

KIM REYNOLDS  
GOVERNOR

**OFFICE OF THE GOVERNOR**

ADAM GREGG  
LT GOVERNOR

March 12, 2020

The Honorable Paul Pate  
Secretary of State of Iowa  
State Capitol  
Des Moines, Iowa 50319

Dear Mr. Secretary,

I hereby transmit:

Senate File 583, an Act relating to billing methods that may be utilized in connection with distributed generation facilities.

The above Senate File is hereby approved on this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim Reynolds".

Kim Reynolds  
Governor of Iowa

cc: Secretary of the Senate  
Clerk of the House



Senate File 583

AN ACT

RELATING TO BILLING METHODS THAT MAY BE UTILIZED IN CONNECTION  
WITH DISTRIBUTED GENERATION FACILITIES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 476.49 Billing methods for  
distributed generation customers.

1. *Definitions*. For purposes of this section, unless the  
context otherwise requires:

*a. "Alternate energy production facility"* means the same as  
defined in section 476.42.

*b. "Distributed generation customer"* means a person  
other than a public utility that interconnects an eligible  
distributed generation facility to an electric distribution  
system.

*c. "Distributed generation facility"* means the same as  
defined in section 476.58, subsection 1, paragraph "b",  
subparagraph (2) or (3).

*d. "Electric utility"* means a public utility that furnishes  
electricity to the public for compensation that is required to  
be rate-regulated under this chapter.

*e. "Eligible distributed generation facility"* means a  
distributed generation facility that elects a billing method  
pursuant to subsection 3, and to which all of the following  
apply:

(1) The facility is located behind a customer's electricity  
meter.

(2) The facility is interconnected to the electric utility distribution system.

(3) The facility has an aggregate nameplate capacity less than or equal to one megawatt alternating current.

(4) The facility has a capability to produce no more than one hundred ten percent of the customer's annual electricity usage.

(5) The facility's generating capacity and associated energy is intended to serve only the on-site electric requirements of the customer.

*f. "Inflow-outflow billing"* means a billing method for an eligible distributed generation facility whereby the net metering interval is measured hourly or subhourly, and a distributed generation customer makes payment and is credited as provided in subsection 3, paragraph "b".

*g. "Net billing"* means a billing method for an eligible distributed generation facility whereby the net metering interval is equal to a monthly billing period, and a distributed generation customer makes payment and is credited as provided in subsection 3, paragraph "a".

*h. "Net metering"* means a single meter monitoring only the net amount of electricity delivered to and exported by an eligible distributed generation facility, which electricity offsets electricity that would otherwise be purchased by a distributed generation customer from the electric utility.

*i. "Statewide distributed generation penetration"* means the aggregate nameplate capacity of all eligible distributed generation facilities of electric utilities as a percentage of the aggregate peak demand of all electric utilities.

2. *Publication of data.* The board shall collect data on the nameplate capacity of eligible distributed generation facilities, calculate the statewide distributed generation penetration percentage, and publish the data and penetration rate on an annual basis on the board's internet site.

3. *Billing methods.* An electric utility shall file either a net billing or an inflow-outflow billing tariff with the board to govern the billing and crediting of eligible distributed generation facilities interconnected with the electric distribution system of an electric utility as follows:

a. (1) An electric utility choosing to utilize the net billing method shall file a tariff with the board whereby a distributed generation customer pays all applicable charges, including applicable rider charges approved by the board and applied to non-net metering customers, for the electricity delivered to the customer over the net metering interval. A distributed generation customer shall be credited in kilowatt-hours for energy exported to the electric utility over the net metering interval. A distributed generation customer may use the kilowatt-hour credits to offset kilowatt-hours in future billing periods. The offset shall include any applicable volumetric rider charges approved by the board and applied to non-net metering customers.

(2) Any excess kilowatt-hours remaining at the end of a twelve-month period shall be cashed out at the electric utility's avoided cost rate with the funds from the cash out divided evenly between the customer and the electric utility's low-income home energy assistance program. The distributed generation customer shall choose either a January or April cash out date at the time of interconnection.

(3) Net billing shall not be limited in any way based on a customer's peak demand.

(4) Net billing shall not include any fees or charges that are not charged to customers in the same rate class that are not net billing customers.

b. (1) An electric utility choosing to utilize the inflow-outflow billing method shall file a tariff with the board whereby a distributed generation customer pays all applicable charges, including applicable rider charges approved by the board and applied to non-net metering customers, for the electricity delivered by the electric utility over the net metering interval. The distributed generation customer is credited in dollars at the outflow purchase rate for energy exported to the utility over the net metering interval. The distributed generation customer may use the dollar credits to offset any applicable volumetric charges, including applicable rider charges, billed on a kilowatt-hour basis.

(2) The electric utility shall select an hourly or subhourly metering interval that balances the benefits of accurately

measuring power flows in each direction with the cost of collecting, storing, and processing meter data.

(3) Inflow-outflow billing shall not be limited in any way based on a customer's peak demand.

(4) Inflow-outflow billing shall not include any fees or charges that are not charged to customers in the same rate class that are not inflow-outflow customers.

(5) Prior to the board's approval of a value of solar methodology and rate, the outflow purchase rate for an eligible distributed generation facility shall be the applicable retail volumetric rate, including applicable rider charges approved by the board and applied to non-net metered customers. The outflow purchase rate for any distributed generation facility will continue to be the applicable retail volumetric rate for a term of twenty years. Any change in ownership of such eligible facility, or adoption and use by the electric utility of a value-of-solar rate pursuant to subsection 4, shall not impact the outflow purchase rate for the distributed generation facility during the twenty-year term.

4. *Value of solar methodology.* If the board is petitioned by an electric utility after July 1, 2027, or when the statewide distributed generation penetration rate is equal to five percent, whichever is earlier, the board shall initiate a proceeding to develop a value of solar methodology and rate for eligible distributed generation facilities. The value of solar rate shall be determined through the use of a methodology that calculates the benefits and costs an eligible distributed generation facility provides to, or imposes on, the electric system. The value of solar methodology shall be applied independently to each electric utility. When the board determines the value of solar methodology, it shall determine if there is a need for separate methodologies for other distributed generation technologies or if it can account for the values of other technologies with modifications to the value of solar methodology.

a. In establishing the methodology, the board shall initiate a formal proceeding. The value of solar methodology shall be determined through a study conducted by an independent third party and overseen by the board. Interested parties shall have

the opportunity to comment and offer testimony on any proposed value of solar methodology before it is adopted by the board.

b. The benefits and costs in a value of solar methodology shall include all of the following factors as appropriate and supported by known and measurable evidence:

- (1) The cost of energy and fuel.
- (2) Generation capacity and reserves.
- (3) Transmission capacity and charges.
- (4) Distribution capacity.
- (5) Transmission and distribution line losses.
- (6) Fixed and variable costs associated with plant operations and maintenance.
- (7) Environmental compliance costs.
- (8) Integration costs.
- (9) Grid support services.
- (10) Other factors, based on known and measurable evidence of the cost or benefit of solar operations to the electric utility's electric system.

c. Upon approval of the value of solar methodology, the outflow purchase rate shall be limited to either a five percent increase or decrease from the previous outflow purchase rate. The value of solar rate shall be recomputed annually and reflected in the outflow purchase rate, limited to a five percent increase or decrease from the previous outflow purchase rate. If the utility switches from a net billing method to an inflow-outflow billing method after the value of solar methodology is approved, then the previous purchase rate shall be the applicable retail volumetric rate including all applicable rider charges approved by the board.

d. The board shall consider, review, and update as appropriate the value of solar methodology at least every three years after completion of the initial methodology.

e. After the board has approved a value of solar methodology and rate, the outflow purchase rate shall be set using the value of solar methodology. The outflow purchase rate for such a facility will be fixed for a term of twenty years regardless of any subsequent changes in the electric utility's outflow purchase rate or changes in ownership of such facility.

5. *Forfeiture of outflow purchase credits.* Any outflow

purchase credits remaining at the end of an annual period shall be forfeited to the rider used by the electric utility pursuant to subsection 7. The distributed generation customer shall choose either a January or April date at the time of interconnection for the purposes of determining the annual period.

6. *Proposal of separate rate classes.* An electric utility shall not propose treating distributed generation customers as a separate rate class in a general rate case prior to the board's approval of a value of solar methodology or prior to July 1, 2027, whichever is earlier. If an electric utility chooses to propose a separate rate class for distributed generation customers in a future proceeding, such a proposal shall be approved or disapproved in accordance with section 476.6 and accompanying rules.

7. *Riders.* An electric utility shall be allowed to recover the amounts credited to an eligible distributed generation customer for outflow purchases pursuant to a rider. To the extent an electric utility does not have such a rider, the board shall allow an electric utility to establish a rider to recover such amounts. For purposes of this subsection, "rider" includes a fuel or energy adjustment clause.

8. *Preexisting tariff.* Any customer utilizing a net billing tariff approved by the board on or before the availability of inflow-outflow billing may continue to receive electric service pursuant to the preexisting tariff for the remaining duration of the contract regardless of any subsequent changes in ownership of such facility.

9. *Use of funds collected through alternate energy purchase programs.* An electric utility may use funds collected pursuant to section 476.47 to offset any amounts that would otherwise be recovered through a rider resulting from outflow purchases of excess energy produced by an eligible distributed generation facility.

10. *Reasonableness of net billing and inflow-outflow billing.* When the statewide net metering penetration level reaches ten percent, the board shall determine whether the net billing and inflow-outflow billing methods are still reasonable and shall make recommendations to the general

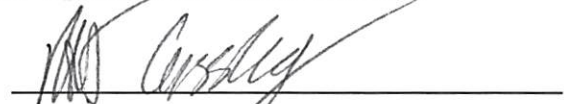


assembly. Regardless of the board's recommendations, existing facilities shall continue to be eligible for the net billing or inflow-outflow billing tariff in place at the time of installation and for twenty years of operation thereafter.



CHARLES SCHNEIDER

President of the Senate



PAT GRASSLEY

Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 583, Eighty-eighth General Assembly.



W. CHARLES SMITHSON

Secretary of the Senate

Approved March 12<sup>th</sup>, 2020



KIM REYNOLDS

Governor