

# House File 349 - Introduced

HOUSE FILE \_\_\_\_\_  
BY REICHERT

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act authorizing the establishment of an energy efficiency and  
2 alternate energy production rate=decoupling pilot program for  
3 gas and electric public utilities.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TL5B 2165YH 83  
6 rn/rj/5

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1 1 Section 1. NEW SECTION. 476.48 DECOUPLING OF ENERGY SALES  
1 2 FROM REVENUES == PILOT PROGRAM.  
1 3 1. As used in this section, unless the context otherwise  
1 4 requires:  
1 5 a. "Decoupling" means a regulatory tool designed to  
1 6 separate a utility's revenue from changes in energy sales,  
1 7 with the objective of reducing a utility's disincentive to  
1 8 promote energy efficiency.  
1 9 b. "Operational cost savings" means the reduction in  
1 10 financial risk incurred by a utility and corresponding  
1 11 decreased cost of capital resulting from a reduced exposure to  
1 12 earnings volatility when decoupling is utilized.  
1 13 2. The board shall establish a pilot program relating to  
1 14 the decoupling of energy sales from revenues. The program  
1 15 shall involve the participation of one or more gas or electric  
1 16 public utilities required to be rate-regulated under this  
1 17 chapter. The board shall develop application forms for  
1 18 program participation and selection criteria by rule, which  
1 19 shall include requiring the development and submission by an  
1 20 applicant of a decoupling pilot plan utilizing the criteria  
1 21 and standards established in subsection 3 and designed to  
1 22 determine whether a rate=decoupling strategy achieves energy  
1 23 savings.  
1 24 3. The board shall establish decoupling standards and  
1 25 criteria by rule to mitigate the impact on public utilities of  
1 26 the energy=savings and capacity performance standard  
1 27 requirements required to be met pursuant to the utility's  
1 28 energy efficiency plan filed with the board under section  
1 29 476.6, subsection 16, paragraphs "a" and "b", without  
1 30 adversely affecting utility customers. The standards shall  
1 31 allow a participating utility timely recovery of the utility's  
1 32 fixed costs independent of retail power sales, and shall  
1 33 incorporate a rate of return accruing to the utility based  
1 34 upon an increased investment in energy efficiency programs.  
1 35 The amount of the increase in energy efficiency program  
2 1 investment shall be determined by the board by rule.  
2 2 4. To realize the rate of return authorized pursuant to  
2 3 subsection 3, a participating utility shall document that the  
2 4 required increase in energy efficiency program investment  
2 5 specified in subsection 3 has been met, and that the  
2 6 operational cost savings realized by the utility has been  
2 7 allocated as required pursuant to subsection 5.  
2 8 5. a. Fifty percent of the operational cost savings  
2 9 realized by a utility through participation in the program  
2 10 shall be allocated to assist the utility in meeting the  
2 11 increased energy efficiency program investment requirement  
2 12 pursuant to subsection 3.  
2 13 b. The remaining fifty percent of the operational cost  
2 14 savings shall be allocated by a utility to the tariff rate  
2 15 established by the board pursuant to subsection 6.  
2 16 6. The board shall establish a tariff rate applicable to  
2 17 interconnection agreements between a participating utility and  
2 18 an alternate energy production facility seeking to  
2 19 interconnect with the utility. The rate shall be established

2 20 at a sufficient level to provide an incentive for the  
2 21 development of alternate energy production within a designated  
2 22 area or zone, to be identified by the board, within a  
2 23 participating utility's service area. The board shall develop  
2 24 additional criteria relating to the operation of this  
2 25 subsection by rule, including but not limited to the  
2 26 development of standardized agreements applicable to  
2 27 interconnection pursuant to this subsection.

2 28 7. A pilot program shall be implemented pursuant to this  
2 29 section for no longer than a three-year period, after which  
2 30 the board shall submit a report to the members of the general  
2 31 assembly regarding program results and conclusions which can  
2 32 be drawn based upon an analysis of the results.

2 33 EXPLANATION

2 34 This bill establishes a rate=decoupling pilot program, to  
2 35 be administered by the utilities board of the utilities  
3 1 division of the department of commerce.

3 2 The bill defines "decoupling" as a regulatory tool designed  
3 3 to separate a utility's revenue from changes in energy sales,  
3 4 with the objective of reducing a utility's disincentive to  
3 5 promote energy efficiency. The program would involve the  
3 6 participation of one or more gas or electric public utilities  
3 7 required to be rate=regulated under Code chapter 476. The  
3 8 bill states that a utility applying for the program must  
3 9 submit a decoupling pilot plan for board approval  
3 10 incorporating decoupling criteria and standards established by  
3 11 the board and designed to determine whether a rate=decoupling  
3 12 strategy achieves energy savings.

3 13 The bill provides that the decoupling standards and  
3 14 criteria shall be established to mitigate the impact on  
3 15 utilities of implementing current energy=savings and capacity  
3 16 performance standard requirements, without adversely affecting  
3 17 utility customers. The standards shall allow a participating  
3 18 utility timely recovery of the utility's fixed costs  
3 19 independent of retail power sales, and provide the utility a  
3 20 rate of return conditioned upon documentation that the utility  
3 21 has made an increased investment in energy efficiency  
3 22 programs, and complied with requirements regarding allocation  
3 23 of operational cost savings. The bill defines "operational  
3 24 cost savings" to mean the reduction in financial risk incurred  
3 25 by a utility and corresponding decreased cost of capital  
3 26 resulting from a reduced exposure to earnings volatility when  
3 27 decoupling is utilized.

3 28 The bill specifies that 50 percent of the operational cost  
3 29 savings realized by a utility through participation in the  
3 30 program shall be allocated to assist the utility in meeting  
3 31 the increased energy efficiency program investment  
3 32 requirements imposed by the board upon program participants,  
3 33 and the remaining 50 percent shall be allocated to a tariff  
3 34 rate established by the board and applicable to  
3 35 interconnection agreements between a participating utility and  
4 1 an alternate energy production facility seeking to  
4 2 interconnect with the utility. The bill requires the rate to  
4 3 be established at a sufficient level to provide an incentive  
4 4 for the development of alternate energy production within a  
4 5 designated area or zone, to be identified by the board, within  
4 6 a participating utility's service area.

4 7 The bill states that the pilot program shall be implemented  
4 8 for no longer than a three-year period, after which the board  
4 9 shall submit a report to the members of the general assembly  
4 10 regarding program results and conclusions which can be drawn  
4 11 based upon an analysis of those results.

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