

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

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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.