

HCS HB 613 -- RENEWABLE ENERGY ACT

SPONSOR: Holsman

COMMITTEE ACTION: Voted "do pass" by the Special Standing Committee on Renewable Energy by a vote of 10 to 0.

This substitute establishes the Renewable Energy Act and repeals the Renewable Energy Standard enacted by Proposition C in 2008. In its main provisions, the substitute:

(1) Requires an electric utility to own or purchase new renewable energy generation that is either owned by Missouri electric utilities or contracted to provide service to Missouri customers totaling no less than the following nameplate amounts:

(a) A utility with \$2.3 billion or more total retail Missouri revenues as of December 31, 2010, must produce 110 megawatts by December 31, 2013; 210 megawatts by December 31, 2015; 310 megawatts by December 31, 2018; and 410 megawatts by December 31, 2020;

(b) A utility with at least \$730 million but no more than \$2.29 billion must produce 70 megawatts by December 31, 2013; 170 megawatts by December 31, 2015; and 195 megawatts by December 31, 2020; and

(c) A utility with at least \$708 million but no more than \$2.29 billion must produce 20 megawatts by December 31, 2015; 120 megawatts by December 31, 2018; and 145 megawatts by December 31, 2020;

(2) Specifies that these renewable energy generation requirements will be reduced by 5% for every dollar by which the levelized cost of energy exceeds \$70 per megawatt hour adjusted annually for inflation according to the federal Consumer Price Index;

(3) Prohibits an electric utility from billing a customer in certain situations more than 1% above what the billing would have been without the renewable energy requirements;

(4) Imposes a penalty of \$2,000 per day for a utility's failure to meet the renewable energy standards which must be distributed to the public schools under Section 7, Article IX, of the Missouri Constitution. The penalty will be waived if failure to comply with the standards was due to events beyond the reasonable control of the utility that could not have been mitigated;

(5) Specifies that any requirement enacted by the United States

Congress regarding renewable energy that is stricter than the requirements established in the substitute must preempt the provisions of the substitute;

(6) Allows the use of wood biomass technologies to meet the renewable energy requirements as specified in the substitute;

(7) Specifies the percentage goals that a utility must make a good faith effort to achieve when generating or purchasing renewable energy and requires at least 2% of each goal be derived from solar energy;

(8) Requires an electric utility to provide financial incentives to customers who wish to produce new renewable energy generation from solar power and interconnect to the existing power grid allowing customers to utilize systems of up to 100 kilowatts as follows:

(a) A utility with \$2.3 billion in Missouri revenues must provide up to a maximum of \$13 million in 2012 and 2013; up to a maximum of \$7 million annually from 2014 through 2017; and up to a maximum of \$2 million annually from 2018 through 2020;

(b) A utility with Missouri revenues of at least \$730 million but no more than \$2.29 billion must provide up to a maximum of \$2.5 million in 2012 and 2013; up to a maximum of \$2.25 million annually from 2014 through 2017; and up to a maximum of \$1.5 million annually from 2018 through 2020;

(c) A utility with Missouri revenues of at least \$708 million but no more than \$2.29 billion must provide up to a maximum of \$2.5 million in 2012 and 2013; up to a maximum of \$2.25 million annually from 2014 through 2017; and up to a maximum of \$1.5 million annually from 2018 through 2020; and

(d) A utility with Missouri revenues of at least \$350 million but no more than \$649 million must provide up to a maximum of \$1.5 million in 2012 and 2013; up to a maximum of \$1 million annually from 2014 through 2017; and up to a maximum of \$500,000 annually from 2018 through 2020;

(9) Specifies that a net-metered customer will be eligible for up to \$3 per watt for the first 25 kilowatts of solar generation installed and \$2 per watt for up to an additional 25 kilowatts of solar generation installed for a maximum incentive not to exceed 50 kilowatts. The financial incentive to install solar generation cannot exceed 60% of the total installed cost of solar generation in 2012 and 2013; 50% in each year from 2014 through 2017; and 40% in each year from 2018 through 2020;

(10) Specifies that a utility has no obligation to provide incentives after the 10-year period expires and will retain ownership of any renewable energy credits generated up to 50 kilowatts by solar generation during the 10-year period where financial incentives were paid to customers. After that period, the renewable energy credits will belong to the net-metering customer owning the generation. By accepting incentives, a customer must provide a metering system to measure output from his or her system. A customer who installed a system that became operational after 2009 but prior to January 1, 2012, will receive at least a \$2 per watt standard rebate offer. This rebate will not apply to any utility with Missouri revenues of at least \$350 million but no more than \$649 million;

(11) Requires a utility with Missouri revenues of \$2.3 billion or more to provide up to a maximum of \$500,000 in 2012, 2013, and 2014 as financial incentives to a net-metering customer installing nonsolar renewable energy generation systems of up to 100 kilowatts. The customer will be eligible for up to \$1 per watt rebate for energy produced from these systems;

(12) Allows a utility to file a petition and proposed tariff with the Missouri Public Service Commission to recover the full costs of implementing the renewable energy standards. A tariff change cannot extend beyond five years unless the utility has filed for or is the subject of a new general rate proceeding before the commission. The criteria for determining the costs and expenses of a utility in complying with the requirement as well as the information that must be provided to the commission in the form of a petition for a proposed tariff are specified in the substitute. If the commission finds that a petition complies with the requirements of the substitute, it will enter an order authorizing the utility to impose a tariff sufficient to recover appropriate pretax revenue. A utility may change its tariff no more than twice every 12 months. The tariff provisions of the substitute will not alter the process for a general rate case or limit the authority of the commission with regard to general rate cases. The commission retains full authority to review rates for reasonableness and prudence under Section 386.390, RSMo;

(13) Requires a utility, beginning October 1, 2011, and by June 30 of each succeeding year to submit a compliance plan to the commission documenting the utility's plan for meeting the renewable energy requirements for at least the following three years. A compliance report documenting the utility's progress in meeting the requirements must also be submitted beginning April 15, 2013, and for each succeeding calendar year;

(14) Requires a utility to recover costs and expenses for implementing the renewable energy requirements in accordance with

the provisions of the substitute without regard to the Missouri Public Service Commission's Agreement and Order number EO-2005-0329; and

(15) Allows an electric utility that is owned by the same holding company and operated commonly to reallocate the commitments between the utilities as long as the overall commitment is maintained.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters say that the bill will clarify existing laws regarding renewable energy requirements. Giving incentives for renewable energy will help it become a cost-saving option. Solar energy will create many jobs in Missouri. Biomass is also a growing industry in Missouri that will provide economic growth. Citizens showed their support for renewable energy by voting for small and reasonable increases in electricity costs to encourage the use of renewable energy.

Testifying for the bill were Representative Holsman; P.J. Wilson, Renew Missouri; Jeff Reinkemeyer; Bill Flake; Joe Maxwell; Henry Rentz; Jason Parker; and Eric Swillinger.

OPPOSERS: Those who oppose the bill say that the laws must be modified to reduce costs to consumers for complying with the energy standards. Allowing certain interpretations of Proposition C to prevail will result in double-digit increases in electricity costs by 2020. If full cost recovery for utilities is not allowed, investments in utilities will decrease and their financing will be threatened. Industrial users of electricity cannot afford any substantial increases in electricity costs due to the highly competitive nature of the manufacturing industry and the need to compete with cheap, foreign labor.

Testifying against the bill were Missouri Energy Development Association; AmerenUE; Rubacker and Associates; Kansas City Power and Light; Empire District Electric Company; and Associated Industries of Missouri.