STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. TF-2016-0323

ORDER REQUIRING REVISED TARIFF

(Issued February 3, 2017)

BACKGROUND

On July 19, 2016, the Utilities Board (Board) issued an order in Docket No. NOI-2014-0001 directing MidAmerican Energy Company (MidAmerican) and Interstate Power and Light Company (IPL) to file net-metering pilot tariffs (Rate PG Pilot) reflecting specific provisions contained in the July 19 order. Specifically, IPL and MidAmerican were directed to file new net-metering tariffs implementing the following temporary, yet specific, tariff changes that would be effective for a three-year study period:

1. Increase the net-metering cap from 500 kW to 1 MW (up to 100 percent of a customer's load);

2. Allow all customer classes to net meter and to require that each customer's generation will only offset the energy (kWh) charges and, thus, will not offset the customer charge or demand charge; and

3. Provide for an annual cash-out of excess credits at the utility's tariffed avoided cost rate. The funds from the cash-out are to be divided evenly between the customer and the utility's customer assistance funds or the customer could choose to donate all of the excess credits to the utility's fund. The annual cash-out shall take place during the first billing cycle of the calendar year. The funds from the cash-out will be divided evenly between the customer and the utilities' funds to provide assistance to customers in need[1] or the customer may choose to allow up to all of the excess credits to be distributed to provide assistance to customers in need.

In addition, the July 19, 2016, order stated that the new tariffs should include a sunset provision indicating that the tariff will expire three years from the date of its approval unless the Board determines that these tariff changes should not be incorporated on a permanent basis, at which time the customers who participated in the study should be allowed to remain on that tariff for the life of the interconnected equipment.

On August 31, 2016, MidAmerican filed its compliance tariff, identified as TF-2016-0323. The Board issued an order docketing the tariffs for further investigation on September 27, 2016, and established dates for receiving comments on the proposed tariff and tariff revision.

Comments were filed by the Office of Consumer Advocate (OCA), a Division of the Iowa Department of Justice; Environmental Law and Policy Center (ELPC), the

[1] For IPL, this is the Hometown Care Energy Fund and for MidAmerican, this is the MidAmerican Energy Company's I CARE program.

Iowa Environmental Council (IEC), the Iowa Solar Energy Trade Association (Iowa Solar), the Natural Resources Defense Council (NRDC), and Vote Solar (collectively "Environmental Commenters"); and Luther College and Luther College Wind Energy Project (collectively "Luther").

MidAmerican filed reply comments on November 18, 2016.

DISCUSSION

Calculation of 100 percent customer load

MidAmerican's proposed net-metering tariff interpreted the term "load" to mean the customer's annual energy needs. MidAmerican explained that during the interconnection process, the customer's generation system will be compared to the customer's historic or anticipated annual energy usage. According to MidAmerican, customers who install generation systems that are expected to significantly exceed their annual energy usage, but that are under 1 MW in nameplate capacity, will have the option to take service under Rate QF – Cogeneration and Small Power Production Facilities or Rate AEP – Alternate Energy Production Facilities, if not fully subscribed.

For customers who install generation systems with a nameplate capacity that exceeds 1 MW, MidAmerican states that it will divide the total energy outflows into a net-metering portion and a purchase portion.

As a point of comparison, IPL's pilot tariff defines the term "load" as being a customer's maximum annual kW demand. IPL proposes to derive customer load on a customer-specific basis either by reviewing actual historic demand billing or by applying an annual load factor to a customer's annual usage. For a customer with no historic usage, IPL states that it plans to utilize the customer class non-coincident demand from the annual class load data. IPL provides a specific calculation and an example of its application when determining customer load based on a customer's annual kWh usage and the class load factor.

In addition, IPL's proposed tariff appears to allow facilities that are oversized but under 1 MW, as well as those that are over 1 MW, to net meter the portion of the generation that is used to serve the customer's needs or up to 1 MW, while the remainder of the generation is assigned to a separate tariff.

OCA, the Environmental Commenters, and Luther support MidAmerican's approach to defining the term "load" as being 100 percent of a customer's annual energy usage. The parties also appear to prefer a calculation that is straightforward and easy to understand such as the one offered by IPL, but based on kWh instead of kW.

The Board will approve MidAmerican's definition of the term "load." While the Board initially intended the determination of 100 percent of customer load was to be based upon kW rather than kWh, the Board also understands that the commenting parties prefer MidAmerican's approach of using a customer's annual energy needs. The Board also agrees with the commenting parties that a specific calculation would be helpful. Therefore, the Board will allow MidAmerican to proceed with its proposed approach for determining 100 percent of a customer's load based on kWh instead of kW, but directs MidAmerican to revise its tariff to include a specific calculation along with an example of how a customer's annual energy usage will be used to determine the appropriate size of the distributed generation facility.

In addition, the Board directs MidAmerican to revise the Rate PG Pilot tariff to match the proposal in IPL's tariff and allow customers who install a distributed generation facility that is less than 1 MW, but exceeds the customer's energy needs, to be included under the proposed Rate PG Pilot tariff for the portion of the facility serving the customer's electric requirements. The remainder should be assigned to MidAmerican's Rate QF or Rate AEP.

Eligibility of projects financed by third-parties

MidAmerican's proposed tariff does not include language that requires a customer and facility owner to be the same person. Instead, MidAmerican includes a sentence in the tariff that reads, "Generating capacity and associated energy is intended to serve only the electric requirements of the Customer."[2] The Board understands this to mean that the customer does not have to be the facility owner.

OCA, the Environmental Commenters, and Luther support MidAmerican's proposed tariff as it relates to the eligibility of projects financed through third parties.

The Board finds that MidAmerican's proposed tariff language regarding projects financed by third parties provides customers with some assurance that a

[2] Docket No. TF-2016-0232, Rate PG Pilot – Net Billing of Private Generation Facilities Pilot, proposed Sheet 364.

facility financed with a third-party purchased price agreement (PPA) is eligible to participate in this pilot. However, for clarity, the Board will require MidAmerican to revise its Rate PG Pilot tariff to include language stating that net metering is available under any ownership structure, including facilities financed through third parties.

Timing of the annual cash-out

In its July 19, 2016, order, the Board stated that the annual cash-out should take place during the first billing cycle of the calendar year. Comments from some participants, particularly those interested in solar distributed generation facilities, suggest that customers should be allowed to: choose their own cash-out date, be given a choice of several dates (January 1 or April 1, for example), or have an annual cash-out date of March 31 – April 1. MidAmerican advocates for the end of the calendar year as a cash-out date because it is a technology-neutral date. MidAmerican also states that having multiple cash-out dates would be administratively burdensome.

After reviewing MidAmerican's tariff and the associated comments on this issue, the Board agrees that the original requirement of the annual cash-out taking place during the first billing cycle of the calendar year should be revised. While a single date will not necessarily be appropriate for all distributed generation owners or all technologies, the Board finds that offering the choice of two cash-out dates will satisfy the concerns of a majority of participants. Allowing customers to choose between two dates should not be overly burdensome for the utilities to implement. In addition, having two options for the cash-out period will provide data that may be helpful when assessing future decision on the net-metering policy in Iowa.

Therefore, the Board will amend the third provision outlined in the July 19, 2016, order relating to the timing of the cash-out as follows:

> The customer may choose an annual cash-out ~~shall take~~ that takes place during the first billing cycle of the calendar year or the first billing cycle following April 1 of each year.

The Board will also require MidAmerican to update the cash-out date in the proposed tariff to reflect the change.

Sunset provision of the Rate PG Pilot tariff

In the July 19, 2016, order, the Board stated that at the end of the three-year study period, the customers who participate in the study should be allowed to remain on that tariff for the life of the interconnected equipment if the Board determines that the tariff changes should not become permanent. MidAmerican's proposed tariff added a 20-year end date stating that customers taking service under the proposed tariff may remain on the tariff for the life of their interconnected equipment, but not to exceed 20 years.

Luther recommended that this sunset provision be changed from 20 years to 25 years to reflect the life of solar equipment. However, OCA noted that the 20-year term is consistent with MidAmerican's current Rate NB – Net Billing of Small Alternate Energy and Small Hydro Facilities tariff. The Environmental Commenters expressed concern that once the three-year pilot has expired and the current Rate

NB tariff is not available, customers will have no net metering option. The Environmental Commenters suggested that the Board require MidAmerican to make its then-current net-billing tariff available to participating customers at the end of the pilot period.

After reviewing MidAmerican's proposed tariff and the comments associated with the sunset provision, the Board finds that the sunset provision should be revised to reflect the life of the interconnected equipment, not exceeding 25 years. The Board understands the concerns of the participants that once MidAmerican's Rate PG Pilot tariff ends, there may be no net-metering options available to new customers. Therefore, the Board will require MidAmerican to revise the sunset provision in its Rate PG Pilot tariff to reflect that the pilot will be available for no less than three years, but no more than five years, and the pilot is for the life of the interconnected equipment, not to exceed 25 years.

<u>Avoided cost rate</u>

In the July 19, 2016, order, the Board directed the utilities to provide for an annual cash-out of excess credits at the utility's avoided cost rate. MidAmerican's Rate PG Pilot tariff provides a blended avoided cost rate based on the avoided cost rate in Rate QF – Cogeneration and Small Power Production Facilities and also provides an optional time-of-day avoided cost rate. The current standard avoided cost rate to be used to cash-out the excess generation is $0.0230 per kWh.

OCA commented that it finds MidAmerican's approach reasonable. Luther commented that avoided costs do not reflect the true value of solar and that the calculation of avoided cost should be more transparent.

This pilot tariff is intended to allow customers to carry forward credits in a similar manner as in the current net-metering tariffs, then, at the end of the annual cycle, cash-out the excess credits at the Board-approved avoided cost rate as reflected in the utility's tariff at that time. MidAmerican's proposed tariff appears to be consistent with the Board's intent in this regard.

However, the Board will require MidAmerican to amend the third directive in the July 19, 2016, order so that it reads, "Provide for an annual cash-out of excess credits at the utility's ~~tariffed~~ avoided cost rate <u>as stated in its approved tariff at the time of the cash-out.</u>" The Board will also require MidAmerican to update the Rate PG Pilot tariff any time the Rate QF tariff is revised so that it reflects the current avoided cost rate approved by the Board.

<u>Percentage of cash-out funds directed to low-income funds</u>

In the July 19, 2016, order, the Board required that the pilot tariff state the funds from the cash-out are to be divided evenly between the customer and the utility's customer assistance funds or the customer could opt to donate all of the excess credits to the utility's fund. MidAmerican's proposed Rate PG Pilot tariff includes a provision where customers could elect to allocate additional cash-out funds to the I-CARE program in 25 percent increments. According to the proposed tariff, customers would be allowed to modify the allocation once each calendar year.

OCA provided comments suggesting that customers should be allowed to decide what percentage above 50 percent they want to contribute and not be restricted to 25 percent increments.

MidAmerican responded to OCA's suggestion stating that offering the 25 percent allocation increments provides customers with additional options for allocating the cash-out funds without imposing significant administrative costs on MidAmerican. In addition, MidAmerican asked that the Board clarify two issues relating to the treatment of how the cash-out funds should be allocated to the low-income funds. First, MidAmerican asks about how the funds should be allocated to community action agencies; MidAmerican proposes that the funds should be allocated throughout the state on a population-proportionate basis. Second, MidAmerican asks whether the required allocation to the low-income fund should be considered a customer donation, which would be a tax-deductible contribution.

The Board finds that MidAmerican's proposed provision to allow customers to allocate additional funds in 25 percent increments up to 100 percent of the cash-out amount complies with the Board's intent in the July 19, 2016, order without creating administrative complexity.

With respect to MidAmerican's request for clarification regarding how the funds are distributed to the I-CARE program, the Board states that MidAmerican is to distribute the funds to the community action agencies state-wide on a population-proportionate basis. With respect to MidAmerican's request for clarification regarding whether the required allocation should be considered a customer donation, the Board is unable to provide any binding guidance on this issue at this time. Rather, individual customers should consult with their tax professional on any consequences or benefits related to the annual cash-out funds and the transfer of those funds to MidAmerican's I-CARE program. The Board will, however, revise the third provision to read as follows: "[t]he funds from the cash-out are to be divided evenly between the customer and the utility's customer assistance funds or the customer could opt to ~~donate~~ transfer all of the excess credits to the utilities funds."

Terminology

MidAmerican's proposed Rate PG Pilot tariff introduces two new terms, "private generation facility" and "private energy credits," which OCA claims may be confusing to customers. OCA suggested that MidAmerican should use terms that are already defined and are consistent with Iowa Code §§ 476.42 and 476.58(1)(b).

MidAmerican responded by asserting that the new terms are clearer and simpler terms that assist in clarifying the process to its customers and will help expand the understanding of these issues beyond economists and lawyers. MidAmerican argues that the Board should allow this terminology as long as the information conveyed is accurate.

The Board has considered OCA's concern regarding potential confusion over some of the terms used by MidAmerican in the Rate PG Pilot tariff. However, the Board agrees with MidAmerican that the terms "private generation facility" and "private energy credits" may be simpler to understand, which in turn has the potential to increase participation in the pilot. The Board finds that MidAmerican adequately defined these terms in its proposed tariff and that the terms are consistent with the language used in the tariff.

In addition to comments regarding MidAmerican's terminology, OCA suggested that MidAmerican revise the reference to 100 kW for facilities that could be considered "private generation facilities" under the Rate PG Pilot tariff or could be considered net-billed facilities under the Rate NB tariff as it is no longer appropriate since the capacity limit for net metering has been revised.

According to 18 C.F.R. Part 292, subpart B, a qualifying facility includes small power production facilities (under 80 MW), cogeneration facilities, and hydroelectric small power production facilities. It is unclear from MidAmerican's proposed tariff whether the inclusion of "cogeneration facility or a small power production facility that has a design capacity of 100 kilowatts or less and which has obtained qualifying status under 18 CFR Part 292, Subpart B" in the Rate NB tariff or the Rate PG Pilot means that these facilities must be fueled by a renewable energy source. The Board will require MidAmerican to clarify whether this language requires these facilities to be fueled by a renewable energy source.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Utilities Board directs MidAmerican Energy Company to file a revised proposed Rate PG Pilot – Net Billing of Private Generation Facilities Pilot tariff in a manner consistent with this order within 14 days of the date of this order. The Utilities Board intends for this tariff to become effective by April 1, 2017.

2. All provisions of the proposed Rate PG Pilot – Net Billing of Private Generation Facilities Pilot tariff filed by MidAmerican Energy Company on August 31, 2016, not addressed in this order are approved.

UTILITIES BOARD

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/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 3rd day of February 2017.

DISSENT

While I agree with most of the changes to the tariff required by this order, I disagree with the majority's resolution of the issues relating to the percentage of the cash-out that is to be directed to the utility's customer assistance funds. I believe that the Board is creating a subsidy from one group of utility customers to another group without clear statutory authority to do so. In addition, there are tax questions associated with this requirement that we are not able to answer. While it is possible these concerns could be addressed with more time, I would prefer to expedite the implementation of these pilots by striking the requirement that a portion of the cash-out be directed to the customer assistance funds.

In all other respects I concur in the majority's decision, but on this issue I respectfully dissent.

/s/ Geri D. Huser

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

Dated at Des Moines, Iowa, this 3rd day of February 2017.