company at its avoided cost.
7. Renewable energy electric systems used by customer-generators shall meet all applicable safety and power quality and interconnection codes and standards.
8. The Missouri Public Service Commission may adopt, by regulation, standardized additional control and testing requirements for eligible customer-generators that the Commission determines are necessary to protect public safety and system reliability.
9. An electric utility may not require an eligible customer-generator whose renewable energy electric system(s) meet the standards of paragraphs 7 and 8 of this subsection to install additional controls, perform or pay for additional tests or purchase additional liability insurance.

HB2 129

Creates income tax credits designed to promote the use of renewable energy and the conservation of energy.

Sponsor:	<i>McLuckie, Steve (44)</i>	Effective Date:	00/00/0000
CoSponsor:	<i>Bray, Joan (84)</i>	LR Number:	4690L.011
Last Action:	COMMITTEE: <u>WAYS AND MEANS</u>		
	04/11/2000 - Executive Session Held (H)		
	VOTED DO PASS		
	HB2129		
Next Hearing:	Hearing not scheduled		
Calendar:	Bill currently not on calendar		

<u>ACTIONS</u>	<u>HEARINGS</u>	<u>CALENDAR</u>
<u>BILL SUMMARIES</u>	<u>BILL TEXT</u>	<u>FISCAL NOTES</u>
<u>BILL SEARCH</u>	<u>HOUSE HOME PAGE</u>	

Available Bill Summaries for HB2129 Copyright(c)
* Introduced

Available Bill Text for HB2129
***** NO BILL TEXT AVAILABLE AT THIS TIME *****

BILL SUMMARIES

INTRODUCED

HB 2129 -- Renewable Energy

Co-Sponsors: McLuckie, Bray

Beginning January 1, 2001, this bill establishes several income tax credits for installing equipment that generates electricity from renewable energy sources and for making improvements that increase energy efficiency. All credits are non-refundable and may be carried forward for up to 5 years.

Homeowners may apply for a credit of the lesser of \$3,750 or 25% of the costs of installing solar electric generating equipment in their principal residence, or a credit of the lesser of \$2,000 or 25% of the costs of installing electric generating equipment that uses energy from renewable sources in their principal residence. Business owners are eligible for a credit of the lesser of \$250,000 or 35% of the costs of installing electric generating equipment that uses energy from renewable sources. To claim these credits, the applicant must submit

plans to the Department of Natural Resources (DNR) before installation, including proof that the equipment is expected to remain in use for at least 5 years, and file a second application with DNR upon project completion, including proof that the building will remain in use as a principal residence or business.

Homeowners are also eligible for a credit of the lesser of \$2,000 or 25% of the costs of making improvements in heating, cooling, lighting, insulation, or other systems that increase the energy efficiency of their principal residence. The improvements must increase the efficiency of an existing residence by at least 25% or, for a new residence, exceed the requirements of the latest Model Energy Code by at least 30%, as determined by a certified home energy rating technician. Single family homes and individual residences in multi-dwelling structures are eligible. To claim this credit, homeowners must submit an application to DNR with certification of the efficiency improvements. Those who qualify for this credit may also apply for a one-time credit of the lesser of \$250 or the costs of the services of a certified home energy rating technician.

Owners of commercial buildings and residential structures of more than 3 stories are eligible for a credit of the lesser of \$2,000 or 25% of the costs of improvements in heating, cooling, lighting, insulation, or other systems that increase the energy efficiency of an existing structure by at least 25%, as determined by a nationally recognized energy analysis process, or, for a new structure, exceed the requirements of the latest applicable building energy code by at least 30%, as determined by a licensed professional architect or engineer. To claim this credit, owners must submit an application to DNR with verification of the efficiency improvements. Those who qualify for this credit may also apply for a one-time credit of the lesser of \$50,000 or 10% of the costs of a technical energy study by an architect or engineer.

The bill also requires electric service companies to provide two-directional net energy metering to customers with electric generating systems that are powered by renewable energy sources and capable of producing no more than 100 kilowatts. A standard net metering contract must be approved by the Public Service Commission and allow customers to feed excess electricity back into the power grid to offset consumption costs over an annual billing period. Net metering will be provided on a first-come, first-served basis until statewide capacity equals the lesser of 10,000 kilowatts or 10% of the state's peak electricity demand. By January 1, 2006, the commission, in consultation with DNR, must submit a progress report to the General Assembly and the Governor and offer recommendations on increasing the amount of allowable net metering.