

House File 2554 - Introduced

HOUSE FILE 2554
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 658)

A BILL FOR

1 An Act relating to electric power generation, energy storage,
2 and transmission facility ratemaking principles, and
3 including applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 DIVISION I
2 ELECTRIC POWER GENERATION, ENERGY STORAGE, AND TRANSMISSION
3 FACILITY RATEMAKING PRINCIPLES

4 Section 1. NEW SECTION. 476.52A Definitions.

5 As used in this subchapter unless the context otherwise
6 requires:

7 1. "*Alternate energy production facility*" means the same as
8 defined in section 476.42.

9 2. "*Energy storage*" means any system, equipment, facility,
10 or technology that is capable of absorbing energy, storing the
11 energy for a period of time, and dispatching the energy through
12 one of the following manners:

13 a. Using mechanical, electrochemical, thermal,
14 electrolysis, or other processes to convert and store electric
15 energy that was generated at an earlier time for use at a later
16 time.

17 b. Using mechanical, electrochemical, biochemical, or
18 thermal processes to convert and store energy generated
19 from mechanical processes that would otherwise be wasted for
20 delivery at a later time.

21 c. Storing energy in an electric, thermal, or gaseous
22 state for direct use for heating or cooling at a later time
23 in a manner that avoids the need to use electricity or other
24 fuel sources at that later time, such as a grid-enabled water
25 heater.

26 3. "*Nuclear reactor*" means an apparatus designed to produce
27 electrical or heat energy through sustained nuclear fission in
28 a self-supporting chain reaction.

29 4. "*Repowering*" means either the complete dismantling and
30 replacement of generation equipment at an existing project
31 site, or the installation of new parts and equipment to an
32 existing alternate energy production facility in order to
33 increase energy production, reduce load, increase service
34 capacity, improve project reliability, or extend the useful
35 life of the facility.

1 Sec. 2. Section 476.53, subsection 1, Code 2024, is amended
2 to read as follows:

3 1. It is the intent of the general assembly to attract
4 the development of electric power generating, energy storage,
5 and transmission facilities within the state in sufficient
6 quantity to ensure reliable electric service to Iowa consumers,
7 ensure an adequate base load, and provide economic benefits to
8 the state. Ensuring reliable electric service and providing
9 economic benefits may require public utilities to consider
10 diverse electric power generating technologies and energy
11 storage technologies, including alternate energy production
12 facilities, nuclear reactors, and energy storage facilities.
13 It is also the intent of the general assembly to encourage
14 rate-regulated public utilities to consider altering existing
15 electric power generating facilities, ~~where~~ when reasonable,
16 to manage carbon emission intensity in order to facilitate the
17 transition to a carbon-constrained environment. It is also the
18 intent of the general assembly to encourage the development
19 of nuclear electric power generation within the state using
20 nuclear reactors and to use nuclear power to meet local and
21 regional electric needs.

22 Sec. 3. Section 476.53, subsection 3, paragraph a, Code
23 2024, is amended to read as follows:

24 a. The board ~~shall~~ may specify in advance, by order issued
25 after a contested case proceeding, the ratemaking principles
26 that will apply when the costs of the electric power generating
27 facility, ~~or~~ alternate energy production facility, or energy
28 storage facility are included in regulated electric rates
29 ~~whenever~~ a. A rate-regulated public utility does may seek
30 ratemaking principles for any of the following:

31 (1) (a) ~~Files an application pursuant to section 476A.3~~
32 ~~to construct~~ The costs of constructing in Iowa a baseload an
33 electric power generating facility with a nameplate generating
34 capacity equal to or greater than ~~three hundred~~ forty megawatts
35 ~~or a combined-cycle electric power generating facility, or an~~

1 alternate energy production facility as defined in section
2 476.42, or an energy storage facility, or the construction
3 costs to significantly alter an existing electric power
4 generating facility, alternate energy production facility, or
5 energy storage facility. For purposes of this subparagraph,
6 a significant alteration of an existing generating facility,
7 alternate energy production facility, or energy storage
8 facility must, in order to qualify for establishment of
9 ratemaking principles, fall into one of the following
10 categories:

11 (i) ~~Conversion of a coal-fueled~~ an electric power generating
12 facility into a gas-fueled to an alternate fuel type for the
13 electric power generating facility.

14 (ii) ~~Addition of carbon capture and storage facilities at a~~
15 coal-fueled to an existing electric power generating facility.

16 (iii) ~~Addition of gas-fueled capability to a coal-fueled~~
17 facility, in order to convert the facility to one that will
18 rely primarily on gas for future generation facilities to
19 capture exhaust heat and thereby generate additional electric
20 power at an existing electric power generating facility.

21 ~~(iv) Addition of a biomass fueled capability to a coal~~
22 fueled facility.

23 ~~(v) (iv) Repowering of an alternate energy production~~
24 facility. For purposes of this subparagraph subdivision,
25 "repowering" shall mean either the complete dismantling and
26 replacement of generation equipment at an existing project
27 site, or the installation of new parts and equipment to an
28 existing alternate energy production facility in order to
29 increase energy production, reduce load, increase service
30 capacity, improve project reliability, or extend the useful
31 life of the facility.

32 (v) Addition of energy storage at an existing electric power
33 generating facility, alternate energy production facility, or
34 energy storage facility.

35 (b) With respect to a significant alteration of an existing

1 generating facility, ~~an original facility shall not be required~~
 2 ~~to be either a baseload or a combined cycle facility. Only~~
 3 only the incremental investment undertaken by a utility
 4 under subparagraph division (a), subparagraph subdivision
 5 (i), (ii), or (iii), ~~or (iv)~~ shall be eligible to apply the
 6 ratemaking principles established by the order issued pursuant
 7 to paragraph "e". Facilities for which ~~advanced~~ advance
 8 ratemaking principles are obtained pursuant to this section
 9 shall not be subject to a subsequent board review pursuant to
 10 section 476.6, subsection 19, to the extent that the investment
 11 has been considered by the board under this section, but may be
 12 subject to the provisions of paragraph "od" of this subsection.
 13 To the extent an eligible utility has been authorized to make
 14 capital investments subject to section 476.6, subsection
 15 19, such investments shall not be eligible for ratemaking
 16 principles pursuant to this section.

17 (2) ~~Leases or owns~~ When leased or owned in Iowa, in whole or
 18 in part, a new ~~baseload~~ electric power generating facility with
 19 a nameplate generating capacity equal to or greater than ~~three~~
 20 ~~hundred forty~~ megawatts ~~or a combined cycle electric power~~
 21 generating, a new energy storage facility, or a new alternate
 22 energy production facility as defined in section 476.42.

23 Sec. 4. Section 476.53, subsection 3, Code 2024, is amended
 24 by adding the following new paragraph:

25 NEW PARAGRAPH. *od.* The board may require as a condition
 26 of approval of an advance ratemaking petition for solar energy
 27 production, wind energy production, or energy storage by a
 28 rate-regulated public utility the filing of an integrated
 29 resource plan. The board shall adopt rules for an integrated
 30 resource plan filing. An integrated resource plan shall
 31 include proposals for the use of resources including
 32 generation, distribution facilities, transmission, adequate
 33 base load generation and reliability, limitation demand
 34 response arrangements, peak load management, distributed
 35 generation, power purchase agreements, and wholesale market

1 purchases.

2 Sec. 5. NEW SECTION. 476.53B Department authority and
3 proceedings.

4 The board shall adopt rules pursuant to chapter 17A to
5 provide for the completion of proceedings under section 476.53
6 within ten months after the date of the filing of a petition
7 under section 476.53, subsection 3. The rules shall include
8 reasonable time limitations for the submission or completion
9 of comments and testimony, and exhibits, briefs, and hearings,
10 and may provide for the granting of additional time upon the
11 request of a party to the proceeding for good cause shown.

12 Sec. 6. APPLICABILITY. This division of this Act applies to
13 an application for new or changed rates, charges, schedules, or
14 regulations filed by a public utility on or after the effective
15 date of this Act.

16 DIVISION II

17 RATEMAKING REVIEW

18 Sec. 7. RATEMAKING — PERFORMANCE-BASED REGULATION REVIEW.

19 1. The utilities board shall initiate and coordinate an
20 independent review of performance-based regulation frameworks
21 and various components, which shall include multiyear
22 rate plans, performance mechanisms such as scorecards and
23 performance incentive mechanisms, and earnings sharing
24 mechanisms. The review shall take into account the policy
25 objectives of ensuring safe, adequate, reliable, and affordable
26 utility services provided at rates that are nondiscriminatory,
27 just, reasonable, and based on the cost of the utility to
28 provide service to customers within the state.

29 2. The review shall include recommendations for changes in
30 law and administrative rules and identification of ratemaking
31 laws and procedures of other states that, if adopted in Iowa,
32 could enhance the competitiveness of utility rates in the state
33 compared with utility rates in other jurisdictions.

34 3. The consumer advocate division of the department
35 of justice shall, and rate-regulated utilities and other

1 interested persons may, participate in the review. The board
2 may utilize additional services to assist in the coordination
3 of the review and preparation of the report. The board shall
4 submit a report with findings and recommendations to the
5 general assembly by October 1, 2026.

6 EXPLANATION

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

9 This bill relates to electric power generation, energy
10 storage, and transmission facility ratemaking principles.

11 Division I of the bill modifies intent language to reflect
12 an intent to attract energy storage and develop nuclear power
13 generation for consumers in the state.

14 Division I of the bill alters ratemaking principle processes
15 and modifies when a rate-regulated public utility may seek a
16 ratemaking principle. In addition to electric power generating
17 facilities and alternate energy production facilities, the
18 utilities board (board) may specify the ratemaking principles
19 applying to an energy storage facility.

20 Division I of the bill provides that a rate-regulated public
21 utility may seek ratemaking principles from the board when
22 there are construction-related costs of an electric power
23 generating facility with a nameplate generating capacity equal
24 to or greater than 40 megawatts, an alternate energy production
25 facility, or an energy storage facility, or significant
26 alterations to an existing electric power generating facility,
27 alternate energy production facility, or energy storage
28 facility. Current law generally provides that when a
29 rate-regulated public utility files an application to construct
30 a baseload electric power generating facility with a nameplate
31 generating capacity equal to or greater than 300 megawatts
32 or a combined-cycle electric power generating facility or an
33 alternate energy production facility, or to significantly alter
34 an existing generating facility or a new alternate energy
35 production facility, the board shall specify in advance the

1 ratemaking principles that will apply.

2 Division I of the bill modifies the requirements for a
3 significant alteration of an existing generating facility
4 to qualify for the establishment of ratemaking principles.
5 Division I of the bill provides that to qualify for ratemaking
6 principles, the significant alteration can convert an electric
7 power generating facility to an alternate fuel type, add
8 carbon capture and carbon storage to an electric power
9 generating facility, add a facility to capture exhaust heat to
10 an electric power generating facility, repower an alternate
11 energy production facility, or add energy storage to an
12 existing electric power generating facility, alternate energy
13 production facility, or energy storage facility. Current
14 law provides that to qualify for ratemaking principles, the
15 significant alteration can convert a coal-fueled facility into
16 a gas-fueled facility, add carbon capture and carbon storage
17 to a coal-fueled facility, add gas-fueled capability to a
18 coal-fueled facility, add a biomass-fueled capability to a
19 coal-fueled facility, or repower an alternate energy production
20 facility.

21 Division I of the bill provides that a utility investment to
22 convert an electric power generating facility to a different
23 fuel type, add carbon capture and carbon storage to an electric
24 power generating facility, or add a fuel type to an electric
25 power generating facility shall be eligible to apply the
26 ratemaking principles established by an order issued prior to
27 construction or lease of a facility.

28 Division I of the bill provides that a rate-regulated
29 public utility may seek ratemaking principles for leasing
30 or owning a new electric power generating facility with a
31 nameplate generating capacity equal to or greater than 40
32 megawatts, a new energy storage facility, or a new alternate
33 energy production facility. Current law provides that
34 a rate-regulated public utility leasing or owning a new
35 baseload electric power generating facility with a nameplate

1 generating capacity equal to or greater than 300 megawatts,
2 a combined-cycle electric power generating facility, or a
3 new alternate energy production facility may seek ratemaking
4 principles.

5 Division I of the bill provides that the board may require an
6 integrated resource plan (plan) as a condition of an advance
7 ratemaking petition approval. The board shall adopt rules for
8 the plan and the plan shall include proposals for the use of
9 certain resources.

10 Division I of the bill requires the board to adopt rules for
11 proceedings to conclude 10 months after a petition is filed.

12 Division I of the bill applies to an application for new or
13 changed rates, charges, schedules, or regulations filed by a
14 public utility on or after the effective date of the bill.

15 Division II of the bill requires the board to conduct a
16 review of the performance-based regulation frameworks and
17 various components to ensure utility services are safe,
18 adequate, reliable, and affordable and provided at rates that
19 are nondiscriminatory, just, reasonable, and based on the cost
20 of the utility to provide service to customers within the
21 state. The board shall submit a report containing the findings
22 and recommendations of the review to the general assembly by
23 October 1, 2026.