

BILL ANALYSIS

Senate Research Center
83R6009 TJB-F

S.B. 1030
By: Taylor
Finance
4/16/2013
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Energy Storage is an emerging technology which can be utilized in non-attainment areas as a means of reducing the emissions from large utility-scale generators. Storage technologies include batteries, flywheels, and compressed air energy systems. Energy storage mitigates emissions and helps control pollution in a number of ways.

Energy storage provides frequency regulation to the grid, which prevents or minimizes the impact of these frequency fluctuations. In the event of a blackout, energy storage can provide the extra time needed for industrial facilities to avoid any upsets.

During peak periods of energy use, generators operate most efficiently at maximum capacity. However, as load reduces during off-peak periods, generators may ramp down their output. During these ramping periods, the rate of emissions increases and the plant runs less efficiently. Batteries installed at a generation facility can store energy and use that energy to mitigate the need for ramping down, thereby reducing the rate of emissions.

Due to emissions limitations in non-attainment areas, new generation generally is difficult to build in these areas. Energy storage can charge from the electric grid and discharge the energy in the non-attainment area when needed, essentially providing new generation in these areas. Because energy storage is emission free where it discharges, the storage facility can provide energy, while avoiding pollution issues generally associated with generation facilities.

Energy storage is a relatively new technology, and is not included in Section 11.31 (Pollution Control Property), Tax Code, relating to the pollution control property tax exemption. By allowing storage facilities that locate within a federally designated non-attainment area to qualify for the pollution control property tax exemption, large scale generators and industrial facilities would have similar incentives to install this technology to the benefit of Texas.

As proposed, S.B. 1030 amends current law relating to the exemption from ad valorem taxation of energy storage systems used for the control of air pollution in a nonattainment area.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11.315, as follows:

Sec. 11.315. ENERGY STORAGE SYSTEM IN NONATTAINMENT AREA. (a)
Defines "energy storage system" in this section.

(b) Entitles a person to an exemption from taxation of an energy storage system the person owns that is used, constructed, acquired, or installed wholly or partly to meet or exceed rules or regulations adopted by any environmental protection agency of the United States, this state, or a political subdivision of this state for

the prevention, monitoring, control, or reduction of air pollution and that is located in an area designated as a nonattainment area within the meaning of Section 107(d) of the federal Clean Air Act (42 U.S.C. Section 7407), has a capacity of at least 10 megawatts, and is installed on or after January 1, 2014.

SECTION 2. Amends Section 11.43(c), Tax Code, to provide that an exemption provided by certain sections, including Section 11.315, once allowed, need not be claimed in subsequent years, and except as otherwise provided by Subsection (e) (relating to prohibiting a person, if the person required to apply for an exemption in a given year fails to file timely a completed application form, from receiving the exemption for that year), the exemption applies to the property until it changes ownership or the person's qualification for the exemption changes.

SECTION 3. Amends Section 26.012(6), Tax Code, to redefine "current total value."

SECTION 4. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2512, as follows:

Sec. 42.2512. **ADDITIONAL STATE AID FOR EXEMPTION OF ENERGY STORAGE SYSTEMS.** (a) Entitles a school district, notwithstanding Section 42.2516 (State Compression Percentage) or any other provision of this chapter, to additional state aid to the extent that state aid under this chapter based on the determination of the school district's taxable value of property as provided under Subchapter M (Study of School District Property Values), Chapter 403 (Comptroller of Public Accounts), Government Code, does not fully compensate the district for ad valorem tax revenue lost due to the exemption for energy storage systems under Section 11.315, Tax Code.

(b) Requires the commissioner of education (commissioner), using information provided by the comptroller, to compute the amount of additional state aid to which a district is entitled under Subsection (a). Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

(c) Requires that the taxable value of property in a school district, in computing state aid for the 2014-2015 school year, notwithstanding any other provision of this chapter, be determined under Subchapter M, Chapter 403, Government Code, as if the exemption for energy storage systems under Section 11.315, Tax Code, had been in effect for the 2013 tax year. Provides that this section expires September 1, 2015.

SECTION 5. Amends Section 403.302(d-1), Government Code, to provide that for the purposes of Subsection (d) (defining "taxable value"), a residence homestead that receives an exemption under Section 11.131 (Residence Homestead of 100 Percent or Totally Disabled Veteran), Tax Code, or an energy storage system that receives an exemption under Section 11.315, Tax Code, in the year that that is the subject of the study is not considered to be taxable property.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Effective date: January 1, 2014.