

Section 1

Joint Financing Projects – City Utilities

City utilities have long been able to partner to finance and build energy infrastructure for electric generation and transmission, but do not have the legal ability to do so for natural gas facilities. As the state's Energy Plan has recognized, many areas of the state do not have adequate access to natural gas service, especially in rural areas. Community-owned natural gas service might be an option in those areas that bigger providers don't serve. Iowa Association of Municipal Utilities is supporting legislation to support municipal financing tools for natural gas projects.

Section 2

Joint Financing Projects – City Utilities

Iowa code chapter 28F provides eminent domain restrictions on local governments when they are engaged in joint financing. Since section 1 adds natural gas projects to the joint financing chapter, section 2 adds such projects to the code section that restricts the use of eminent domain by local governments.

Section 3

Energy Efficiency for non-rate regulated utilities

Since the IUB does not approve the energy efficiency plans of the non-rate regulated utilities, this revision is simply intended to clarify that they only have authority over the energy efficiency strategies for those utilities required to be rate regulated.

Section 4

Clarification of regulations regarding non-rate regulated utilities

This change is intended to make 476.1A which applies to the cooperatives worded consistent with 476.1B for municipal utilities. Instead of the Board having jurisdiction over everything but rates, this change would provide that the Board has specified jurisdiction. This should eliminate ambiguity about what matters deal with rates and which ones do not and create parity in IUB regulation between municipal utilities and rural electric cooperatives.

The deletion of the third sentence of 476.1A(1)"g" is to clarify that the Board's obligation to report on energy efficiency to the legislature is not required. All energy efficiency filings are public and available through the EFS. A report is not necessary.

The change to 476.1A(2) to only make subsections 1 through 4 of 476.20 applicable to the non-rate regulated utilities is consistent with what was done for the municipal utilities in 2017.

The application of sections 476.41 through .44 to the non-rate regulated utilities was determined by the Iowa Supreme Court to be unlawful pre-emption of the federal PURPA regulations many years ago. In response, the IUB has not applied these sections to the non-rate regulated utilities. The deletion of reference to these sections in 476.1A(2) is just a clean-up to make the code consistent with the Court case and current practice.

Currently either the membership or the Board of Directors can cause a utility to elect rate regulation; but only the membership and elect back out of such regulation. The change to 476.1A(4) would allow the Board to opt

out of rate regulation if the board is the one who made the initial decision. This provides consistency in the process of going into rate regulation and coming out of rate regulation.

Sections 5 and 15

Municipal Utilities

Deletes 476.1B(1)(f), which relates to municipal utilities, and removes ‘municipality’ from 476.21, which relates to a utility’s ability to consider renewable energy sources as a basis for setting rates. The legislation is designed to eliminate the duplicative jurisdiction IUB has over municipal rates. It leaves section 388.6 in place, which means that discrimination in rates is still prohibited.

Section 6

Energy Efficiency Reports

This legislation removes the requirement that the IUB file a report with the Iowa General Assembly on utilities energy efficiency plans by January 1, 1998, as that has already been completed and removes periodic reporting that is not necessary.

Section 7

Consideration of federal regulations

This section provides that in prescribing rules and regulations with regard to the utilities it regulates, the IUB should give due regard to corresponding rules of federal agencies to which the utilities must also comply in order to avoid any unnecessary duplication.

Section 8

Regulatory Efficiency with “Transmission Rider”

This language would update Iowa law to allow for the automatic adjustment of rates for recovery of transmission costs. Given that transmission costs increases and decreases are exclusively regulated at the federal level (FERC – Federal Energy Regulatory Commission), an automatic adjustment with the federal transmission rates would remove a duplicative process at the state level, streamlining regulatory filings and benefiting customers through lower energy costs and the quick receipt of cost reductions (e.g., tax reform).

Section 8

Energy Efficiency Reform

This section clarifies that energy efficiency programs are cost-effective and that the IUB shall apply the total resource cost test.

Sections 9-11

Energy Efficiency Reform for Rate-Regulated Utilities

Section 9 updates energy efficiency, including establishing applicable limitations on energy efficiency and demand response plan requirements (e.g., 1.5% of revenues for natural gas). Requires that costs are recovered from all customers on a reasonably comparable basis, including customers who have installed alternate energy production facilities after December 31, 2018.

Section 12

Utility financing of Energy Efficiency

The deletion of 476.6(17) strikes language regarding energy efficiency program financing. It is intended to clarify that the utilities should not be involved in financing energy efficiency projects.

Section 13

Economic Development, Job Creation & Regulatory Efficiency – Natural Gas Expansion

This legislative proposal clarifies the IUB power to create a pre-approval process for natural gas expansion projects. Under current practice, natural gas expansion projects can be deemed “imprudent” by the IUB after the project has been completed, resulting in the utility not being able to recover their significant investment and creating significant risk hurdles to future development projects under consideration by natural gas utilities. This legislation clarifies the IUB pre-approval power and would allow them to create a process for initial regulatory oversight of all natural gas projects and being able to declare the project a prudent investment prior to its completion.

Section 14

This change is intended to put the non-rate regulated utilities on par with the municipally owned utilities as it relates to deposits and the customer's obligation to satisfy prior debt before service is initiated. The non-rate regulated utilities would still be subject to all of the IUB service rules for existing customers that have not been disconnected, including the customer protections against disconnection.

Section 16

Regulatory Efficiency – Optional Forward Looking Test Year

Under current law, Iowa utilities present to the Iowa Utilities Board (IUB) rate review applications using a historic test year. In addition, utilities can account for known capital costs – typically up to nine months after the test year. The use of a historic test year enables utilities to recover incurred costs, but may not completely reflect expected costs. In contrast, a forward test year provides the opportunity for customer groups, consumer advocates and the utilities to discuss and evaluate anticipated costs before they are expended. In addition, a forward-looking test year, the costs being incurred would better align with the costs being recovered.

The legislation provides for the establishment of rules, including adjustment of rates if actual costs and revenues are not reasonably consistent with the costs and revenues approved by the Iowa Utilities Board.

Section 17

Regulatory Efficiency – Repowering of Facilities

In 2001, the Iowa legislature passed laws to reduce the regulatory risk from the construction of large baseload generation and transmission. The law allowed for a predetermination of ratemaking principles that would apply to baseload generation and transmission when it was placed in service and into the rate base. This allowed utility providers to understand the financial treatment of the asset before it was constructed and placed in service. This section clarifies that the repowering of a facility to upgrade or extend the useful life of the facility would be allowed under this advance rate making.

Section 18

Electric Vehicle Infrastructure

This legislation requires the Iowa Economic Development Authority and the Iowa Department of Transportation to study electric vehicle infrastructure and report to the General Assembly by June 30, 2019.

Section 19

Effective date and title page

This legislation sets an immediate effective date for certain provisions related to energy efficiency and updates the title page of the legislation.
