

Proposed Renewable Energy Legislation in the 2006 Session

Presentation for the
Legislative Finance Committee

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CCAIE and New Energy Economy

- CCAIE formed in 1997 to facilitate the development of clean energy and related economic growth in New Mexico.
- We work closely with the NM Legislature, the Administration, and PRC, and also utility companies (PNM, Co-ops, etc), renewable energy businesses, and a broad range of constituents in rural and urban communities statewide.
- We provide policy analysis and information to State Government and the General Public.

Proposed Legislation

(Summary of 4 bills)

- Solar Market Incentive
- (Two) Modifications to the existing Renewable Energy Production Tax Credit
- Establish a Renewable Energy Transmission and Storage Authority
- Continuation of Support for the NM Clean Energy Grants Program

Solar Market Incentive

- Creates a Personal Income Tax Credit for homeowners who install solar electric or solar heating systems.
- Average costs for solar hot water systems are \$5K, and \$20K for a large solar heating system or photovoltaic (solar electric) systems.

Domestic Solar Hot Water



Grid-tied Solar Electricity (PV)



Solar Market Incentive (cont'd)

- Proposed Credit would equal 30% of System Cost, minus any Federal Credit, and also capped at \$7K.
 - State Credit will therefore *leverage & extend* federal dollars.
 - State Credit is also designed to leverage PNM's proposal at the PRC to buy solar electric kilowatt-hours from home owners.
- Examples:
 - (A) System Cost less than \$6666: Federal Credit covers completely with *no impact to state*.
 - (B) System Cost is \$15,000: Federal Credit is \$2000, State Credit is \$3000 (30% of \$15K minus \$2000).

Solar Market Incentive (cont'd)

- Taxpayer carries over credits for up to 5 years if their liability is too small to absorb the full credit value.
- Proposed fiscal impact cap of \$3M/year;
 - \$2M/yr for solar electric systems (photovoltaic)
 - \$1M/yr for solar heating systems (hot water, hot air)
 - Unused portion of total budget carried over to subsequent year.
- Benefits to the State of the Proposed Incentive:
 - Job creation: Extending federal credits is key to providing *certainty* for New Mexico's rapidly developing solar industry
 - Estimated \$100+ million in economic development
 - Consumer relief from high energy prices
 - Environmental benefits

Solar Market Incentive (cont'd)

- Quality assurance provisions:
 - State will certify components, installers, and monitor and verify performance.
 - Credit level is limited (to 30%) to discourage unscrupulous installers and substandard components.
 - Today's solar products and installation methods are now very high quality compared to 1980's equipment.
 - New Mexico solar companies, both locally owned and international, rank among the best in the World: Advent, Unirac, Matrix, Direct Power & Water, WattSun, Sacred Power, Conergy (Dankoff), Zomeworks, Postive Energy, Cedar Mountain Solar, Affordable Solar, Energy Concepts, Enhancement Electronics, Valverde Energy, etc. 7

Solar Market Incentive (cont'd)

- Richardson Administration has announced its support of the proposed Solar Market Incentive Bill for the 2006 Session.
- A recent state-wide scientific poll by Sanderoff & Sons found 89% of the public supports a solar tax credit, independent of location, political affiliation, etc.
- Many (over 30) states have some kind of solar incentive program. Some use rebates, some use tax incentives. A great resource for information on state renewable energy incentives of all types can be found at www.DSIREusa.org.

Modifications to the Renewable Energy Production Tax Credit

- Decrease eligibility threshold from 10 megawatts to 1 megawatts:
 - Will assist smaller rural wind projects (see Outlook article)
- Increase credit from \$.01 to \$.02/kWh for solar
 - Will help spur development of (large scale) concentrating solar power

Continued Funding for the Clean Energy Grants Program

- Very successful program administered by the Energy & Minerals Department.
- Funded at \$2M (2004) and \$3M (2005).
- Funds clean energy projects by Municipalities, Tribes, Schools, and other States agencies.
- Excellent project track record.
- Proposed Funding: \$3M/year, re-occurring for ten years.

Establish Renewable Energy Transmission and Storage Authority

- Quasi-Government Authority, that can:
 - Plan, partially bond, and acquire access, for new renewable energy related transmission lines.
 - Facilitate development of energy storage projects (compressed air, hydrogen, etc).
- Authority appointments:
 - 2 Legislative, 3 Gubernatorial
 - Legislative oversight committee
- Authority Limitations:
 - New Mexico needs come first
 - Projects must carry at least 30% renewable energy
 - Any rate related impacts subject to PRC oversight.