

LOUISIANA ENERGY LEGISLATION - 2007 REGULAR SESSION

by
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During the 2007 regular session of the Louisiana State Legislature nine pieces of energy legislation were passed. In the House of Representatives, twenty-two pieces of energy legislation were proposed, only five of which passed. The bills proposed by the Senate, on the other hand, had a far higher rate of passage. Of the five energy bills proposed by the Senate, four were passed. These new laws are summarized below.

Act 173, effective June 27, 2007, excludes from the sales and use tax the use, lease, rental, or repair of drilling rigs and component parts which are to be used primarily in outer continental shelf (OCS) waters. Act 173 seeks to increase revenue generated by the repair of OCS drilling rigs off of the Louisiana coast. This would also reduce the overall cost of OCS drilling by reducing the capital and maintenance costs, thus promoting OCS drilling off of the Louisiana coast.

Act 471, effective July 1, 2007, excludes the cost of natural gas and electricity purchased by paper or wood products manufacturing facilities from state sales and use tax. Act 471 is meant to reduce operating costs for paper and wood products manufacturing facilities, thus keeping these facilities operating in the state. By retaining these facilities, the state can utilize its forests as a readily renewable resource.

Act 335, effective July 9, 2007, makes three major changes to the State Uniform Construction Code. The bill calls for a Louisiana State Uniform Construction Code Council to serve at the pleasure of the Governor rather than a three year fixed term. The bill changes current law by adopting the 2006 International Residential Code for One- and Two-Family Dwellings (IRC 2006), with amendments. Included in IRC 2006 is the 2006 International Energy Conservation Code (IECC 2006). It also requires all jurisdictions to use building code enforcement officers or certified third-party providers contracted by the municipality, parish, or regional planning commission to enforce the code.

The bill includes the wind limitations design criteria of the 2003 edition of the International Residential Code (IRC) in lieu of the 2006 edition. However, upon publication, the 2009 IRC, including the wind limitations design criteria, is to be adopted. The administrative, mechanical, plumbing, and electrical portions of IRC 2006 are still excluded under the new law. Finally, the Act states that Appendix J (*Existing Buildings and Structures*) of the IRC may be adopted and enforced at the parish, municipal, or regional planning levels only.

Act No. 110, effective June 22, 2007, was passed regarding standard building codes. It changes the effective Commercial Building Energy Conservation Code for all commercial buildings over 1000 square feet and residential buildings over three stories to ASHRAE 90.1-2004 from ASHRAE 90.1-2001¹. Act 110 also changes the effective edition of the International Energy Conservation Code (IECC) covering all multi-family residential buildings up to three stories from the 2000 edition to the 2006 edition.

Act 323, effective July 9, 2007, requires insurers to submit rates and rating plans to provide an actuarially justified discount, credit, rate differential, adjustment in deductible, or other adjustment to reduce the insurance premium to insureds who build or retrofit a structure to comply with the State

¹ American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE)

Uniform Construction Code or make improvements to their property that are demonstrated to reduce the amount of loss from a windstorm or hurricane. Act 323 strengthens the State Uniform Construction Code by offering residents an opportunity to lower their insurance costs by upgrading to the code.

Act 270, effective July 6, 2007, requires that all state-funded major facility projects meet energy efficiency standards. The bill defines “major facility project” explicitly as any project which fits the size criteria provided in Table 1. Any state-funded renovation project which involves more than 50% of the replacement value or a change in occupancy is considered a “major facility project,” as well. Act 270 requires that each major facility project be designed, built, and certified to exceed the state energy code requirements by at least 30% when the increase is determined to be cost effective based on a 30 year life-cycle cost (LCC) analysis. The bill also recommends the use of Louisiana products for any qualifying project when feasible. Act 270 should reduce energy consumption and increase demand for building and construction products made in Louisiana. With respect to Act 270, House Resolution 97 was passed by the House and filed with the Secretary of State on June 26, 2007 requesting that the House Committee on Commerce study the feasibility of imposing green building standards on the construction of public buildings.

Table 1. Major Facility Project Size Criteria

Effective Date	Applicable Building Size
July 6, 2007	20,000 square feet or larger
January 1, 2009	15,000 square feet or larger
January 1, 2010	10,000 square feet or larger
January 1, 2011	5,000 square feet or larger

Act 371, effective July 11, 2007, provides a tax credit equal to fifty percent of the first twenty-five thousand dollars of the cost of each wind or solar energy system installed on the taxpayer’s home or a rental apartment property after January 1, 2008. The credit can be used in addition to any federal tax credits earned for the same system.

The preceding laws will promote the growth or return of several energy industries to Louisiana by reducing the burden of taxation on their respective industries. However, it will be several years before the full effects of these pieces of legislation are realized. Also, this new legislation is designed to reduce the state’s electricity consumption and, in turn, reduce emissions and lower the overall cost of energy in the state.