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COMMERCE AND REGULATION

HOUSE FILE 2248
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Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to alternate energy production and purchasing
2 requirements, and providing an applicability provision and an
3 effective date.

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

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1 Section 1. Section 476.1A, Code 1995, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 7. Encouragement of alternate energy
4 production and the purchase of alternate energy.

5 Sec. 2. Section 476.1A, unnumbered paragraph 3, Code 1995,
6 is amended to read as follows:

7 However, sections 476.20, 476.21, ~~476.41 through 476.44,~~
8 476.51, 476.56, 476.62, and 476.66 and chapters 476A and 478,
9 to the extent applicable, apply to such electric utilities.

10 Sec. 3. Section 476.1B, subsection 1, paragraph g, Code
11 1995, is amended by striking the paragraph and inserting in
12 lieu thereof the following:

13 g. Encouragement of alternate energy production and the
14 purchase of alternate energy.

15 Sec. 4. Section 476.42, subsection 1, paragraph a, Code
16 1995, is amended to read as follows:

17 a. A solar, wind turbine, ~~waste-management,~~ resource
18 methane recovery, ~~refuse-derived-fuel,~~ agricultural crops or
19 residues, or woodburning facility.

20 Sec. 5. Section 476.42, subsection 3, Code 1995, is
21 amended by striking the subsection.

22 Sec. 6. Section 476.42, Code 1995, is amended by adding
23 the following new subsection:

24 NEW SUBSECTION. 5. "Alternate energy" means electricity
25 derived from hydro, solar, wind, methane recovery,
26 agricultural crops or residues, or woodburning energy.

27 Sec. 7. Section 476.43, Code 1995, is amended by striking
28 the section and inserting in lieu thereof the following:

29 476.43 ALTERNATE ENERGY -- RATES -- PENALTIES.

30 1. a. By December 31, 1997, an electric utility shall
31 derive a minimum of two percent of the electric utility's
32 annual peak demand from alternate energy sources. By July 1,
33 1999, an electric utility shall derive a minimum of five
34 percent of the utility's annual peak demand from alternate
35 energy sources.

1 b. A utility shall derive at least thirty percent of the
2 utility's alternate energy generation, required under
3 paragraph "a", from the following sources in the amounts as
4 indicated:

5 (1) Ten percent shall be derived from dedicated energy
6 crops grown within the state, fifty percent of which shall be
7 from projects of five hundred kilowatts or less.

8 (2) Ten percent shall be derived from agricultural wastes
9 produced from agricultural crops grown within the state, fifty
10 percent of which shall be from projects of five hundred
11 kilowatts or less.

12 (3) Ten percent shall be derived from small scale wind
13 generation projects located within the state of two hundred
14 fifty kilowatts or less.

15 2. The board shall establish a uniform competitive bidding
16 process so that an electric utility may acquire alternate
17 energy at a just and economically based market rate. An
18 electric utility may produce its own alternate energy by
19 constructing and operating an alternate energy production
20 facility or small hydro facility. However, the electric
21 utility shall participate in the competitive bidding process
22 using a third-party evaluator. A bid from an electric utility
23 producing its own alternate energy shall not take into account
24 regulated industry-based factors in order to produce a lower
25 cost bid. Regulated industry-based factors include eminent
26 domain and transmission ownership. An electric utility may
27 combine with one or more electric utilities to construct and
28 operate an alternate energy production facility or small hydro
29 facility for purposes of this subsection.

30 3. Notwithstanding section 476.51, an electric utility
31 which fails to comply with the requirements of subsection 1
32 shall be subject to a civil penalty, levied by the board, in
33 an amount that is equivalent to three times the amount of the
34 lowest bid filed with the board to comply with the
35 requirements of subsection 1. Civil penalties collected under

1 this subsection shall be forwarded to the treasurer of state
2 to be credited to the general fund of the state to be used
3 only for the alternate energy demonstration projects
4 administered by the Iowa energy center. These penalties shall
5 be excluded from the electric utility's costs when determining
6 the electric utility's revenue requirement, and shall not be
7 included either directly or indirectly in the electric
8 utility's rates or charges to customers.

9 4. If the state adopts a full and open competitive retail
10 electric market, a retail electric supplier shall be
11 prohibited from supplying electricity at retail in this state
12 unless the retail supplier derives at least five percent of
13 the supplier's energy supply from alternate energy sources.

14 Sec. 8. Section 476.44, Code 1995, is repealed.

15 Sec. 9. APPLICABILITY TO EXISTING CONTRACTS. This Act
16 shall not affect the terms and conditions of any contract
17 between an alternate energy production facility or small hydro
18 facility and an electric utility that was entered into
19 pursuant to sections 476.43 and 476.44 for purchase of
20 alternate energy if the contract was entered into prior to the
21 effective date of this Act. In addition, the Act shall not
22 affect potential contracts between alternate energy production
23 facilities and electric utilities if a petition relating to
24 the potential contracts has been filed and an action is
25 currently pending before the Iowa utilities board. For
26 purposes of the pending actions, the Iowa utilities board
27 shall not take into account the changes contained in this Act.

28 Sec. 10. EFFECTIVE DATE. This Act, being deemed of
29 immediate importance, takes effect upon enactment.

30 EXPLANATION

31 The bill defines alternate energy to include hydro, solar,
32 wind, methane recovery, agricultural crops or residues, or
33 wood burning energy. The bill strikes refuse-derived fuel and
34 waste management from inclusion in the definition of alternate
35 energy production facility. This bill requires an electric

1 utility to eventually derive a minimum of five percent of the
2 utility's annual peak demand from alternate energy sources.
3 The bill requires that by December 31, 1997, an electric
4 utility must derive a minimum of two percent of the utility's
5 annual peak demand from alternate energy sources and by July
6 1, 1999, an electric utility must derive the full five
7 percent.

8 This bill requires a utility to derive at least 30 percent
9 of the utility's required generation from the following
10 sources and in the following amounts:

11 a. Ten percent from dedicated energy crops, 50 percent of
12 which is from projects of 500 kilowatts or less.

13 b. Ten percent from agricultural wastes, 50 percent of
14 which is from projects of 500 kilowatts or less.

15 c. Ten percent from small scale wind generation projects
16 of 250 kilowatts or less.

17 The Iowa utilities board is required to establish a uniform
18 competitive bidding process so that an electric utility may
19 acquire alternate energy at a just and economically based
20 market rate. The bill allows an electric utility to produce
21 its own alternate energy by constructing and operating an
22 alternate energy production facility, but requires the
23 electric utility to participate in the competitive bidding
24 process using a third-party evaluator. The bill allows one or
25 more electric utilities to combine together to produce
26 alternate energy.

27 The bill provides for the imposition of a civil penalty for
28 an electric utility which fails to comply with this bill. The
29 penalty is equivalent to three times the amount of the lowest
30 bid for which the electric utility could have purchased the
31 alternate energy. The civil penalties collected are to be
32 used only for alternate energy demonstration projects
33 administered by the Iowa energy center. The penalties are
34 excluded from the utility's costs when determining the
35 utility's revenue requirement, and may not be included either

1 directly or indirectly in the utility's rates or charges to
2 customers.

3 The bill requires that in the event the state adopts a full
4 and open competitive retail electric market, a retail electric
5 supplier shall be prohibited from supplying electricity at
6 retail in this state unless the retail supplier derives at
7 least five percent of the supplier's energy supply from
8 alternate energy sources.

9 This bill does not affect terms and conditions of current
10 contracts between an alternate energy production facility or
11 small hydro facility and an electric utility that were entered
12 into for the purchase of alternate energy if the contract was
13 entered into prior to the effective date of this bill. In
14 addition, the bill does not affect potential contracts between
15 alternate energy production facilities and electric utilities
16 if a petition relating to the potential contracts has been
17 filed and an action is currently pending before the Iowa
18 utilities board.

19 The bill is effective upon enactment.

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