

Renewable Energy Standard; Property Tax Exemption; House Sub. for SB 91

House Sub. for SB 91 replaces the renewable energy portfolio requirements with a voluntary renewable energy goal, reduces the lifetime property tax exemption to ten years for new renewable resources after December 31, 2016, and excludes individuals or companies that generate electricity from renewable resources at wholesale only from the definition of public utility.

Renewable Energy Goal

The bill establishes the following renewable energy standard for Kansas, as of January 1, 2016: a voluntary goal that 20 percent of a utility's peak demand within the state be generated from renewable energy resources by the year 2020. The bill also declares it is in the public interest to promote renewable energy development in order to best utilize the abundant natural resources found in the state.

On January 1, 2016, the voluntary goal will replace the current renewable energy portfolio standard that requires affected utilities to achieve net renewable generation capacity equal to at least 20 percent of the utility's peak demand by the year 2020, either by generating or purchasing electricity from renewable resources or by purchasing renewable energy credits. The portfolio standard also sets intermediate standards to be achieved for the years 2011 through 2015 (10 percent) and the years 2016 through 2019 (15 percent).

The bill continues all rules and regulations of the Kansas Corporation Commission (KCC) in effect on June 30, 2015, that allow a utility to recover costs incurred to meet the renewable portfolio standard (RPS). In addition, the KCC will be required to allow affected utilities to recover reasonable costs that have been:

- Committed to be incurred to comply with the RPS prior to its repeal; or
- Incurred as a result of meeting the 20 percent goal. The bill also specifies nothing in the Act shall be construed to impair any existing contracts, leases, or agreements.

The bill repeals statutes related to the mandate that required the KCC to promulgate rules and regulations to do the following: establish renewable portfolio requirements, calculate and report the statewide retail rate impact of the portfolio requirements, set penalties for violations of portfolio requirements, and establish a certification process for use of renewable energy resources. The bill also deletes definitions specific to the existing mandate.

Changes to Property Tax Exemption

The bill provides a property tax exemption for the life of property that is actually and regularly used to generate electricity using renewable energy resources or technologies if the facility files an application for an exemption or received a conditional use permit on or before December 31, 2016.

After December 31, 2016, exemptions granted for property primarily used for wholesale sale of renewable energy resources for which applications were filed after December 31, 2016, will be limited to ten years.

The bill amends a law governing certain property tax exemptions to state an electric generation facility used predominantly to produce and generate electricity utilizing renewable energy resources or technologies will not qualify for a commercial and industrial machinery property or *ad valorem* tax exemption.

Definition of Public Utility for Property Tax Classification

The bill specifically excludes from the definition of public utility any entity to the extent that its activities or facilities generate, market, or sell electricity at wholesale only, has no retail customers, and is produced and generated using renewable energy resources or technologies.