

**UTILITIES DIVISION[199]**

**Notice of Intended Action**

**Proposing rule making related to planning and reporting for rate-regulated utilities and providing an opportunity for public comment**

The Utilities Board hereby proposes to rescind Chapter 35, “Energy Efficiency Planning and Cost Review,” and to adopt a new Chapter 35, “Energy Efficiency and Demand Response Planning and Reporting for Natural Gas and Electric Utilities Required to Be Rate-Regulated,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is proposed under the authority provided in Iowa Code section 476.2.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code sections 476.2 and 476.6.

*Purpose and Summary*

The Board reviewed Chapter 35 as part of its five-year comprehensive review in accordance with Iowa Code section 17A.7(2). The purpose of the comprehensive review is to identify and update rules that are outdated, redundant, or inconsistent with statutes and other administrative rules. On August 8, 2016, the Board issued an order requesting stakeholder comments concerning amendments to Chapter 35 and received comments from the Office of Consumer Advocate, Interstate Power and Light Company, Black Hills Energy, MidAmerican Energy Company, the Environmental Law and Policy Center, and the Iowa Environmental Council. On March 9, 2017, the Board held a workshop to discuss the comments received and potential revisions to Chapter 35. Prior to the completion of the Board’s comprehensive review, the Iowa Legislature passed and the Governor signed 2018 Iowa Acts, Senate File 2311, (2018 Iowa Acts, chapter 1135) amending the energy efficiency provisions of Iowa Code chapter 476. After reviewing the stakeholder comments and Senate File 2311, the Board proposes to rescind Chapter 35 and adopt a new Chapter 35, ensuring consistency between Iowa Code chapter 476 as amended by 2018 Iowa Acts, Senate File 2311, and the Board’s other administrative rules.

The Board issued an order commencing rule making on January 23, 2019. The order is available on the Board’s electronic filing system, [efs.iowa.gov](https://efs.iowa.gov), under Docket No. RMU-2016-0018.

*Fiscal Impact*

Because the rule making updates and revises existing rules in light of statutory changes, it is anticipated the rule making will have no fiscal impact.

*Jobs Impact*

After analysis and review of this rule making, no impact on jobs has been found.

*Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Board for a waiver of the discretionary provisions, if any.

*Public Comment*

Any interested person may submit written comments concerning this proposed rule making. Written comments in response to this rule making must be received by the Board no later than 4:30 p.m. on March 5, 2019. Comments should be directed to:

Iowa Utilities Board  
Electronic Filing System (EFS) at [efs.iowa.gov](http://efs.iowa.gov)  
Phone: 515.725.7337  
Email: [efshelpdesk@iub.iowa.gov](mailto:efshelpdesk@iub.iowa.gov)

*Public Hearing*

An oral presentation at which persons may present their views orally or in writing will be held as follows:

March 13, 2019  
9 to 11 a.m.

Board Hearing Room  
1375 East Court Avenue  
Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the oral presentation and have special requirements, such as those related to hearing or mobility impairments, should contact the Board and advise of specific needs.

*Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

Rescind 199—Chapter 35 and adopt the following **new** chapter in lieu thereof:

CHAPTER 35

ENERGY EFFICIENCY AND DEMAND RESPONSE PLANNING AND REPORTING FOR  
NATURAL GAS AND ELECTRIC UTILITIES REQUIRED TO BE RATE-REGULATED

**199—35.1(476) Authority and purpose.** These rules are intended to implement Iowa Code sections 476.6(13) and 476.6(15) relating to the energy efficiency and demand response plans and reports filed by the natural gas and electric utilities required by statute to be rate-regulated. The purpose of these rules is to establish requirements for energy efficiency and demand response plans, modifications, prudence reviews, and cost-recovery tariffs.

**199—35.2(476) Definitions.** The following words and terms, when used in this chapter, shall have the meanings shown below:

“*Assessment of potential*” means development of energy and capacity savings available from actual and projected customer usage by cost-effectively applying commercially available technology and improved operating practices to energy-using equipment and buildings and considering market factors including, but not limited to, the effects of rate impacts, the need to capture lost opportunities, the non-energy benefits of measures, uncertainty associated with industry restructuring, the strategic value of energy efficiency and demand response to the utility, and other market factors.

*“Avoided cost”* means the cost the utility would have to pay to provide energy and capacity from alternative sources of supply available to utilities as calculated pursuant to paragraph 35.5(4)“l.”

*“Cost-effectiveness tests”* means one of the five acceptable economic tests used to compare the present value of applicable benefits to the present value of applicable costs of an energy efficiency or demand response program or plan. The tests are the participant test, the ratepayer impact test, the societal test, the total resource cost test and the utility cost test. A program or plan passes a benefit/cost test if the benefit/cost ratio is equal to or greater than one.

*“Customer incentive”* means an amount or amounts provided to or on behalf of customers for the purpose of having customers participate in energy efficiency programs. Incentives include, but are not limited to, rebates, loan subsidies, payments to dealers, rate credits, bill credits, the cost of energy audits, the cost of equipment given to customers, and the cost of installing such equipment. Customer incentives do not include the cost of information provided by the utility, nor do they include customers’ bill reductions associated with reduced energy usage due to the implementation of energy efficiency programs. For the purposes of energy efficiency pricing strategies, incentive means the difference between a customer’s bill on an energy efficiency customized rate and the customer’s bill on a traditional rate considering factors such as the elasticity of demand.

*“Demand response”* means changes in a customer’s normal consumption patterns in response to changes in the price of electricity over time, or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.

*“Energy efficiency measures”* means activities on the customers’ side of the meter which reduce customers’ energy use or demand including, but not limited to, end-use efficiency improvements or pricing strategies.

*“Energy savings performance standards”* means those standards which shall be cost-effectively achieved, with the exception of low-income weatherization and tree-planting programs, and includes the annual capacity savings stated in either kilowatt (kW) or dekatherm per day (dth/day) or thousand cubic feet per day (Mcf/day) and the annual energy savings stated in either kilowatt hour (kWh) or dth or Mcf.

*“Free riders”* means those program participants who would have implemented energy efficiency measures or practices even without the program.

*“Marginal energy cost”* means the cost associated with supplying the next Mcf or dth of natural gas for a natural gas utility and the energy or fuel cost associated with generating or purchasing the next kWh of electricity for an electric utility.

*“Market effects”* means a change in the structure of a market or the behavior of participants in a market that is reflective of an increase (or decrease) in the adoption of energy-efficient products, services, or practices and is related to market intervention(s) (e.g., programs).

*“Net benefits”* means the present value of benefits less the present value of costs as defined in the cost-effectiveness test.

*“Participant test”* means an economic test used to compare the present value of benefits to the present value of costs over the useful life of an energy efficiency or demand response measure or program from the participant’s perspective. Present values are calculated using a discount rate appropriate to the class of customers to which the energy efficiency or demand response measure or program is targeted. Benefits are the sum of the present values of the customers’ bill reductions, tax credits, and customer incentives for each year of the useful life of an energy efficient or demand response measure or program. Costs are the sum of present values of the customer participation costs (including initial capital costs, ongoing operations and maintenance costs, removal costs less a salvage value of existing equipment, and the value of the customer’s time in arranging installation, if significant) and any resulting bill increases for each year of the useful life of the measure or program. The calculation of bill increases and decreases must account for any time-differentiated rates to the customer or class of customers being analyzed.

*“Persistence of energy savings”* means the savings due to changed operating hours, human behavior, interactive factors, and the degradation in equipment efficiency over the life of the measure compared to the baseline.

*“Process-oriented industrial assessment”* means an analysis which promotes the adoption of energy efficiency measures by examining the facilities, operations and equipment of an industrial customer in which energy efficiency opportunities may be embedded.

*“Ratepayer impact measure test”* means an economic test used to compare the present value of the benefits to the present value of the costs over the useful life of an energy efficiency or demand response measure or program from a rate level or utility bill perspective. Present values are calculated using the utility’s discount rate. Benefits are the sum of the present values of utility avoided capacity and energy costs (excluding the externality factor) and any revenue gains due to the energy efficiency or demand response measures for each year of the useful life of the measure or program. Costs are the sum of the present values of utility increased supply costs, revenue losses due to the energy efficiency or demand response measures, utility program costs, and customer incentives for each year of the useful life of the measure or program. The calculation of utility avoided capacity and energy, increased utility supply costs, and revenue gains and losses must use the utility costing periods.

*“Societal test”* means an economic test used to compare the present value of the benefits to the present value of the costs over the useful life of an energy efficiency or demand response measure or program from a societal perspective. Present values are calculated using a 12-month average of the 10-year and 30-year Treasury Bond rate as the discount rate. The average shall be calculated using the most recent 12 months at the time the utility calculates its benefit/cost tests for its energy efficiency or demand response plan. Benefits are the sum of the present values of the utility avoided supply and energy costs including the effects of externalities. Costs are the sum of the present values of utility program costs (excluding customer incentives), participant costs, and any increased utility supply costs for each year of the useful life of the measure or program. The calculation of utility avoided capacity and energy and increased utility supply costs must use the utility costing periods.

*“Spillover (free drivers)”* means the reduction in energy consumption or demand, or the reduction in both, caused by the presence of an energy efficiency or demand response program, beyond the program-related gross savings of the participants and without financial or technical assistance from the program. The term “free drivers” may be used for those who have spillover effects.

*“Take-back effect”* means a tendency to increase energy use in a facility, or of an appliance, as a result of increased efficiency of energy use. For example, a customer’s installation of high efficiency light bulbs and then operating the lights longer, constitutes “taking back” some of the energy otherwise saved by the efficient lighting.

*“Total resource cost test”* means an economic test used to compare the present value of the benefits to the present value of the costs over the useful life of an energy efficiency or demand response measure or program from a resource perspective. Present values are calculated using a 12-month average of the 10-year and 30-year Treasury Bond rate as the discount rate. The average shall be calculated using the most recent 12 months at the time the utility calculates its cost-effectiveness tests for its energy efficiency or demand response plan. Benefits are the sum of the present values of the utility avoided supply, energy costs, and federal tax credits. Costs are the sum of the present values of utility program costs (excluding customer incentives), participant costs, and any increased utility supply costs for each year of the useful life of the measure or program. The calculation of utility avoided capacity and energy and increased utility supply costs must use the utility costing periods.

*“Useful life”* means the number of years an energy efficiency measure will produce benefits.

*“Utility cost test”* means an economic test used to compare the present value of the benefits to the present value of the costs over the useful life of an energy efficiency or demand response measure or program from the utility revenue requirement perspective. Present values are calculated using the utility’s discount rate. Benefits are the sum of the present values of each year’s utility avoided capacity and energy costs (excluding the externality factor) over the useful life of the measure or program. Costs are the sum of the present values of the utility’s program costs, customer incentives, and any increased utility supply costs for each year of the useful life of the measure or program. The calculation of utility avoided capacity and energy and increased utility supply costs must use the utility costing periods.

### **199—35.3(476) Energy efficiency and demand response plan filing.**

**35.3(1)** Each electric and natural gas utility shall file a five-year energy efficiency plan. Each electric utility shall file a five-year demand response plan. Combination electric and natural gas utilities may file combined assessments of potential and energy efficiency and demand response plans. Combined plans shall specify which energy efficiency programs are attributable to the electric operation, which are attributable to the natural gas operation, and which are attributable to both. If a combination utility files separate plans, the board may consolidate the plans for purposes of review and hearing.

**35.3(2)** Written notice of the energy efficiency and demand response plans. No more than 62 days prior to filing its energy efficiency and demand response plans, a utility shall deliver a written notice of its filing to all affected customers. The notice shall be submitted to the board for approval not less than 45 days prior to proposed notification of customers. Additional information not related to the energy efficiency and demand response plans shall be kept to a minimum and shall not distract from the required content. The notice shall, at a minimum, include the following elements:

*a.* A statement that the utility will be filing energy efficiency and demand response plans with the board.

*b.* A brief identification of the proposed energy efficiency and demand response programs, a description of benefits and savings associated with the energy efficiency and demand response plans, and the estimated annual cost of the proposed energy efficiency and demand response programs during the five-year budget time frame.

*c.* The estimated annual rate and bill impacts of the proposed energy efficiency and demand response programs on each class of customer; and the estimated annual jurisdictional rate impact for each major customer grouping in dollars and as a percentage, with the proposed actual increases to be filed at the time of notice to customers.

*d.* A statement that the board will be conducting a contested case proceeding to review the application and that a customer may file comments in the board's electronic filing system.

*e.* The telephone numbers, websites, email addresses, and mailing addresses of the utility, the board and the consumer advocate, for the customer to contact with questions.

*f.* Blank spaces for estimated annual rate and bill impact dollars and percentages; however, the board may require the utility to submit additional information necessary for review of the proposed form of notice.

*g.* A copy of the notice with the final annual rate and bill impact dollars and percentages shall be provided to the board at the time of customer notification.

The form of the notice, once approved by the board, may not be altered except to include the rate and bill impact dollars and percentages. The type size and quality shall be easily legible.

#### **199—35.4(476) Assessment of potential and collaboration.**

**35.4(1)** *Assessment of potential.* The utility shall conduct an assessment of the potential study to determine the energy and capacity savings available from actual and projected customer usage by applying commercially available technology and improved operating practices to energy-using equipment and buildings. The utility's assessment shall address the potential energy and capacity savings in each of ten years subsequent to the year the assessment is filed. Economic and impact analyses of measures shall address benefits and costs over the entire estimated lives of energy efficiency measures.

**35.4(2)** *Collaboration.* A utility shall offer interested persons the opportunity to participate in the development of its energy efficiency and demand response plans. At a minimum, a utility shall provide the opportunity to offer suggestions for programs and for the assessment of potential and to review and comment on a draft of the assessment of potential and energy efficiency and demand response plans proposed to be submitted by the utility. The utility may analyze proposals from participants to help determine the effects of the proposals on its plan. A participant shall have the responsibility to provide sufficient supporting information to enable the utility to analyze the participant's proposal. The opportunity to participate shall commence at least 180 days prior to the date the utility submits its energy efficiency and demand response plans and assessment of potential to the board.

**199—35.5(476) Energy efficiency and demand response plan requirements.**

**35.5(1)** The utility shall file with the board an energy efficiency plan listing all proposed energy efficiency programs. An electric utility shall file a demand response plan listing all proposed demand response programs.

**35.5(2)** The utility's energy efficiency and demand response plans shall be supported by testimony, exhibits, and work papers including Microsoft Excel or similar software versions of exhibits and work papers. The testimony and exhibits shall be filed in compliance with the board's filing standards located on the board's electronic filing website.

**35.5(3)** A utility's plan shall include a range of programs which address all customer classes across its Iowa jurisdictional territory. At a minimum, the plan shall include a program for qualified lower-income residential customers, including a cooperative program with any community action agency within the utility's service area. The utility shall consider including in its plan a program for tree planting.

**35.5(4)** The following information shall be provided by the utility with its plan:

*a.* A summary of the energy efficiency and demand response plans and results of the assessment of potential written in a nontechnical style for the benefit of the general public.

*b.* The assessment of potential study.

*c.* Cost-effectiveness test analysis.

(1) The utility shall analyze cost-effectiveness for the plan as a whole and for each proposed program, using the total resource cost, societal, utility cost, ratepayer impact measure and participant tests.

(2) The utility's analyses shall use inputs or factors realistically expected to influence cost-effective implementation of programs and escalation rates for each cost and benefit component of the cost-effectiveness test that reflect changes over the lives of the programs.

(3) The utility shall provide the analyses and results of cost-effectiveness tests, including the benefit/cost ratios and net benefits, for the plans as a whole and for each program. Low-income and tree-planting programs shall not be tested for cost-effectiveness, unless the utility wishes to present the results of cost-effectiveness tests for informational purposes.

*d.* Descriptions of each program. If a proposed program is identical to an existing program, the utility may reference the program description currently in effect. A description of each proposed program shall include:

(1) The name of the program.

(2) The customers the program targets.

(3) The energy efficiency or demand response measures promoted by the program.

(4) The proposed utility promotional techniques, including the rebates or incentives offered through the program.

(5) The proposed rates of program participation or implementation of measures, including both eligible and estimated actual participants.

*e.* The estimated annual energy and demand savings for the plan and each program for each year the program is promoted by the plan. The utility shall estimate gross and net capacity and energy savings, accounting for free riders, take-back effects, spillover (free drivers), market effects, and persistence of energy savings.

*f.* The budget for the plan and for each program for each year of implementation or for each of the next five years of implementation, whichever is less, itemized by proposed costs. The budget shall be consistent with the accounting plan required pursuant to subrule 35.9(1). The budget may include amounts collected pursuant to Iowa Code section 476.10A.

*g.* Advertising which is part of an approved energy efficiency or demand response program is deemed to be advertising required by the board for purposes of Iowa Code section 476.18(3).

*h.* The plan and program budgets shall be categorized into:

(1) Planning and design costs.

(2) Administrative costs.

(3) Advertising and promotional costs.

- (4) Customer incentive costs.
- (5) Equipment costs.
- (6) Installation costs.
- (7) Monitoring and evaluation costs.
- (8) Miscellaneous costs.

Cost categories shall be further described by the following subcategories: classifications of persons to be working on energy efficiency and demand response programs, full-time equivalents, dollar amounts of labor costs, and the name of outside firm(s) employed and a description of service(s) to be provided.

- i.* The rate impacts and average bill impacts, by customer class, resulting from the plan.
- j.* The utility's forecasted electric and/or natural gas annual Iowa retail rate revenue for each of the five plan years by customer class.
- k.* A monitoring and evaluation plan. The utility shall describe how it proposes to monitor and evaluate the implementation of its proposed programs and plan and shall show how it will accumulate and validate the information needed to measure the plan's performance against the standards. The utility shall include a timeline that outlines each phase of the monitoring and evaluation plan. The utility shall propose a format for monitoring reports and describe how annual results will be reported to the board on a detailed, accurate and timely basis.

*l.* Avoided cost calculations and inputs.

(1) Electric avoided capacity and energy costs. The electric avoided capacity and energy costs shall be based on the utility's board-approved tariff for cogeneration and small power production facilities. An externality factor of 10 percent is applied to avoided capacity and energy costs to account for societal costs of supplying energy. A party may submit, and the board shall consider, alternative avoided capacity and energy costs derived by an alternative method. A party submitting an alternative avoided cost methodology shall also submit an explanation of the alternative method.

(2) Natural gas avoided capacity and energy costs. Information regarding avoided costs shall specify the days and weeks which constitute the utility's peak and off-peak periods. Avoided costs shall be calculated for the peak and off-peak periods and adjusted for inflation to derive an annual avoided cost over a 20-year period. In addition, all parties may submit information specifying the hours, days, and weeks which constitute alternative costing periods. A party may submit, and the board shall consider, alternative avoided capacity and energy costs derived by an alternative method. A party submitting alternative avoided cost methodology shall also submit an explanation of the alternative method.

1. Avoided capacity costs. Calculations of avoided capacity costs in the peak and off-peak periods shall be based on the following formula:

$$\text{AVOIDED CAPACITY COSTS} = [(D + OC) \times (1 + RM)] \times (1 + EF)$$

D (demand) is the greater of CD or FD.

CD (current demand cost) is the utility's average demand cost expressed in dollars per dth or Mcf during peak and off-peak periods.

FD (future demand costs) is the utility's average future demand cost over the 20-year period expressed in dollars per dth or Mcf when supplying natural gas during peak and off-peak periods.

RM (reserve margin) is the reserve margin adopted by the utility.

OC (other cost) is the value of any other costs per dth or Mcf related to the acquisition of natural gas supply or transportation by the utility over the 20-year period in the peak and off-peak periods.

EF (externality factor) is a 7.5 percent factor applied to avoided capacity costs in the peak and off-peak periods to account for societal costs of supplying energy. In addition, the utility may propose a different externality factor, but must submit documentation of its accuracy.

2. Avoided energy costs. Calculations of avoided energy costs in the peak and off-peak periods on a seasonal basis shall be based on the following formula:

$$\text{AVOIDED ENERGY COSTS} = (E + VOM) \times (1 + EF)$$

E (energy costs) is the greater of ME or FE.

ME (current marginal energy costs) is the utility's current marginal energy costs expressed in dollars per dth or Mcf during peak and off-peak periods.

FE (future energy costs) is the utility's average future energy costs over the 20-year period expressed in dollars per dth or Mcf during peak and off-peak periods.

VOM (variable operations and maintenance costs) is the utility's average variable operations and maintenance costs over the 20-year period expressed in dollars per dth or Mcf during peak and off-peak periods.

EF (externality factor) is a 7.5 percent factor applied to avoided energy costs in the peak and off-peak periods to account for societal costs of supplying energy. In addition, the utility may propose a different externality factor, but must submit documentation of its accuracy.

**199—35.6(476) Contested case proceeding.**

**35.6(1)** The board shall conduct a contested case proceeding for review of energy efficiency and demand response plans and budgets filed by natural gas and electric utilities required to be rate-regulated.

**35.6(2)** Within 30 days after filing, each application for approval of an energy efficiency and demand response plan which meets the requirements of this chapter shall be docketed as a contested case proceeding. The Iowa economic development authority shall be considered a party to the proceeding. The proceeding shall follow the applicable provisions of 199—Chapter 7.

**35.6(3)** The board shall not require a natural gas utility to adopt an energy efficiency plan that results in projected cumulative average annual costs that exceed 1.5 percent of the natural gas utility's expected annual Iowa retail rate revenue and shall not require an electric utility to adopt an energy efficiency plan or a demand response plan that results in projected cumulative average annual costs that exceed 2 percent of the electric utility's expected annual Iowa retail rate revenue.

**199—35.7(476) Exemptions from participation.**

**35.7(1)** The utility shall allow customers to request exemption from participating in the utility's electric energy efficiency plan if the combined ratepayer impact measure test for the utility's approved five-year electric energy efficiency and demand response plan is less than 1.0. The utility shall file a draft customer notice within 20 days following the board's approval of the utility's five-year energy efficiency plan. The notice shall, at a minimum, provide the following elements:

*a.* A brief statement informing all customers that they are eligible to request an exemption from participation in the utility's electric energy efficiency programs.

*b.* The estimated annual rate and bill impacts of the approved electric energy efficiency plan on each class of customers and an estimate of the annual jurisdictional rate impact for each major customer grouping in dollars and as a percentage.

*c.* A statement that customers requesting to be exempt from participation in the electric energy efficiency plan will not be eligible to participate in any utility-sponsored electric energy efficiency programs and will not be eligible to receive rebates from the utility for electric energy efficiency programs during the five-year plan cycle, beginning January 1 of the following year.

*d.* An explanation that customers requesting to be exempt from participation in the electric energy efficiency plan will no longer be assessed the energy efficiency cost recovery factor for the electric energy efficiency programs on their utility bill.

*e.* An explanation that customers requesting to be exempt from participation in the electric energy efficiency plan will be eligible to participate in demand response and natural gas energy efficiency programs and will be assessed costs related to those programs on their utility bills.

*f.* A statement that the exemption from participation in the electric energy efficiency plan is applicable for the five-year plan cycle. The ability to request an exemption from participation in future electric energy efficiency plans will depend on the specifics of the utility's plan filing as approved by the board.

*g.* The utility's telephone number, website address, and email address the customer should use to request an exemption from participation in the electric energy efficiency plan.

*h.* A deadline by which customers must request an exemption. The deadline shall not be less than 30 days from the date of the notice.

i. Blank spaces for estimated annual rate and bill impact dollars and percentages; however, the board may require the utility to submit additional information necessary for review of the proposed form of notice.

j. Final annual rate and bill impact dollars and percentages shall be provided to the board at the time of customer notification.

k. Once approved by the board the form of the notice shall not be altered except to include the rate and bill impact dollars and percentages. The type size and quality shall be easily legible.

**35.7(2)** The utility shall deliver the approved notice to all affected customers within 30 days of the board approving the notice.

**199—35.8(476) Annual reporting requirements.** Each utility shall file by May 1 of each year an energy efficiency annual report which shall include the utility’s energy efficiency and demand response spending compared to the approved budgets, actual demand and energy savings compared to the performance standards approved by the board, cost-effectiveness results for the prior calendar year, the results of any monitoring and verification activities, any additional information pertinent to the implementation or performance of the energy efficiency or demand response plan for the previous calendar year, and other information as required by board order.

**199—35.9(476) Energy efficiency and demand response cost recovery.** Each utility shall be allowed to recover the authorized energy efficiency and demand response plan expenditures adjusted for any over- or under-collections calculated on an annual basis. The utility may propose to recover the portion of the costs of process-oriented industrial assessments related to energy efficiency.

**35.9(1) Accounting for costs.** Each utility shall maintain accounting plans and procedures to account for all energy efficiency and demand response costs.

a. Each utility shall maintain a subaccount system, a work order system, or an accounting system which identifies individual costs by each program.

b. Each utility shall maintain accurate employee, equipment, materials, and other records which identify all amounts related to each individual energy efficiency program.

**35.9(2) Automatic adjustment mechanism.** Each utility shall file by June 1 of each year energy efficiency and demand response costs proposed to be recovered in rates for the 12-month recovery period beginning at the start of the first utility billing month at least 30 days following board approval.

**35.9(3) Energy efficiency cost recovery (EECR) and demand response cost recovery (DRCR) factors.** Each utility shall calculate an EECR factor to recover the costs associated with the energy efficiency plan, and each electric utility shall also calculate a DRCR factor to recover costs associated with the demand response plan. The utility shall calculate EECR/DRCR factors separately for each customer classification or grouping previously approved by the board. A utility shall not use customer classifications or allocations of indirect or other related costs other than those previously approved by the board without filing for a modification of the energy efficiency and demand response plan and board approval.

a. EECR/DRCR factors shall be calculated according to the following formula:

$$\text{EECR/DRCR factor} = \frac{\text{authorized recovery} + \text{over-/under-collections}}{\text{annual sales units}}$$

b. EECR/DRCR factor is the energy efficiency or demand response recovery amount per unit of sales.

c. Authorized recovery is the difference between the actual energy efficiency or demand response expenditures by customer class for the previous calendar year and the approved energy efficiency or demand response budget by customer class for the previous calendar year plus the approved energy efficiency or demand response budget by customer class for the current calendar year.

d. Over-/under-collections is the actual amount recovered by customer class for the previous calendar year less the amount authorized to be recovered by customer class for the previous calendar year. This may also include adjustments ordered by the board in prudence reviews.

e. Annual sales units is the estimated sales for the 12-month recovery period for customers who have not requested an exemption as allowed by rule 199—35.7(476).

**35.9(4) Filing requirements.** Each utility proposing to recover energy efficiency or demand response costs through an automatic adjustment mechanism shall provide the following information:

a. The filing shall restate the derivation of each EECR/DRCR factor previously approved by the board.

b. The filing shall include new EECR/DRCR factors based on allocation methods and customer classifications and groupings approved by the board in previous proceedings.

c. The filing shall include all worksheets and detailed supporting data used to determine new EECR/DRCR factors. Information already on file with the board may be incorporated by reference in the filing.

d. The filing shall include a reconciliation comparing the amounts actually collected by the previous EECR/DRCR factors to the amounts expended. Over- or under-collections shall be used to compute adjustment factors.

e. If in a prudence review, the board has determined that previously recovered energy efficiency or demand response costs were imprudently incurred, adjustment factors shall include reductions for these amounts.

**35.9(5) Tariff sheets.** Upon approval of the new EECR/DRCR factors, the utility shall file separate tariff sheets for board approval to implement the EECR/DRCR factors in its rates.

**35.9(6) Customers' bills.**

a. Each electric and natural gas utility shall include the EECR factor, the customer's usage, and the dollar amount charge on the customer's bill as "Funding for energy efficiency programs." Customers who receive one bill for electric and natural gas service shall have a separate line item on the bill for the electric EECR and the natural gas EECR.

b. Each electric utility shall represent the DRCR factor, the customer's usage, and the dollar amount charge on the customer's bill as "Funding for demand response programs."

#### **199—35.10(476) Modification of an approved plan.**

**35.10(1)** Approved energy efficiency and demand response plans and budgets may be modified if the modification is approved by the board.

a. Electric utilities may request a modification to an approved energy efficiency plan due to changes in the funding as a result of customers requesting exemptions from the electric energy efficiency plan.

b. Natural gas and electric utilities may request modification of an approved energy efficiency plan or demand response plan for any reason.

c. The board, on its own motion, may consider modification of the energy efficiency or demand response plan and budget.

**35.10(2)** All applications to modify shall be filed in the same docket in which the energy efficiency or demand response plan was approved. All parties to the docket in which the energy efficiency or demand response plan was approved shall be served copies of the application to modify and shall have 14 days to file an objection or agreement. Objections should be specifically related to the contents of the modification. Failure to file timely objection shall be deemed agreement.

**35.10(3)** Each application to modify an approved energy efficiency or demand response plan shall include:

a. A statement of the proposed modification and the party's interest in the modification.

b. An analysis supporting the requested modification.

c. An estimated implementation schedule for the modification.

d. A statement of the effect of the modification on attainment of the utility's performance standards and on projected results of the utility's implementation of its plan.

**35.10(4)** If the board finds that any reasonable ground exist to investigate the proposed modification, a procedural schedule shall be set and the board shall take action within 90 days after the modification request is filed.

**35.10(5)** If an application to modify is filed and the board finds that there is no reason to investigate, then the board shall issue an order stating the reasons for the board's decision relating to the application.

**35.10(6)** If the board rejects or modifies a utility's plan, the board may require the utility to file a modified plan and may specify the minimum acceptable contents of the modified plan.

**199—35.11(476) Prudence review.**

**35.11(1)** The board shall periodically conduct a contested case proceeding to evaluate the reasonableness and prudence of the utility's implementation of energy efficiency and demand response plans and budgets. The prudence review shall be based upon the information filed by a utility in the annual report required by rule 199—35.8(476).

**35.11(2)** The consumer advocate or other person may request the board to conduct a prudence review based upon the information filed by a utility in the annual report required by rule 199—35.8(476). The request to initiate the prudence review shall identify specific issues to be evaluated and may include a proposed procedural schedule.

**35.11(3)** The board shall determine whether a contested case proceeding is necessary to address the issues raised in a request for a prudence review.

**35.11(4)** Disallowance of past costs. If the board finds the utility did not take all reasonable and prudent actions to cost-effectively implement its energy efficiency programs, the board shall determine the amount in excess of those costs that would have been incurred under reasonable and prudent implementation. That amount shall be deducted from the next EECR/DRCR factors calculated pursuant to subrule 35.9(3) until satisfied.

**199—35.12(476) New structure energy conservation standards.** A utility providing natural gas or electric service shall not provide service to any structure completed after April 1, 1984, unless the owner or builder of the structure has certified to the utility that the building conforms to the energy conservation requirements adopted under 661—Chapter 303. If this compliance is already being certified to a state or local agency, a copy of that certification shall be provided to the utility. If no state or local agency is monitoring compliance with these energy conservation standards, the owner or builder shall certify that the structure complies with the standards by signing a form provided by the utility. No certification will be required for structures that are not governed by 661—Chapter 303.

These rules are intended to implement Iowa Code section 476.6.