

House Study Bill 519 - Introduced

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

A BILL FOR

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

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1 Section 1. NEW SECTION. **476.52A Definitions.**

2 As used in this subchapter unless the context otherwise
3 requires:

4 1. "Alternate energy production facility" means the same as
5 defined in section 476.42.

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

10 a. Using mechanical, electrochemical, thermal, electrolysis,
11 or other processes to convert and store electric energy that was
12 generated at an earlier time for use at a later time.

13 b. Using mechanical, electrochemical, biochemical, or thermal
14 processes to convert and store energy generated from mechanical
15 processes that would otherwise be wasted for delivery at a later
16 time.

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

21 3. "Nuclear reactor" means an apparatus designed to produce
22 electrical or heat energy through sustained nuclear fission in a
23 self-supporting chain reaction.

24 4. "Repowering" means either the complete dismantling and
25 replacement of generation equipment at an existing project site,
26 or the installation of new parts and equipment to an existing
27 alternate energy production facility in order to increase energy
28 production, reduce load, increase service capacity, improve
29 project reliability, or extend the useful life of the facility.

30 Sec. 2. Section 476.53, subsection 1, Code 2026, is amended
31 to read as follows:

32 1. It is the intent of the general assembly to attract
33 the development of electric power generating, energy storage,
34 and transmission facilities within the state in sufficient
35 quantity to ensure reliable electric service to Iowa consumers,

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

15 Sec. 3. Section 476.53, subsection 3, paragraphs a, b, and d,
16 Code 2026, are amended to read as follows:

17 a. ~~The commission shall specify in advance, by order issued~~
18 ~~after~~ conduct a contested case proceeding, ~~the ratemaking~~
19 ~~principles that will apply when the costs of the electric power~~
20 ~~generating facility or alternate energy production facility are~~
21 ~~included in regulated electric rates whenever a rate-regulated~~
22 ~~public utility does~~ seeks ratemaking principles for any of the
23 following:

24 (1) (a) ~~Files an application pursuant to section 476A.3~~
25 ~~to construct~~ The costs of constructing in Iowa a baseload an
26 electric power generating facility with a nameplate generating
27 capacity equal to or greater than ~~three hundred~~ forty megawatts
28 ~~or a combined-cycle electric power generating facility, or an~~
29 ~~alternate energy production facility as defined in section~~
30 476.42, or an energy storage facility, or the construction costs
31 to significantly alter an existing electric power generating
32 facility, alternate energy production facility, or energy storage
33 facility. For purposes of this subparagraph, a significant
34 alteration of an existing generating facility must, in order to
35 qualify for establishment of ratemaking principles, fall into one

1 of the following categories:

2 (i) Conversion of a coal fueled an electric power generating
3 facility into a gas fueled to an alternate fuel type for the
4 electric power generating facility.

5 (ii) Addition of carbon capture and storage facilities at a
6 coal fueled to an existing electric power generating facility.

7 (iii) Addition of gas fueled capability to a coal fueled
8 facility, in order to convert the facility to one that will
9 rely primarily on gas for future generation facilities to capture
10 exhaust heat and thereby generate additional electric power at an
11 existing electric power generating facility.

12 ~~(iv) Addition of a biomass fueled capability to a coal fueled~~
13 ~~facility.~~

14 ~~(v) (iv) Repowering of an alternate energy production~~
15 ~~facility. For purposes of this subparagraph subdivision,~~
16 ~~"repowering" shall mean either the complete dismantling and~~
17 ~~replacement of generation equipment at an existing project site,~~
18 ~~or the installation of new parts and equipment to an existing~~
19 ~~alternate energy production facility in order to increase energy~~
20 ~~production, reduce load, increase service capacity, improve~~
21 ~~project reliability, or extend the useful life of the facility.~~

22 (v) Addition of energy storage at an existing electric power
23 generating facility, alternate energy production facility, or
24 energy storage facility.

25 (b) With respect to a significant alteration of an existing
26 generating facility, ~~an original facility shall not be required~~
27 ~~to be either a baseload or a combined-cycle facility. Only~~
28 only the incremental investment undertaken by a utility under
29 subparagraph division (a), subparagraph subdivision (i), (ii),
30 or (iii), or (iv) shall be eligible to apply the ratemaking
31 principles established by the order issued pursuant to paragraph
32 "e". Facilities for which advanced advance ratemaking principles
33 are obtained pursuant to this section shall not be subject
34 to a subsequent commission review pursuant to section 476.6,
35 subsection 19, to the extent that the investment has been

1 considered by the commission under this section. To the
2 extent an eligible utility has been authorized to make capital
3 investments subject to section 476.6, subsection 19, such
4 investments shall not be eligible for ratemaking principles
5 pursuant to this section.

6 (2) ~~Leases or owns~~ When leased or owned in Iowa, in whole
7 or in part, a new ~~baseload~~ electric power generating facility
8 with a nameplate generating capacity equal to or greater than
9 ~~three hundred forty~~ megawatts ~~or a combined-cycle electric power~~
10 ~~generating~~, a new energy storage facility, or a new alternate
11 energy production facility as defined in section 476.42.

12 b. If the commission finds that the utility's application
13 meets the requirements of paragraph "c", the commission shall
14 specify by order issued after the contested case proceeding the
15 ratemaking principles that will apply when the costs of the
16 electric power generating facility or alternate energy production
17 facility are included in regulated electric rates.

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

28 d. ~~The applicable ratemaking principles shall be determined~~
29 ~~in a contested case proceeding, which proceeding required by~~
30 paragraph "a" may be combined with the proceeding for issuance
31 of a certificate conducted pursuant to chapter 476A.

32 Sec. 4. Section 476.53, subsection 3, Code 2026, is amended
33 by adding the following new paragraph:

34 NEW PARAGRAPH. h. Notwithstanding any provision of this
35 chapter to the contrary, the return on equity for a utility's

1 wind energy systems and solar energy systems shall be the same as
2 the utility's most recent rate proceeding.

3 EXPLANATION

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

6 This bill relates to energy production including the
7 modification of electric power generation, energy storage, and
8 transmission facility ratemaking principles.

9 The bill modifies intent language to reflect an intent to
10 attract energy storage and develop nuclear power generation for
11 consumers in the state.

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

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

34 The bill modifies the requirements for a significant
35 alteration of an existing generating facility to qualify for the

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

16 The bill provides that a utility investment to convert an
17 electric power generating facility to a different fuel type, add
18 carbon capture and carbon storage to an electric power generating
19 facility, or add a fuel type to an electric power generating
20 facility shall be eligible to apply the ratemaking principles
21 established by an order issued prior to construction or lease of
22 a facility.

23 The bill provides that a rate-regulated public utility may
24 seek ratemaking principles for leasing or owning a new electric
25 power generating facility with a nameplate generating capacity
26 equal to or greater than 40 megawatts, a new energy storage
27 facility, or a new alternate energy production facility. Current
28 law provides that a rate-regulated public utility leasing or
29 owning a new baseload electric power generating facility with
30 a nameplate generating capacity equal to or greater than 300
31 megawatts, a combined-cycle electric power generating facility,
32 or a new alternate energy production facility may seek ratemaking
33 principles.

34 The bill requires the commission to issue an order after the
35 contested case proceeding that the ratemaking principles will

1 apply when the costs of the electric power generating facility
2 or alternate energy production facility are included in regulated
3 electric rates once the commission finds that the rate-regulated
4 public utility's application for ratemaking principles meets all
5 the commission's requirements. The bill requires the return
6 on equity for a utility's wind energy systems and solar energy
7 systems to be the same as the utility's most recent rate
8 proceeding.

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