Kentucky State Biomass Policies and Instruments

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Tax Policy:

**Tax Credit for Renewable Energy Facilities** – A renewable energy facility is defined as one that generates at least 50 kW of electricity from solar power or at least 1 MW from wind power, biomass resources, landfill gas, hydropower or similar renewable resources. The electricity must be sold to an unrelated party. The minimum investment in any renewable energy facility must be $1 million in capital expenditure, which is defined to include various non-capital costs such as labor. The tax credit allows approved facilities to receive a credit up to 100% of Kentucky income tax and the limited liability tax for projects that construct, retrofit or upgrade facilities that generate power from renewable resources. In addition, companies may also receive a sales tax policy of up to 100% of the Kentucky sales and use tax paid (on or after the activation date) on materials, machinery and equipment used to construct, retrofit or upgrade an eligible project.

**Tax Exemption for Large-Scale Renewable Energy Projects** – In August 2007 Kentucky established the Incentives for Energy Independence Act to promote the development of renewable energy and alternative fuel facilities, energy efficient buildings, alternative fuel vehicles, research & development activities and other energy initiatives. For renewable energy facilities, the bill provide incentives to companies that build or renovate, facilities that utilize renewable energy, which may include: up to 100% of the Kentucky income tax or the limited liability entity tax; a wage assessment of up to 4% for associated employees.

**Alternative Fuel Production Tax Policy** – The Kentucky Economic Development and Finance Authority (KEDFA) provides tax policies to construct, retrofit, or upgrade an alternative fuel production or gasification facility that uses coal or biomass as a feedstock. The incentives may consist of: 1) a refund of up to 100% of the state sales tax paid on the purchase of personal property used to construct the facility; 2) a credit of up to 100% of an approved company’s state income tax and limited liability entity tax that is generated by the project; 3) up to 4% of the wage assessment of employees whose jobs were created as a result of the construction, retrofit, upgrade or operation of a qualified facility; and 4) a credit for up to 80% of the coal severance tax paid for coal used as a feedstock.

**Incentives for Energy Independence** - In August 2007 Kentucky established the Incentives for Energy Independence Act to promote the development of renewable energy and alternative fuel facilities, energy efficient buildings, alternative fuel vehicles, research & development activities and other energy initiatives.

Rules and Regulations:

**Interconnection Standards** – In April 2008, Kentucky enacted legislation which required the Kentucky Public Service Commission (PSC) to develop interconnection and net metering guidelines for all retail electric suppliers operating in Kentucky (excluding TVA utilities). The Kentucky PSC adopted those guidelines on January 8, 2009 (Order 2008-00169).

Disbursement:

**Alternative Fuel Research, Development, and Promotion** - The Kentucky New Energy Ventures (KNEV) program provides grants and investments to companies for research, development, and commercialization of alternative fuels and renewable energy. KNEV is designed to: 1) grow Kentucky-based alternative fuel and renewable energy companies to promote commonwealth-wide, innovation-driven economic growth; 2) stimulate private investment in Kentucky-based alternative fuel and renewable energy enterprises; 3) expand the alternative fuel and renewable energy knowledge base, talent force, and industry in Kentucky; 4) develop an alternative fuel and renewable energy resource network to build the technical and business capacity of entrepreneurs through informal and formal strategic support; and 5) build commonwealth-wide awareness of the economic development opportunities Kentucky's alternative fuel and renewable energy industry offers.
**Market Activity:**

**Kentucky Net Metering** – In April 2008, Kentucky enacted legislation (SB 83) that expanded its net-metering law by requiring utilities to offer net metering to customers that generate electricity with photovoltaic (PV), wind, biomass, biogas or hydroelectric systems up to 30 kilowatts (kW) in capacity. If the electricity fed back to the utility by the customer exceeds the electricity supplied by the utility during a billing period, the customer is credited for excess generation at the utility’s retail rate. This credit will appear on the customer’s next bill and will carry forward indefinitely. Credits are not transferable.

**Government Services:**

**State Energy Plan Alternative Fuel Requirements** – The Governor’s Office of Energy Policy oversees the development and implementation of Kentucky’s comprehensive energy strategy. Specifically, the Governor’s Office of Energy Policy is directed to develop and implement a strategy for the production of alternative transportation fuels and synthetic natural gas from fossil energy resources and biomass resources, including biodiesel and ethanol. The strategy must include the following: establishment or expansion of state government incentives for developing, constructing, or operating alternative transportation fuels and synthetic natural gas production facilities; support of alternative energy through awareness and technology development; and administration of grant programs to support energy-related research.

**Biomass and Biofuels Development in Kentucky** - In August of 2009 Governor Steven L. Beshear convened an Executive Task Force on Biomass and Biofuels to establish strategic actions to develop a sustainable biomass and biofuels industry in Kentucky. The mission of the task force: “Facilitate the development of a sustainable biomass and biofuels industry in Kentucky that will generate prosperity in a carbon-constrained environment, and revitalize rural Kentucky by creating new jobs and strengthening local economies.” This policy comprises the report of the task force (research and policy recommendations) Strategic Actions and Recommendations: 7.1 Kentucky must identify a single agency to coordinate biomass development efforts 7.2 Kentucky must develop policies to mitigate demand risks 7.3 Kentucky must develop policies to mitigate supply risks 7.4 A biomass industry that is sustainable must be developed 7.5 Capitalization mechanisms must be developed.