



The TREIA Newsletter

Texas Renewable Energy Industries Association

May 1985

Extension resolution

Representative Tommy Adkisson (San Antonio) and Senator Ted Lyon (Rockwall) recently introduced a **TREIA-supported joint resolution encouraging extension of the Federal renewable energy tax credits.**

The resolution is an important message to Washington, and TREIA urges you to contact your State legislators now to secure their support when voting takes place.

CONCURRENT RESOLUTION

WHEREAS, the United States Congress has recognized the importance and beneficial aspects of renewable energy and conservation in the past, and has previously created incentives for accelerating the adoption of renewable energy technologies and conservation; and

WHEREAS, the Federal renewable energy and conservation tax incentives will expire under current law if not extended by January of 1986; and

WHEREAS, renewable energy comprises only 9% of the U.S. Department of Energy's 1985 energy research, development and demonstration budget, compared to 57% for nuclear fission and fusion; and

WHEREAS, the Department of Energy reports that from 1975 to 1984 renewable energy sources produced \$39 billion of energy, while using Federal funds of only \$2 billion in tax credits and \$4 billion in research and development; and

WHEREAS, Texas is richly abundant in the renewable energy sources including solar and wind energy, and agricultural resources which can be converted to useful energy; and

WHEREAS, the widespread adoption of renewable energy technologies and conservation in Texas would extend the life of

the precious fossil fuels with which Texas has been blessed; and

WHEREAS, diversification of the Texas energy industry through the creation of a growing number of small renewable energy and conservation businesses will enhance the long-term stability and prosperity of our state's economy, provide expanded employment opportunities and generate state and local tax revenues in the face of a growing worldwide fuel shortage; and

WHEREAS, over the last decade Texas government has recognized the positive contributions renewable energy sources and conservation have made and will continue to make to the state and its citizens; and

WHEREAS, the Texas Legislature has previously passed laws which foster increased use of renewable energy sources and conservation; and

WHEREAS, the complete and impending elimination of the Federal tax incentives would seriously damage already-existing renewable energy businesses in Texas and throughout the United States; now, therefore, be it

RESOLVED, that this 69th Session of the Texas Legislature calls on the members of the Texas Congressional Delegation and the Congress generally, to support the timely extension of the Federal renewable energy and conservation tax incentives; and, be it further

RESOLVED, that official copies of this Resolution be forwarded to the President of the United States, to the Speaker of the House of Representatives and the President of the Senate of the United States Congress, and to all members of the Texas Delegation to the Congress with the request that it be officially entered in the Congressional Record as a memorial to the Congress of the United States of America.

IRS ruling casts shadow on solar energy property

The Internal Revenue Service recently issued a ruling that a **storage tank used in a solar energy system does not qualify as renewable energy source property if it is equipped with an optional electric heating element allowing it to be used for the dual purpose of a conventional hot water tank.**

The ruling is "patently absurd," and "directly contrary to the Congressional intent of creating solar tax incentives to offset conventional energy," charged Scott Sklar, director of government relations for the Solar Energy Industries Association (SEIA). Sklar noted that Section 1.44C-2(f)(4) of the IRS regulations provides that, with respect to an active solar system, only its materials and components whose sole purpose is to transmit or use solar radiation are included in the term "solar energy property." Sklar said therefore, the purpose of the tank is to solely transmit heat from the solar collectors.

SEIA Executive Vice President David Gorin stated that, "No one who purchases a solar system is going to heat their water electrically. The electric heating element in a tank is only backup protection."

The SEIA Heating & Cooling Division will discuss appropriate action regarding this IRS ruling at a June meeting in California. Since the IRS ruling has only recently become known, TREIA's Board has not yet formulated a position statement.

PUC activities noted

o Although TREIA has previously worked with the Public Utility Commission (PUC), the association's first formal action was in filing for intervenor status in Docket 6055, Notice of Intent (NOI) by Southwestern Public Service Company (SPS) to build a 600 MW coal-fired generating plant in Lubbock County.

In one of its earliest hearings on the case, the Commissioners decided that the NOI proceeding should include discussions to determine whether SPS has sufficiently investigated other energy sources that would make it possible to avoid construction of a plant. TREIA's interest in this case is based on the belief that SPS has not adequately looked at other options, especially renewable energy sources which are abundant in that part of the state.

Mike Osborne, TREIA director, represented the association in the NOI proceeding. Osborne submitted direct testimony, cross examined witnesses and was in turn cross examined. Other intervenors are Valley View Energy Corp. (TREIA Director Bobby Farris in charge), Golden Spread Cooperatives and Phillips Petroleum.

The hearings took place in mid-April, for approximately 1½ weeks before a PUC administrative law judge (ALJ). The parties now prepare briefs, to be studied by the ALJ. Following her review, the judge makes recommendations to the Commissioners who decide whether to approve the NOI.

If the NOI is approved, SPS then submits a request for a Certificate of Convenience and Necessity (CCN), no later than 12 months before actual construction is scheduled to begin. Where the NOI must be decided within 180 days, the CCN proceeding is much more detailed and can last an unspecified time. That is necessary because if the CCN is approved, the utility can build its plant.

o Word from the PUC indicates that the **net energy billing issue for small power producers is in a holding pattern**, despite an internal deadline for the staff to complete its work by May 1st and move on to publication. PUC sources say there is some disagreement among the staff over certain recommendations, causing a delay until a consensus is reached.

o The PUC recently created a **task force to study the effects of including Palo Verde nuclear generating plant costs in El Paso Electric Company's rate base**. Michael Bressler of Alternative Energy Resources in El Paso, a TREIA member company, is one of nine parties participating in the proceedings to study revenue issues and cost allocation and rate design for the utility, which owns a 15% share of the plant. Palo Verde is expected to begin operations in late 1985 or early 1986.

o Houston Lighting & Power (HL&P) recently submitted a proposed wheeling rule, including tariffs, as part of its comments on the proposed changes to PUC Substantive Rule 23.66(d)(4). That section addresses **wheeling arrangements between electric utilities and qualifying facilities**. TREIA submitted comments on the proposed changes in March, prepared for the association by Valley View Energy Corp.

The PUC has established a timetable for adoption of wheeling rules with HL&P's

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proposal as one basis for discussion. Parties have until June 6 to submit comments, and until July 22 to meet, negotiate and attempt to come up with a proposed rule. The staff will prepare the text for those portions where there is no consensus. The Commissioners then will adopt an interim rule, followed by publication in the Texas Register for comments within 30 days.

Legislative Watch

o S.B. 860 (Parmer) and House companion H.B. 2018 (Shaw) **allow the PUC to grant incentive payments to utilities that develop energy efficiency programs.** S.B. 860 was reported favorably out of the Senate Natural Resources Committee in late April. H.B. 2018 has been assigned to a subcommittee of the House Ways & Means Committee.

A TREIA representative testified at the first Committee S.B. 860 hearing, and TREIA Director Bobby Farris also submitted written testimony noting a few recommendations for amendment.

o As reported in TREIA's April newsletter, **seven alcohol fuel bills** were introduced this session:

-- S.B. 83 (Williams), S.B. 629 (Sarpalius) and S.B. 981 (Harris): referred to a subcommittee of the Senate Finance Committee on March 14.

-- H.B. 1950 (Gibson) and H.B. 1756 (Saunders): referred to a subcommittee of the House Ways & Means Committee on March 26.

-- H.B. 1627 (Horn) and H.B. 1717 (Horn): referred to the House Calendars Committee on April 19 for first printing.

o S.B. 896 (Uribe) would establish and implement **energy efficiency standards for new buildings.** It calls for the State Purchasing & General Services Commission (SPGSC), with input from the PUC, to "prescribe energy efficiency standards that promote thermal and lighting efficiency for new buildings." Compliance would be enforced by the SPGSC where state-owned buildings are concerned, and by cities that adopt codes for non-state buildings. A six-member advisory committee would annually review the standards.

At a recent hearing, the bill was supported by the TX Society of Architects and opposed by the TX Association of Builders.

More on extension work

o Rep. Cecil Heftel and 40 House colleagues introduced a **comprehensive renewable energy tax credit extension bill** on April 4 in Washington, aimed at gradually phasing out the credits. At this time, Rep. Ralph Hall is the only Texas sponsor. The Heftel bill calls for declining tax credits over a period of years, at a cost of approximately \$2 billion.

o A second tax credit bill also has been introduced which addresses **extension of solar credits only.** Supported by the Solar Energy Industries Association (SEIA), this bill is incorporated in Heftel's as well. Sponsors include Rep. Pickle, and Rep. Fowler who is a key Heftel bill sponsor.

o The following is an excerpt from a response by Governor White to a letter by TREIA President Curtis Higgs. The letter preceded White attending the National Governors' Conference, and urged his support of the tax credit extension:

"At the [National Governors' Conference], I did support amendments to NGA Policy D.-4 (Energy Conservation/Improved Energy Efficiency), and Policy D.-5 (Renewable Resources. Both of these amendments were adopted by the NGA in plenary [full] session.

"Please be assured that **I will continue to urge the President and other Administration officials to keep proven incentives** that enable the domestic energy industry to make critical contributions to our nation's economic security."

ABOUT YOUR PART IN EXTENSION OF THE RENEWABLE ENERGY TAX CREDITS

We've all heard about the budget cuts at both the State and National government levels. You can be sure that the deepest cuts occur where no one champions the cause. Those of us in the renewable energy industries must look out for ourselves.

Please don't leave it to the "other guy" to speak for you, or delay phone calls or letters to your legislators in support of the extension resolution noted on the cover of this newsletter.

Curtis

Curtis O. Higgs
TREIA President

**"Every man owes
a part of his time
to the business
in which he is engaged.
No man has
the moral right
to withhold his support
from an organization
that is striving
to improve conditions
within his sphere."**

Theodore Roosevelt



Roosevelt made those statements long ago, but they are no less true today. In fact, his remarks are more important than ever before where the renewable energy industries are concerned.

These industries have benefitted from the interest and support of the public and government, allowing them to gain a foothold and grow. But such interest and support moves on to other issues unless those in the industries make their voices heard. Therein lies the importance and value of a strong trade association. Therein lies the reason for the renewable energy industries to come together in a united organization.

The Texas Renewable Energy Industries Association is such an organization, instituted specifically to represent your concerns. TREIA's worthwhile efforts need and deserve your support.

PLEASE SEND TREIA MEMBERSHIP INFORMATION

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____

TELEPHONE _____

Involvement in renewable energy is as follows: _____

Return this form to TREIA at 3724 Jefferson, Suite 115, Austin, Texas 78731.

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