

Indiana: Gasification Technologies Incentives

**Gasification Technologies Workshop
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Background

- Indiana demographics
 - Abundant coal supply
 - Low electric rates
- Legislative history
 - 1980s: promoted use of coal and clean coal technology
 - Environmental challenges

2002: Energy Generation and Clean Coal Technology

- IC 8-1-8.8
- Incentives for two initiatives
 - Clean coal and energy projects
 - New energy generating facilities

2002: Eligible Projects for “Clean Coal and Energy Projects”

- CC technology at new facilities using coal or gases derived from the Illinois Basin
- Advanced technologies that reduce regulated air emissions from existing facilities using coal or gases derived from the Illinois Basin
- Electric transmission facilities serving a new facility
- Alternative energy projects
- Purchase of fuels from a **coal gasification facility**
- Coal bed methane projects (P.L. 174-2005, Sec. 2)

2002: Financial Incentives for “Clean Coal and Energy Projects”

- Recovery of costs incurred during construction and operation of projects at new or existing generating facilities
- Up to 3% on the return on shareholder equity that would otherwise be allowed at new and existing facilities employing the technology
- Cost recovery and 3% return on shareholder equity for purchase by energy utilities of fuels produced by **coal gasification facilities** in Indiana
- Projects that develop alternative energy sources
- Other financial incentives the IURC considers appropriate

2002: Eligible Projects for “New Energy Generating Facilities”

- New or expanded energy generating facilities using coal or gases from the Illinois Basin
- Use of clean coal technologies not necessary

2002: Financial Incentives for “New Energy Generating Facilities”

- Rate adjustment via a “tracker” (vs. a full blown rate case) for recovery of costs for construction, repowering, expansion, operation or maintenance

2005: Coal Gasification Investment Tax Credit (IC 6-3.1-29)

- Allows a state tax liability credit for a “qualified” investment in an IGCC powerplant
- Must be newly constructed generating facility located in Indiana serving primarily Indiana retail customers
- State tax credits effective when facility is in service
- Must be approved by IEDC and IURC

IGCC Tax Credit

- Credit = the sum of 10% of the “qualified” investment for the first \$500 million + 5% of the amount of the investment that exceeds \$500 million
- Credit must be taken over 10 years
- Annual installment of the credit is multiplied by the % of Indiana coal used in the facility in the taxable year

IGCC Incentives

- Credits against state tax liability
 - Adjusted gross income tax
 - Financial institutions tax
 - Insurance premiums tax
 - Utility receipts tax
- Workforce development grants for job training and help with screening applicants
- Local incentives
 - Tax abatement
 - Tax increment financing

2006 Legislation (P.L. 122-2006)

- IGCC statute amended to allow “qualified” investments in fluidized bed combustion technology to also qualify for the credit
- Credit is slightly less than for IGCC
- Statute amended to require 100 % Indiana coal in IGCC to qualify for state tax credits

2006: Pipeline Issues

- Amended existing pipeline safety statute to apply to the pipeline transportation of hazardous liquid or carbon dioxide fluid in addition to gas
- Provided for confidentiality of certain information concerning pipelines for purposes of the law concerning access to public records

IGCC Future in Indiana

- Duke (formerly Cinergy) and Vectren partnership in Southern Indiana
- Feasibility study being done
- Local tax credits approved if facility is built
- State credits worth about \$75 million over ten years
- Final decision probably will be made by the end of year

Clean Coal Technology Research in Indiana

- The Energy Center at Purdue University is located in Discovery Park, an interdisciplinary research hub
- Center for Coal Technology Research established in 2002
- \$10 million from Lilly Endowment
- \$85 million from 2005 Energy Bill to be shared between Purdue University, So. Illinois University and University of Kentucky

QUESTIONS ?