

199—35.12(476) Energy efficiency cost recovery. A utility shall be allowed to recover the previously approved costs, deferred past costs, and estimated contemporaneous expenditures of its approved energy efficiency plans through an automatic adjustment mechanism. The utility may propose to recover the portion of the costs of process-oriented industrial assessments related to energy efficiency. Only unrecovered costs may be recovered through the automatic adjustment mechanism, and costs may be recovered only once.

For purposes of this rule, “previously approved costs” are defined as expenditures and related costs approved for recovery in previous energy efficiency cost recovery contested cases.

“*Deferred past costs*” are defined as funds actually spent by the utility on energy efficiency programs in its approved plan including the carrying charges associated with the deferred recovery of those costs, as defined in paragraph 35.12(1) “b.” Deferred past costs shall be amortized and recovered over a period not to exceed the term of the plan.

“*Estimated contemporaneous expenditures*” are defined as costs to be incurred during the current 12-month recovery period pursuant to an approved energy efficiency plan.

35.12(1) Accounting for costs. Each utility shall maintain accounting plans and procedures to account for all energy efficiency costs incurred on or after July 1, 1990.

a. Deferred past costs incurred on or after July 1, 1990, up to a date terminating the accumulation of deferred costs set by a board order, shall be charged to account 186, “Miscellaneous Deferred Debits,” as defined in the uniform system of accounts for utilities as provided in 199 IAC 16.

b. A carrying charge determined using the current monthly AFUDC rate from the formula prescribed in the uniform system of accounts for utilities, as provided in 199 IAC 16, shall accrue on costs in the account described in paragraph 35.12(1) “a.” A utility shall continue to accrue a carrying charge on the account’s costs, compounded semiannually, until the date terminating accumulation of deferred costs set by a board order.

c. Estimated contemporaneous expenditures proposed for concurrent recovery through an automatic adjustment mechanism shall be charged, after the date set by a board order, to the current accounts prescribed by the uniform system of accounts, as provided in 199 IAC 16, and shall be further identified using the accounts described in paragraph 35.12(1) “d.”

d. Each utility shall maintain a subaccount system, a work order system, or an accounting system which identifies individual costs by each program. Examples of individual items include, but are not limited to, the costs for planning and design, labor, advertising and promotion, rebates, customer incentives, equipment, installation, funding of the Iowa energy center and the center for global and regional environmental research, funding of the alternate energy revolving loan program, and consultant fees. Each utility shall maintain accurate employee, equipment, materials, and other records which identify all amounts related to each individual energy efficiency program.

35.12(2) Automatic adjustment mechanism. Each utility required to be rate-regulated shall file by March 1 of each year, subject to the board’s approval, energy efficiency 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. Each utility may elect to file its first energy efficiency automatic adjustment up to 120 days after the effective date of these rules.

35.12(3) Energy efficiency cost recovery (ECR) factors. The utility shall calculate ECR factors separately for each customer classification or grouping previously approved by the board. For all plans current at the time this rule becomes effective and for all future plans, if a utility desires to use customer classifications or allocations of indirect or other related costs other than those previously approved, such customer classifications or allocations of indirect or other related costs must be approved as part of a plan filing or of a modification thereof. ECR factors shall use the same unit of measurement as the utility’s tariffed rates. ECR factors shall be calculated according to the following formula:

$$\text{ECR factor} = \frac{(\text{PAC}) + (\text{ADPC} \times 12) + (\text{ECE}) + \text{A}}{\text{ASU}}$$

ECR factor is the energy efficiency recovery amount per unit of sales over the 12-month recovery period.

PAC is the annual amount of previously approved costs from earlier ECR proceedings, until the previously approved costs are fully extinguished.

ADPC is amortized deferred past cost. It is calculated as the levelized monthly payment needed to provide a return of and a return on the utility's deferred past costs (DPC). ADPC is calculated as:

$$\text{ADPC} = \text{DPC} [r(1+r)^n] / [(1+r)^n - 1]$$

DPC is deferred past costs including carrying charges which have not previously been approved for recovery, until the deferred past costs are fully recovered.

n is the length of the utility's plan in months.

r is the applicable monthly rate of return calculated as:

$$r = (1+R)^{1/12} - 1 \text{ or}$$

$$r = R \div 12 \text{ if previously approved}$$

R is the pretax overall rate of return the board held just and reasonable in the utility's most recent general rate case involving the same type of utility service. If the board has not rendered a decision in an applicable rate case for a utility, the average of the weighted average cost rates for each of the capital structure components allowed in general rate cases within the preceding 24 months for Iowa utilities providing the same type of utility service will be used to determine the applicable pretax overall rate of return.

ECE is the estimated contemporaneous expenditures to be incurred during the 12-month recovery period.

A is the adjustment factor equal to overcollections or undercollections determined in the annual reconciliation and for adjustments ordered by the board in prudence reviews.

ASU is the annual sales units estimated for the 12-month recovery period.

35.12(4) Filing requirements. Each utility proposing automatic recovery for its energy efficiency costs shall provide the following information:

- a. The filing shall restate the derivation of each ECR factor previously approved by the board.
- b. The filing shall include new ECR 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 ECR 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 ECR factors to the amounts expended. Overcollections or undercollections shall be used to compute adjustment factors.
- e. If in a prudence review, the board has determined that previously recovered energy efficiency costs were imprudently incurred, adjustment factors shall include reductions for these amounts.

35.12(5) Tariff sheets. Upon approval of the new ECR factors, the utility shall file separate tariff sheets for board approval to implement the ECR factors in its rates.