

FILED FEB 11 '03

SENATE FILE

117

BY LUNDBY

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing annual purchase or generation requirements for
2 certain electric utilities from alternate energy production
3 facilities, requiring establishment of a system of alternate
4 energy credit trading, making related changes, and providing
5 an effective date.

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

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SF 117
COMMERCE

1 Section 1. Section 476.42, Code 2003, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 3A. "Small distributed generation" means
4 a qualifying alternate energy production facility located at
5 or near the end-user site with a capacity of three megawatts
6 or less, connected at a voltage of less than sixty kilovolts.
7 To be a qualifying alternate energy production facility,
8 nonutility end-users of small distributed generation must
9 maintain majority ownership. The alternate energy production
10 facility may be connected in parallel operation to the
11 electric utility system.

12 Sec. 2. Section 476.44, subsection 2, Code 2003, is
13 amended to read as follows:

14 2. a. An electric utility subject to this division,
15 except a utility ~~which~~ that elects rate regulation pursuant to
16 section 476.1A, shall ~~not~~ be required to purchase ~~at any one~~
17 ~~time, more than its share of one hundred five megawatts of~~
18 power or generate at least the following percentages of its
19 total annual Iowa retail electric sales from ~~alternative~~
20 alternate energy production facilities or small hydro
21 facilities at the rates established pursuant to section
22 ~~476.43:--The board shall allocate the one hundred five~~
23 ~~megawatts based upon each utility's percentage of the total~~
24 ~~Iowa retail peak demand for the year beginning January 1,~~
25 ~~1990, of all utilities subject to this section.~~

- 26 (1) By December 31, 2004, four percent.
- 27 (2) By December 31, 2005, five percent.
- 28 (3) By December 31, 2006, six percent.
- 29 (4) By December 31, 2007, seven percent.
- 30 (5) By December 31, 2008, eight percent.
- 31 (6) By December 31, 2009, nine percent.
- 32 (7) By December 31, 2010, and annually thereafter, at
33 least ten percent.

34 b. A maximum of two percent of each utility's total annual
35 retail electric sales may be derived from alternate energy

1 production facilities or small hydro facilities placed in
2 service before January 1, 2004.

3 c. At least twenty percent of an electric utility's yearly
4 percentage pursuant to the schedule in paragraph "a" shall be
5 derived from small distributed generation.

6 ~~If a utility undergoes reorganization as defined in section~~
7 ~~476.76, the board shall combine the allocated purchases of~~
8 ~~power for each utility involved in the reorganization.~~

9 ~~Notwithstanding the one-hundred-five megawatt maximum, the~~
10 ~~board may increase the amount of power that a utility is~~
11 ~~required to purchase at the rates established pursuant to~~
12 ~~section 476.43 if the board finds that a utility, including a~~
13 ~~reorganized utility, exceeds its 1990 Iowa retail peak demand~~
14 ~~by twenty percent and the additional power the utility is~~
15 ~~required to purchase will encourage the development of~~
16 ~~alternate energy production facilities and small hydro~~
17 ~~facilities. The increase shall not exceed the utility's~~
18 ~~increase in peak demand multiplied by the ratio of the~~
19 ~~utility's share of the one-hundred-five megawatt maximum to~~
20 ~~its 1990 Iowa retail peak demand.~~

21 Sec. 3. Section 476.44, Code 2003, is amended by adding
22 the following new subsection:

23 NEW SUBSECTION. 3. The board shall establish and
24 administer a system for trading of alternate energy credits
25 through which a utility shall satisfy its obligation pursuant
26 to subsection 2.

27 a. Alternate energy credits shall be issued by the board
28 to alternate energy production facilities and small hydro
29 facilities, and shall represent the production of one
30 megawatt-hour of electrical generation by such facility.

31 b. Alternate energy credits may be sold or exchanged by
32 the facility to which the credits are issued, or by any other
33 person who acquires the credits.

34 c. The board shall adopt rules to administer and enforce
35 this subsection that, at a minimum, shall include the

1 following requirements:

2 (1) An alternate energy credit may be counted only once
3 toward compliance with subsection 2.

4 (2) The energy generation represented by an alternate
5 energy credit that is used to satisfy subsection 2 may not
6 additionally be used to satisfy obligations to consumers to
7 sell energy produced by alternate energy production
8 facilities.

9 (3) Each alternate energy credit that is not used in the
10 year of its creation may be banked, and remains valid for the
11 next two compliance years.

12 (4) A utility otherwise unable to satisfy its obligation
13 under subsection 2 shall purchase credits directly from the
14 board at the cost of three and one-half cents per kilowatt-
15 hour. The cost shall be adjusted annually for inflation,
16 according to application of the percentage change of the
17 consumer price index for all urban consumers, United States
18 city average, as published in the federal register by the
19 federal department of labor, bureau of labor statistics. The
20 board may by rule adopt a different adjustment for inflation
21 if it is found to be more appropriate for the pricing of
22 energy credits.

23 Sec. 4. EFFECTIVE DATE. This Act, being deemed of
24 immediate importance, takes effect upon enactment.

25 EXPLANATION

26 This bill provides for a schedule in Code chapter 476 for
27 purchase or generation requirements by certain electric
28 utilities of energy from alternate energy production
29 facilities, more commonly known as a renewable energy
30 standard, and related requirements, including a system of
31 energy credit trading.

32 The bill creates a schedule in Code section 476.44 that
33 increases the minimum annual percentage of renewable energy
34 that electric utilities, except for those utilities that have
35 elected rate regulation pursuant to Code section 476.1A, are

1 obligated to purchase from alternate energy production
2 facilities. As defined in Code section 476.42, an alternate
3 energy production facility means a facility that produces
4 energy from solar, wind turbine, waste management, resource
5 recovery, refuse-derived fuel, agricultural crops or residues,
6 or woodburning sources; the land, building, or improvements at
7 the project site; and the transmission or distribution
8 facilities necessary to conduct the energy produced. Current
9 Code language requires electric utilities to purchase 105
10 available megawatts, which is approximately 2 percent of Iowa
11 retail load. The bill would shift the requirement to 4
12 percent of Iowa retail sales by December 31, 2004, and then
13 increase that percentage annually by 1 percent per year,
14 culminating in a 10 percent annual purchase or generation
15 requirement by December 31, 2010.

16 The bill adds provisions to specify that only 2 percent of
17 each utility's total annual retail sales may be derived from
18 alternate energy production facilities placed into service
19 prior to January 1, 2004, and that at least 20 percent of a
20 utility's yearly purchase or generation requirement must be
21 derived from distributed generation sources. A new definition
22 is added for "small distributed generation" in Code section
23 476.42 that specifies size, use, and business organization
24 requirements.

25 The board is directed to establish an energy credit trading
26 system in conjunction with these changes. Credits are issued
27 to alternate energy producers for each megawatt-hour of
28 electricity produced. The credits may then be sold or
29 exchanged by those producers. Buyers may utilize the credits
30 to fulfill purchase or generation obligations under the new
31 provisions of Code section 476.44, or may sell or exchange the
32 credits with another buyer. An energy credit may only be
33 redeemed once toward fulfillment of the statutory purchase or
34 generation requirement, however. Energy credits may be banked
35 for up to two compliance years. A utility unable to satisfy

1 its purchase or generation requirement will be required to
2 purchase credits directly from the board.

3 The bill takes effect upon enactment.

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SENATE FILE 117

S-3024

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1 Amend Senate File 117 as follows:

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2 1. By striking page 1, line 12, through page 2,
3 line 20.

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4 2. Page 3, by striking lines 12 through 22.

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5 3. Title page, by striking lines 1 through 3 and
6 inserting the following: "An Act requiring
7 establishment of a system of alternate".

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8 4. By renumbering, redesignating, and correcting
9 internal references as necessary.

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By COMMITTEE ON COMMERCE
JEFF ANGELO, CHAIRPERSON

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S-3024 FILED MARCH 4, 2003

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