

**Senate File 583 - Introduced**

SENATE FILE 583  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1201)

**A BILL FOR**

1 An Act relating to electric utility rates and infrastructure  
2 support options for private generation customers.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 476.49 Private generation rates —  
2 infrastructure support options for customers.

3 1. The general assembly recognizes the importance of  
4 electric utility infrastructure, including electric generation,  
5 transmission, and distribution systems, to provide electric  
6 service to all customers in this state, whether electricity  
7 is generated by a public utility, by a customer, or on behalf  
8 of a customer. The general assembly also recognizes that  
9 tariffs for electric service are traditionally designed for  
10 the provision of full electric service to customers, not  
11 taking into account the private generation of electricity. It  
12 is the intent of the general assembly to require customers  
13 who utilize private generation to pay their share of costs  
14 of electric utility infrastructure, thereby eliminating  
15 cross-subsidization. It is also the intent of the general  
16 assembly to provide private generation customers with options  
17 to pay their share of costs.

18 2. For purposes of this section, unless the context  
19 otherwise requires:

20 a. "Avoided cost" means the energy rate paid by an electric  
21 utility for energy purchases from a private generation customer  
22 established in the electric utility's board-approved tariff for  
23 cogeneration facilities and small power production facilities  
24 and in accordance with section 476.43.

25 b. "Private generation customer" means an electric utility  
26 customer who utilizes a private generation facility.

27 c. (1) "Private generation facility" means an alternate  
28 energy production facility, as defined in section 476.42, that  
29 is owned, leased, operated by, or operated on behalf of a  
30 private generation customer and whose production of electricity  
31 is used to offset a portion or all of the customer's  
32 electricity bill or usage that would otherwise be purchased  
33 from an electric utility.

34 (2) "Private generation facility" does not include any of  
35 the following:

1 (a) A cogeneration facility as defined in 18 C.F.R. pt. 292,  
2 subpt. B, including without limitation combined heat and power  
3 facilities.

4 (b) A facility that produces renewable fuel as defined  
5 in section 214A.1, which is registered with the United  
6 States environmental protection agency as a manufacturer, in  
7 accordance with the requirements set forth in 40 C.F.R. §79.4.

8 (c) A facility that utilizes a de minimus amount of biomass  
9 in its operations. For purposes of this subparagraph division,  
10 "*de minimus*" means less than ten percent of all fuel utilized in  
11 the generation processes.

12 (d) A private generation facility with a nameplate  
13 generating capacity greater than one megawatt.

14 3. A rate-regulated electric utility may file tariffs with  
15 the board applicable to any private generation customer who  
16 utilizes a private generation facility installed on or after  
17 the date a tariff is approved pursuant to subsection 5. All  
18 tariff rates charged to a private generation customer for  
19 electric service shall recover the electric utility's actual  
20 cost of providing electric service to the applicable customer  
21 class, as determined by the board in the electric utility's  
22 most recently approved rate proceeding. Tariffs filed pursuant  
23 to this section shall be designed to ensure that a private  
24 generation customer pays for electric utility infrastructure  
25 costs. Tariffs filed pursuant to this section shall require a  
26 private generation customer to choose one of the following rate  
27 structures for the provision of electric service:

28 a. A minimum infrastructure charge rate structure whereby  
29 the private generation customer pays a minimum amount each  
30 month, or the private generation customer's applicable standard  
31 electric service bill, whichever is higher. The private  
32 generation customer's applicable standard electric service  
33 bill shall be calculated using the applicable standard retail  
34 tariff. This tariff rate structure shall allow the private  
35 generation facility to offset the private generation customer's

1 energy usage, and shall allow excess energy to carry forward  
2 in the form of excess energy credits to offset the private  
3 generation customer's energy usage in future billing periods.  
4 This tariff rate structure shall also include an annual  
5 cash-out of excess energy credits at a rate that does not  
6 exceed the electric utility's avoided cost.

7     *b.* A multi-part rate structure whereby rates applicable  
8 to the customer include, at a minimum, a fixed basic service  
9 charge, an energy charge designed to recover variable costs,  
10 and a monthly demand charge designed to ensure that the  
11 private generation customer pays for fixed electric utility  
12 infrastructure costs. This tariff rate structure shall  
13 allow the private generation facility to offset the private  
14 generation customer's energy usage, and shall allow excess  
15 energy to carry forward in the form of excess energy credits to  
16 offset the private generation customer's energy usage in future  
17 billing periods. This tariff rate structure shall also include  
18 an annual cash-out of excess energy credits at a rate that does  
19 not exceed the electric utility's avoided cost.

20     *c.* A buy all and sell all rate structure whereby the private  
21 generation facility's output is measured separately from the  
22 private generation customer's consumption. All electricity  
23 consumed shall be purchased from the electric utility and all  
24 electricity generated shall be sold to the electric utility on  
25 a monthly basis. Rates applicable to the private generation  
26 customer for all electricity purchased from the electric  
27 utility shall be the applicable standard retail tariff.  
28 Rates applicable for electricity purchased from the private  
29 generation customer shall not exceed the electric utility's  
30 avoided cost.

31     *d.* A rate structure filed by the electric utility that  
32 recovers the electric utility's cost of providing electric  
33 service to the applicable customer class, subject to board  
34 approval.

35     4. The board shall review a tariff filed pursuant to this

1 section for compliance with this section, and shall approve the  
2 tariff as filed or docket the tariff for review in a formal  
3 proceeding pursuant to section 476.6, and thereafter either  
4 approve the tariff or modify the tariff to meet compliance  
5 with this section within six months of the date of docketing.  
6 If the board fails to complete a review of the tariff within  
7 six months of the date of filing, the tariff shall be deemed  
8 approved. A tariff approved pursuant to this subsection shall  
9 supersede any previously approved tariffs applicable to private  
10 generation customers, except as provided in subsection 5.

11 5. A private generation customer who utilizes a private  
12 generation facility pursuant to a tariff approved by the board  
13 on or before the effective date of this Act may continue to  
14 receive electric service pursuant to the preexisting tariff for  
15 the remaining duration of the contract involving the private  
16 generation facility, regardless of any subsequent change in  
17 ownership of such private generation facility. However, if the  
18 private generation customer terminates electric service with  
19 the electric utility, the preexisting tariff shall no longer  
20 apply and the private generation customer shall be required to  
21 receive electric service pursuant to a tariff approved pursuant  
22 to subsection 4, provided that the electric utility filed such  
23 tariff with the board.

24 6. Nothing in this section shall preclude a customer  
25 from entering into a contract with an electric utility as an  
26 alternate energy production facility, cogeneration and small  
27 power production facility, or a standby and supplemental power  
28 service customer under the terms of the electric utility's  
29 separate alternate energy production facility, cogeneration and  
30 small power production facility, or standby and supplemental  
31 power service tariffs filed pursuant to the federal Public  
32 Utility Regulatory Policies Act of 1978, 16 U.S.C. §2601 et  
33 seq.

34

#### EXPLANATION

35 The inclusion of this explanation does not constitute agreement with

1           the explanation's substance by the members of the general assembly.

2       This bill establishes new Code section 476.49, relating to  
3 electric utility rates and infrastructure support options for  
4 private generation customers.

5       The bill defines "private generation customer" to mean an  
6 electric utility customer who utilizes a private generation  
7 facility. "Private generation facility" is defined as an  
8 alternate energy production facility as defined in Code section  
9 476.42 that is owned, leased, operated by, or operated on  
10 behalf of a private generation customer and whose production  
11 of electricity is used to offset a portion or all of the  
12 customer's electricity bill or usage that would otherwise  
13 be purchased from an electric utility, but does not include  
14 certain facilities described in the bill.

15       The bill provides that the general assembly recognizes  
16 the importance of electric utility infrastructure, including  
17 generation, transmission, and distribution systems, to provide  
18 electric service to all customers in Iowa. The general  
19 assembly also recognizes that tariffs are traditionally  
20 designed for the provision of full electric service to  
21 customers, not taking private generation into account. The  
22 bill specifies that it is the intent of the general assembly  
23 to require private generation customers to pay their share  
24 of costs of electric utility infrastructure, and to provide  
25 private generation customers with options to pay their share of  
26 costs.

27       The bill allows rate-regulated electric utilities to file  
28 tariffs with the Iowa utilities board applicable to any private  
29 generation customer who utilizes a private generation facility  
30 installed on or after the date a tariff is approved pursuant to  
31 the bill. All tariff rates charged to a customer shall recover  
32 the electric utility's actual cost of providing service to the  
33 applicable customer class.

34       The bill provides that tariffs filed pursuant to the bill  
35 shall be designed to ensure that a private generation customer

1 pays for electric utility infrastructure costs and shall  
2 require a private generation customer to choose from one of  
3 several rate structures described in the bill.

4 The bill provides that the board shall review a tariff for  
5 compliance with the bill and shall approve the tariff as filed  
6 or docket the tariff for review in a formal proceeding, and  
7 thereafter either approve the tariff or modify the tariff to  
8 meet compliance within six months of the date of docketing.  
9 If the board fails to review the tariff within six months  
10 of the date of filing, the tariff is deemed approved. An  
11 approved tariff shall supersede any previously approved tariffs  
12 applicable to private generation customers, except as provided  
13 in the bill.

14 The bill provides that a private generation customer who  
15 utilizes a private generation facility pursuant to a tariff  
16 approved by the board on or before the effective date of the  
17 bill may continue to receive electric service pursuant to the  
18 preexisting tariff for the remaining duration of the contract  
19 involving the facility, regardless of any subsequent change in  
20 ownership of such facility. If the private generation customer  
21 terminates electric service with the utility, the preexisting  
22 tariff shall no longer apply and the customer shall be required  
23 to receive electric service pursuant to a tariff approved in  
24 accordance with the bill, if such tariff was filed with the  
25 board.

26 The bill provides that nothing in the bill shall preclude a  
27 customer from entering into a contract with an electric utility  
28 as an alternate energy production facility, cogeneration and  
29 small power production facility, or a standby and supplemental  
30 power service customer under the terms of the electric  
31 utility's separate tariffs filed pursuant to specified federal  
32 law.