

Senate File 373 - Introduced

SENATE FILE 373
BY KLIMESH

A BILL FOR

1 An Act relating to rate-regulated public utilities,
2 including rate proceedings, automatic adjustments, ratemaking
3 principles, and integrated resource plans.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 476.6, subsections 7 and 8, Code 2025, are
2 amended to read as follows:

3 7. ~~Limitation on Frequency of filings.~~

4 a. A public utility shall not make a subsequent filing of
5 an application for a new or changed rate, charge, schedule, or
6 regulation ~~which~~ that relates to services for which a rate filing
7 is pending within twelve months following the date the prior
8 application was filed or until the commission has issued a final
9 order on the prior application, whichever date is earlier, unless
10 the public utility applies to the commission for authority and
11 receives authority to make a subsequent filing at an earlier
12 date.

13 b. Not later than July 1, 2028, and at least every three
14 years thereafter, a public utility shall file a general rate
15 case in which the commission shall confirm that the utility's
16 rates, cost allocations, and all other provisions of its tariff
17 are just and reasonable and based on each customer's or customer
18 group's actual cost of service. If a utility has not filed a
19 general rate case since July 1, 2022, the utility shall file a
20 new general rate case by January 1, 2027.

21 8. *Automatic adjustments.*

22 a. This chapter does not prohibit a public utility from
23 making provision for the automatic adjustment of rates and
24 charges for public utility service provided that a schedule
25 showing the automatic adjustment of rates and charges is first
26 filed with and approved by the commission in a general rate case.

27 b. A public utility may automatically adjust rates and
28 charges to recover costs related to transmission incurred by
29 or charged to the public utility consistent with a tariff or
30 agreement that is subject to the jurisdiction of the federal
31 energy regulatory commission, provided that a schedule showing
32 the automatic adjustment of rates and charges is first filed
33 with and approved by the commission. The commission shall
34 adopt rules regarding the reporting of transmission expenses and
35 transmission-related activity pursuant to this paragraph.

1 c. Automatic adjustments shall be limited to those items
2 outside of the control of the utility. In each utility's general
3 rate case, a representative amount for each automatic adjustment
4 will be established for the applicable test year. Annually,
5 each utility will report to the commission the amounts forecast
6 and recovered from customers for each automatic adjustment.
7 The commission shall order a refund of or an increase in each
8 automatic adjustment if recoveries are above or below ten percent
9 of the amount set in the most recent rate case.

10 Sec. 2. Section 476.53, subsection 3, paragraphs b, c, and g,
11 Code 2025, are amended to read as follows:

12 b. In determining the applicable ratemaking principles for
13 facilities constructed or acquired on or after the effective
14 date of this Act that are not subject to a prior determination
15 of ratemaking principles, the commission shall not be limited
16 to traditional ratemaking principles or and traditional cost
17 recovery mechanisms, including cost, depreciable life, and size.
18 The return on equity for the facility shall be the same as the
19 utility's most recent rate proceeding. Ratemaking principles
20 addressing automatic adjustments, revenue or profit sharing,
21 or similar mechanisms, are prohibited. Among the principles
22 and mechanisms the commission may consider, the commission has
23 the authority to approve ratemaking principles proposed by
24 a rate-regulated public utility that provide for reasonable
25 restrictions upon the ability of the public utility to seek a
26 general increase in electric rates under section 476.6 for at
27 least three years after the generating facility begins providing
28 service to Iowa customers.

29 c. In determining the applicable ratemaking principles, the
30 commission shall make the following findings:

31 (1) The rate-regulated public utility has in effect a
32 commission-approved energy efficiency plan as required under
33 section 476.6, subsection 15.

34 (2) The rate-regulated public utility has an approved
35 resource plan under section 476.53B or has filed one concurrently

1 with its ratemaking principles application, and has demonstrated
2 to the commission that the public utility has considered other
3 sources for long-term electric supply and that the facility or
4 lease is reasonable when compared to other feasible alternative
5 sources of supply facility proposed was indicated as the
6 least-cost facility in the most recent resource plan or is
7 otherwise the most reasonable facility indicated in the most
8 recent resource plan for ensuring reliable and cost-effective
9 service.

10 (3) The facility was subject to a competitive procurement
11 process that included, at a minimum, a request for proposals for
12 power purchase agreements, and that the costs to be included in
13 customer rates are reasonable.

14 g. Notwithstanding any provision of this chapter to the
15 contrary, the ratemaking principles established by the order
16 issued pursuant to paragraph "e" shall be binding with regard to
17 the specific electric power generating facility in any subsequent
18 the utility's first rate proceeding occurring after the effective
19 date of this Act, but shall be subject to revision in subsequent
20 rate proceedings.

21 Sec. 3. Section 476.53, subsection 3, Code 2025, is amended
22 by adding the following new paragraph:

23 NEW PARAGRAPH. 0e. A utility may elect to combine a
24 ratemaking principles proceeding with a resource plan proceeding.
25 If the utility has an approved resource plan prior to filing
26 for ratemaking principles, the commission must issue a decision
27 on the ratemaking principles application within five months,
28 unless extended for good cause shown. If the utility elects to
29 combine its ratemaking principles proceeding with its resource
30 plan proceeding, the commission must issue a decision within ten
31 months, unless extended for good cause shown.

32 Sec. 4. NEW SECTION. 476.53B Resource planning.

33 1. To implement the intent of the general assembly as set
34 forth in sections 476.53 and 476.53A, each rate-regulated public
35 utility shall file with the commission an integrated resource

1 plan by July 1, 2026, and every three years thereafter. The
2 commission shall approve, modify, or deny each plan within ten
3 months of filing, unless extended for good cause shown, and will
4 conduct a review of each plan as a contested case proceeding
5 under chapter 17A. The commission shall promulgate rules to
6 implement this section, which must include the following:

7 a. A process under which a utility files a new plan every
8 three years that includes a twenty-year plan and a short-term
9 action plan for years one through five.

10 b. A quantitative comparative analysis of multiple resource
11 mixes to serve anticipated customer needs using industry best
12 practices, including capacity expansion and production cost
13 modeling that includes the following for each plan:

14 (1) Planning scenarios that each utility must include in its
15 plan.

16 (2) Inputs, assumptions, and sources of data that each
17 utility must include in its plan, unless the commission finds
18 that an alternative input, assumption, or source of data is
19 reasonable and should be used by all electric rate-regulated
20 utilities. It is the intent of the general assembly that the
21 utilities use uniform scenarios, inputs, assumptions, and sources
22 of data.

23 (3) All existing and potential generating resources needed to
24 serve customers, including competitively procured purchase power
25 agreements or market purchases.

26 (4) An assessment of customer costs and seasonal reliability.

27 (5) The information from the most recent commission-approved
28 energy efficiency, demand response, peak load conservation, and
29 distributed generation plans, as described elsewhere in this
30 chapter, that will assist in meeting energy and capacity needs.

31 (6) A utility's energy and capacity forecasts for existing
32 and potential generating resources, as described elsewhere in
33 this chapter, including filings made with any federal or regional
34 authority. However, the commission cannot consider, order, or
35 recommend closure of a baseload generating facility unless the

1 closure is proposed by the utility.

2 (7) Transmission and distribution upgrades and expansion
3 plans needed to reliably serve the utility's customers and
4 integrate each potential resource and the associated costs
5 of such plans in connection with the various resource mixes
6 proposed.

7 c. Minimum criteria for evaluating the plan's reasonableness
8 that must include an analysis of customer cost, risk,
9 reliability, and environmental impact, and include the
10 commission's ability to approve, disapprove, or modify part or
11 all of a plan.

12 d. A list of minimum filing requirements and a timeline for
13 the resolution of the case, including deadlines for the filing of
14 testimony and a hearing.

15 e. Criteria and a process under which the commission shall
16 consider plan modifications or amendments, whether initiated by
17 the commission, utility, consumer advocate, or a customer, to
18 reflect changed circumstances that affect the utility's planning
19 assumptions.

20 f. Other criteria the commission deems necessary or
21 appropriate.

22 2. The commission and the consumer advocate may employ
23 additional temporary staff, or may contract for professional
24 services with persons who are not state employees, as the
25 commission and the consumer advocate deem necessary to perform
26 required functions as provided in this section, including the
27 development of rules for the filing and review of resource
28 plans, and to aid the commission in the review and approval,
29 disapproval, or modification of a plan. The costs of the
30 additional staff and services shall be assessed to the utilities
31 pursuant to the procedure set forth in sections 475A.6 and
32 476.10.

33 EXPLANATION

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

1 This bill relates to rate-regulated public utilities,
2 including rate proceedings, automatic adjustments, ratemaking
3 principles, and integrated resource plans.

4 The bill directs rate-regulated public utilities to file a
5 general rate case by July 1, 2028, for the Iowa utilities
6 commission to confirm that the utility's rates, cost allocations,
7 and all other provisions of its tariff are just and reasonable
8 and based on each customer's or customer group's actual cost of
9 service. The general rate case must be filed by January 1, 2027,
10 if the rate-regulated public utility has not filed a rate case
11 since July 1, 2022.

12 The bill requires any provisions for the automatic adjustment
13 of rates and charges for public utility service provided to be
14 approved through a general rate case proceeding. Under current
15 law, an automatic adjustment could be approved by the commission
16 without a general rate case proceeding.

17 The bill only allows automatic adjustments outside the control
18 of the utility. During the rate-regulated public utility's
19 general rate case, a representative amount for each automatic
20 adjustment will be established for the applicable test year.
21 Annually, each utility will report to the commission the
22 amounts forecast and recovered from customers for each automatic
23 adjustment and the commission shall order a refund of or an
24 increase in each automatic adjustment if recoveries are above or
25 below 10 percent of the amount set in the most recent rate case.

26 Under current law, the commission is not limited to
27 traditional ratemaking principles or traditional cost-recovery
28 mechanisms when determining applicable ratemaking principles for
29 electric generating facilities. The bill amends this provision
30 to limit the commission to traditional ratemaking principles
31 and traditional cost mechanisms when determining applicable
32 ratemaking principles for electric generating facilities
33 constructed or acquired by the rate-regulated public utility on
34 or after the effective date of the bill.

35 Under current law, in determining applicable ratemaking

1 principles for electric generating facilities, the commission
2 must find that the rate-regulated public utility has demonstrated
3 to the commission that the public utility has considered other
4 sources for long-term electric supply and that the facility or
5 lease is reasonable when compared to other feasible alternative
6 sources of supply. The bill amends this provision to require
7 the commission to find the rate-regulated public utility has
8 an approved integrated resource plan (plan) or has filed one
9 concurrently with its application and has demonstrated to the
10 commission and included in the public utility's plan that
11 the proposed electric generating facility is the least-cost
12 facility or the most reasonable facility for ensuring reliable
13 and cost-effective service. The bill requires the electric
14 generating facility to be subject to a competitive procurement
15 process.

16 The bill provides the option for a rate-regulated public
17 utility to combine a ratemaking principles proceeding and a
18 resource plan proceeding.

19 The bill provides that ratemaking principles established in
20 the order setting forth applicable ratemaking principles for
21 an electric generating facility are subject to revision in
22 subsequent rate proceedings, except for the first rate proceeding
23 occurring after the effective date of the bill.

24 The bill requires each rate-regulated public utility to file
25 a plan within one year of the enactment of the bill. The plan
26 shall be subject to a contested case proceeding and must be
27 approved, modified, or denied by the commission within 10 months
28 of filing. The utility shall then file an update to the initial
29 plan three years after the initial filing with any changes made
30 since the initial filing.

31 The bill directs the commission to establish rules for
32 implementation of the bill, including a process under which
33 the plan must consist of a 20-year plan and a 5-year plan, a
34 quantitative comparative analysis of multiple resource mixes to
35 serve anticipated customer needs using industry best practices,

1 minimum criteria for evaluating the plan's reasonableness, a
2 list of minimum filing requirements and a timeline for the
3 resolution of the case, criteria and a process under which the
4 commission shall consider plan modifications or amendments to
5 reflect changed circumstances that affect the utility's planning
6 assumptions, and other criteria the commission deems necessary or
7 appropriate.

8 The bill allows the commission or consumer advocate to employ
9 additional staff or contract for professional services with
10 persons who are not state employees for the development of
11 rules for the filing and review of resource plans or to aid
12 the commission in the review and approval, disapproval, or
13 modification of a plan. The costs of the additional staff and
14 services shall be assessed to the utilities.

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