

House Study Bill 539 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON SODERBERG)

A BILL FOR

1 An Act providing for the issuance of a ratemaking principles
2 order when a rate-regulated public utility enters into a
3 power purchase agreement under specified circumstances.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 476.53, subsection 3, Code 2011, is
2 amended to read as follows:

3 3. a. The board shall specify in advance, by order issued
4 after a contested case proceeding, the ratemaking principles
5 that will apply when the costs of the electric power generating
6 facility, ~~or~~ alternate energy production facility, or power
7 purchased pursuant to a power purchase agreement are included
8 in regulated electric rates whenever a rate-regulated public
9 utility does any of the following:

10 (1) Files an application pursuant to section 476A.3 to
11 construct in Iowa a baseload electric power generating facility
12 with a nameplate generating capacity equal to or greater
13 than three hundred megawatts or a combined-cycle electric
14 power generating facility, or an alternate energy production
15 facility as defined in section 476.42, or to significantly
16 alter an existing generating facility. For purposes of
17 this subparagraph, a significant alteration of an existing
18 generating facility must, in order to qualify for establishment
19 of ratemaking principles, fall into one of the following
20 categories:

21 (a) Conversion of a coal fueled facility into a gas fueled
22 facility.

23 (b) Addition of carbon capture and storage facilities at a
24 coal fueled facility.

25 (c) Addition of gas fueled capability to a coal fueled
26 facility, in order to convert the facility to one that will
27 rely primarily on gas for future generation.

28 (d) Addition of a biomass fueled capability to a coal fueled
29 facility.

30 With respect to a significant alteration of an existing
31 generating facility, an original facility shall not be required
32 to be either a baseload or a combined-cycle facility. Only
33 the incremental investment undertaken by a utility under
34 subparagraph divisions (a), (b), (c), or (d) shall be eligible
35 to apply the ratemaking principles established by the order

1 issued pursuant to paragraph "e". Facilities for which advanced
2 ratemaking principles are obtained pursuant to this section
3 shall not be subject to a subsequent board review pursuant to
4 section 476.6, subsection 21 to the extent that the investment
5 has been considered by the board under this section. To the
6 extent an eligible utility has been authorized to make capital
7 investments subject to section 476.6, subsection 21, such
8 investments shall not be eligible for ratemaking principles
9 pursuant to this section.

10 (2) Leases or owns in Iowa, in whole or in part, a new
11 baseload electric power generating facility with a nameplate
12 generating capacity equal to or greater than three hundred
13 megawatts or a combined-cycle electric power generating
14 facility, or a new alternate energy production facility as
15 defined in section 476.42.

16 (3) Enters into a power purchase agreement with a term
17 longer than seven years to purchase in excess of three hundred
18 megawatts of output from an electric power generating facility
19 in this state.

20 b. In determining the applicable ratemaking principles,
21 the board shall not be limited to traditional ratemaking
22 principles or traditional cost recovery mechanisms. Among the
23 principles and mechanisms the board may consider, the board
24 has the authority to approve ratemaking principles proposed by
25 a rate-regulated public utility that provide for reasonable
26 restrictions upon the ability of the public utility to seek
27 a general increase in electric rates under section 476.6 for
28 at least three years after the generating facility begins
29 providing service to Iowa customers.

30 c. In determining the applicable ratemaking principles, the
31 board shall make the following findings:

32 (1) The rate-regulated public utility has in effect a
33 board-approved energy efficiency plan as required under section
34 476.6, subsection 16.

35 (2) The rate-regulated public utility has demonstrated

1 to the board that the public utility has considered other
2 sources for long-term electric supply and that the facility,
3 ~~or~~ lease, or power purchase agreement is reasonable when
4 compared to other feasible alternative sources of supply. The
5 rate-regulated public utility may satisfy the requirements of
6 this subparagraph through a competitive bidding process, under
7 rules adopted by the board, that demonstrate the facility, ~~or~~
8 lease, or power purchase agreement is a reasonable alternative
9 to meet its electric supply needs.

10 *d.* The applicable ratemaking principles shall be determined
11 in a contested case proceeding, which proceeding may be
12 combined with the proceeding for issuance of a certificate
13 conducted pursuant to chapter 476A.

14 *e.* The order setting forth the applicable ratemaking
15 principles shall be issued prior to the commencement of
16 construction or lease of, or purchase of power by agreement
17 from, the facility.

18 *f.* Following issuance of the order, the rate-regulated
19 public utility shall have the option of proceeding according to
20 either of the following:

21 (1) Withdrawing its application for a certificate pursuant
22 to chapter 476A.

23 (2) Proceeding with the construction or lease of, or
24 purchase of power by agreement from, the facility.

25 *g.* Notwithstanding any provision of this chapter to the
26 contrary, the ratemaking principles established by the order
27 issued pursuant to paragraph "e" shall be binding with regard
28 to the specific electric power generating facility or power
29 purchase agreement in any subsequent rate proceeding.

30 EXPLANATION

31 This bill relates to the advance determination by the Iowa
32 utilities board of applicable ratemaking principles when
33 regulated electric rates are proposed to include the costs of
34 specified actions by a rate-regulated public utility.

35 Currently, Code section 476.53 provides that the board shall

1 issue a ratemaking principles order when a rate-regulated
2 public utility files an application to construct in Iowa a
3 baseload electric power generating facility with a nameplate
4 generating capacity equal to or greater than 300 megawatts
5 or a combined-cycle electric power generating facility, or
6 an alternate energy production facility; or to significantly
7 alter an existing generating facility; or leases or owns such
8 a facility. The bill additionally provides for the issuance
9 of a ratemaking principles order when a rate-regulated public
10 utility enters into a power purchase agreement with a term
11 longer than seven years to purchase in excess of 300 megawatts
12 of output from a generating facility in Iowa. The bill makes
13 conforming changes throughout the Code section consistent with
14 this addition.