

Senate Study Bill 1201 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON CHAPMAN)

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 such customers with options to pay their
17 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 in compliance with the federal Public Utility Regulatory
25 Policies Act of 1978, 16 U.S.C. §2601 et seq.

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

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

34 3. A rate-regulated electric utility may file tariffs with
35 the board applicable to any private generation customer who

1 utilizes a private generation facility installed on or after
2 the date a tariff is approved pursuant to subsection 5. All
3 tariff rates charged to a private generation customer for
4 electric service shall recover the electric utility's cost of
5 providing electric service to the applicable customer class,
6 as determined by the board in the electric utility's most
7 recently approved rate proceeding. Tariffs filed pursuant
8 to this section shall be designed to ensure that a private
9 generation customer pays for electric utility infrastructure
10 costs. Tariffs filed pursuant to this section shall require a
11 private generation customer to choose one of the following rate
12 structures for the provision of electric service:

13 *a.* A minimum infrastructure charge rate structure whereby
14 the private generation customer pays a minimum amount each
15 month, or the private generation customer's applicable standard
16 electric service bill, whichever is higher. The private
17 generation customer's applicable standard electric service
18 bill shall be calculated using the applicable standard retail
19 tariff. This tariff rate structure shall allow the private
20 generation facility to offset the private generation customer's
21 energy usage, and shall allow excess energy to carry forward
22 in the form of excess energy credits to offset the private
23 generation customer's energy usage in future billing periods.
24 This tariff rate structure shall also include an annual
25 cash-out of excess energy credits at a rate that does not
26 exceed the electric utility's avoided cost.

27 *b.* A multi-part rate structure whereby rates applicable
28 to the customer include, at a minimum, a fixed basic service
29 charge, an energy charge designed to recover variable costs,
30 and a monthly demand charge designed to ensure that the
31 private generation customer pays for fixed electric utility
32 infrastructure costs. This tariff rate structure shall
33 allow the private generation facility to offset the private
34 generation customer's energy usage, and shall allow excess
35 energy to carry forward in the form of excess energy credits to

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

5 *c.* A buy all and sell all rate structure whereby the private
6 generation facility's output is measured separately from the
7 private generation customer's consumption. All electricity
8 consumed shall be purchased from the electric utility and all
9 electricity generated shall be sold to the electric utility on
10 a monthly basis. Rates applicable to the private generation
11 customer for all electricity purchased from the electric
12 utility shall be the applicable standard retail tariff.
13 Rates applicable for electricity purchased from the private
14 generation customer shall not exceed the electric utility's
15 avoided cost.

16 *d.* A rate structure filed by the electric utility that
17 recovers the electric utility's cost of providing electric
18 service to the applicable customer class, subject to board
19 approval.

20 4. The board shall review a tariff filed pursuant to this
21 section for compliance with this section, and shall approve
22 the tariff as filed or with modification to meet compliance
23 with this section within ninety days of filing. If the board
24 fails to review the tariff within ninety days of filing, the
25 tariff shall be deemed approved. A tariff approved pursuant to
26 this subsection shall supersede any previously approved tariffs
27 applicable to private generation customers, except as provided
28 in subsection 5.

29 5. A private generation customer who utilizes a private
30 generation facility pursuant to a tariff approved by the board
31 on or before the effective date of this Act may continue to
32 receive electric service pursuant to the preexisting tariff for
33 the remaining duration of the contract involving the private
34 generation facility, regardless of any subsequent change in
35 ownership of such private generation facility. However, if the

1 private generation customer terminates electric service with
2 the electric utility, the preexisting tariff shall no longer
3 apply and the private generation customer shall be required to
4 receive electric service pursuant to a tariff approved pursuant
5 to subsection 4, provided that the electric utility filed such
6 tariff with the board.

7

EXPLANATION

8 The inclusion of this explanation does not constitute agreement with
9 the explanation's substance by the members of the general assembly.

10 This bill establishes new Code section 476.49, relating to
11 electric utility rates and infrastructure support options for
12 private generation customers.

13 The bill defines "private generation customer" to mean an
14 electric utility customer who utilizes a private generation
15 facility. "Private generation facility" is defined as an
16 alternate energy production facility that is owned, leased,
17 operated by, or operated on behalf of a private generation
18 customer and whose production of electricity is used to offset
19 a portion or all of the customer's electricity bill or usage
20 that would otherwise be purchased from an electric utility.

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

32 The bill allows rate-regulated electric utilities to file
33 tariffs with the Iowa utilities board applicable to any private
34 generation customer who utilizes a private generation facility
35 installed on or after the date a tariff is approved pursuant

1 to the bill. All tariff rates charged to a customer shall
2 recover the electric utility's cost of providing service to the
3 applicable customer class.

4 The bill provides that tariffs filed pursuant to the bill
5 shall be designed to ensure that a private generation customer
6 pays for electric utility infrastructure costs and shall
7 require a private generation customer to choose from one of
8 several rate structures described in the bill.

9 The bill provides that the board shall review a tariff for
10 compliance with the bill and shall approve the tariff as filed
11 or with modification to meet compliance within 90 days of
12 filing. If the board fails to review the tariff within 90 days
13 of filing, the tariff is deemed approved. An approved tariff
14 shall supersede any previously approved tariffs applicable to
15 private generation customers, except as provided in the bill.

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