

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. TF-2016-0321 TF-2016-0322
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**ORDER GRANTING IN PART, AND DENYING IN PART, APPLICATIONS FOR
REHEARING AND REQUIRING REVISED TARIFF FILING BY INTERSTATE
POWER AND LIGHT COMPANY**

(Issued March 17, 2017)

On July 19, 2016, the Utilities Board (Board) issued an order in Docket No. NOI-2014-0001 directing Interstate Power and Light Company (IPL) and MidAmerican Energy Company (MidAmerican) to file net-metering pilot tariffs reflecting specific provisions contained in the July 19, 2016, order. The order required IPL and MidAmerican to file tariffs implementing changes to be effective for a three-year study period, including provisions to increase the net-metering cap from 500 kW to 1 MW (up to 100 percent of a customer's load), to allow all customer classes to utilize net metering, to provide that each customer's generation will offset only energy (kWh) charges (not customer or demand charges), and to provide for an annual cash-out of excess credits at the utility's tariffed avoided cost rate. Funds from the cash-out would be divided evenly between the customer and the utility's customer assistance fund or, at the customer's option, donated entirely to the fund. The July 19, 2016, order further prescribed that if, at the end of the study period, the

Board should not decide to make the tariff provisions permanent, customers participating in the study should nonetheless be subject to the tariff provisions for the life of their interconnected generating equipment.

On August 31, 2016, IPL filed its compliance tariff as TF-2016-0321. The Board docketed the tariff for further investigation on September 27, 2016, and established dates for receiving comments on the proposed tariff. On the same date IPL also filed revisions to its Alternative Energy and Small Hydro Production tariff (Rate Code AEP), identified as TF-2016-0322, related to the proposed net-metering pilot tariff. The two dockets have been consolidated.

Several parties filed comments on IPL's compliance tariff filing. IPL filed reply comments on November 18, 2016.

On February 3, 2017, the Board issued an "Order Requiring Revised Tariff" in these dockets, identifying specific changes for IPL to include in a further compliance filing and approving certain provisions in the IPL tariff that other parties had challenged. The Board approved IPL's approach to defining customer load in terms of peak demand, with reference to a customer's historic load or by applying an annual load factor to a customer's annual usage.

The Board required IPL to include language stating that net metering is available under any ownership structure, including for facilities financed through third parties, and to provide for customer election between a cash-out date in the calendar year's first billing cycle or the first billing cycle following April 1. The Board required

that IPL's tariff "sunset" provision be amended to provide that the tariff continue in effect for the life of interconnected equipment up to 25 (rather than 20) years. With respect to the annual cash-out, the Board required IPL to file a revision to reflect the use of avoided cost (where time-of-use metering is not required by the facility) based on the utility's Cogeneration and Small Power Production (CSPP) avoided cost rate in effect at the time of cash-out, and to provide an option for a time-of-use blended rate. Further, IPL must update its pilot tariff whenever the CSPP rate is revised.

The Board approved IPL's provision allowing customers to allocate additional amounts to customer assistance funds in 25 percent increments up to 100 percent of the cash-out amount, and further determined that IPL must distribute funds to community action agencies state-wide on a population-proportionate basis. Finally, the Board addressed certain questions of terminology and prescribed certain language clarifications. The Board also required elimination of a tariff provision for use of smart inverters, on the ground that interconnection requirements already govern reliability and safety.

IPL filed its revised tariff provisions on February 17, 2017.

On February 23, 2017, pursuant to Iowa Code § 476.12 and Board rule 199 Iowa Administrative Code 7.27, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a "Motion and Application for Reconsideration" of the Board's February 3, 2017, order. On the same date, the Environmental Law & Policy Center (ELPC), Iowa Environmental Council (IEC), Sierra Club, Iowa Solar

Energy Trade Association (ISETA), Solar Energy Industries Association (SEIA), Vote Solar, and Winneshiek Energy District (WED) (collectively, the Joint Commenters) filed a “Petition for Rehearing and Motion for Clarification” of the February 3, 2017, order. Luther College, on the same date, filed a letter expressing its support of OCA’s motion and application and Joint Commenters’ petition.

As grounds for reconsideration, OCA argues that IPL’s proposed net-metering tariff would establish an unduly complex and restrictive limitation on the size of certain facilities that would impede customer consideration of distributed generation (DG) options. OCA motion at 5-6. For many customers, determining net-metering caps based on load would require application of an average load factor to annual usage, to the disadvantage of customers with below-average load. *Id.* at 5-6. OCA recommends that IPL be required to adopt the MidAmerican approach to load calculation, based on historical or estimated annual energy usage. *Id.* at 6. There might be value in studying different approaches in the pilot program, but OCA warns that since the pilot will replace the current net-metering regime for any new participants during its term, it could “undermine the current net metering rule and Iowa policy encouraging DG.” *Id.* at 7. OCA also objects that IPL’s proposed load calculation would be inconsistent with Iowa’s policy to encourage distributed generation since it would “lead to significant under-sizing of DG facilities in many instances,” adversely affecting the economics of unit installation and restraining

“innovation and exploration of best practices that support expanded DG development.” *Id.* at 8.

Next, OCA argues that the Board should reconsider its requirement that half of each cash-out payment under the net-metering pilot be transferred to funds in aid of low-income customers. *Id.* at 8-9. Instead, “OCA supports allowing customers to decide what percentage of excess generation they wish to contribute to customers in need.” *Id.* at 9. Finally, OCA states that IPL’s tariff fails to provide for assignment of net metering rights to persons acquiring a property where a participating unit has been installed, though the pilot tariff is to be available for the life of the facility up to 25 years. *Id.* at 9. OCA asks that the Board reconsider its order on these points.

The Joint Commenters argue that IPL’s method of determining customer load for the pilot tariff is inconsistent with the Board’s prior commitment to promote the expansion of distributed generation in Iowa, as well as to pursue a “data-driven” approach before undertaking any permanent policy or rule changes. Joint Commenters’ petition at 2-4. According to the Joint Commenters, the IPL pilot tariff would deter DG and could substantially reduce the size of solar installations by undermining the “economics that drive that market.” *Id.* at 5. In particular, IPL’s method of setting the customer load limit for the net-metering cap would “dramatically alter net metering in a manner that makes it less transparent, more complicated, and much less likely to encourage renewable generation.” *Id.* at 5-6. Joint Commenters urge the Board to reconsider and request a hearing to determine whether it is

appropriate to define customer load in terms of demand. *Id.* at 6. Joint Commenters also ask the Board to clarify that the limit in IPL's tariff should apply only to facilities from 500 kW to 1 MW, not to all net-metered units.

Joint Commenters next argue that IPL's tariff is "arbitrary and fundamentally flawed," in that it would set a demand-based limit on a customer's load eligible for net metering instead of a limit based on annual energy usage. Joint Commenters' petition at 7. They say this would be a "significant departure" from IPL's current tariff inconsistent with prior Board directives, and would reduce renewable energy development. *Id.* at 7. IPL would typically use class-based load data, setting an arbitrary and discriminatory limit on individual customers' net-metering opportunities. Its tariff language is "vague and difficult . . . to implement" in the absence of information IPL has not provided. *Id.* at 7. Under IPL's approach, customers (especially those whose demand did not fit class averages) would size their facilities "significantly below their annual energy use" to avoid incurring significantly higher costs – a deterrent contrary to DG-promoting policy. *Id.* at 8. IPL's proposed tariff represents an "unprecedented" change that will hinder DG development, is contrary to the Board's stated purpose, and lacks support in the record. Instead, IPL should apply a cap based on energy usage in the manner of MidAmerican. *Id.* at 9.

The Joint Commenters next argue that IPL's tariff and related information is misleading or inadequate in several respects, and request clarification and the filing of additional information. In particular, they request that IPL file "all formulas, data

sources and class average load factors for stakeholders to review.” Joint Commenters’ petition at 9. According to the Joint Commenters, without these data and “clarifications,” they “are not able to fully understand or evaluate the impact of IPL’s proposed tariff.” *Id.* at 9. Further, they claim that they “attempted to verify IPL’s 25 percent residential load factor example” and found it uncertain whether the example was consistent with IPL’s method in practice, which might impose an even lower limitation on facility size, threatening the economic viability of residential solar installations. *Id.* at 10-11. The Joint Commenters’ calculations also suggest that rate classes with higher load factors face stringent facility size limitations. *Id.* at 11. More generally, since the tariff does not specify class load factor calculations, it might allow IPL to exercise discretion to the disadvantage of potential DG owners. Given their importance in setting caps, IPL should be held to specified load factors set forth in its tariff. *Id.* at 12. Alternatively, IPL should be limited to the load factors of 19 percent for residential and 24 percent for general service customers. *Id.* at 12.

Joint Commenters next argue that IPL should clarify that the cap represents “a kW-AC limit, not a kW-DC limit,” since the AC rating controls maximum output from the facility at a given time, is more consistent with a demand-based limit, and will allow more energy output from a project in a given year. Joint Commenters’ petition at 12-13. Joint Commenters also call for IPL to apply the cap with “flexibility” in the same manner as proposed by MidAmerican, setting the cap at up to 150 percent of a customer’s annual energy usage; IPL’s class load method relies on an estimate of

demand, and customers should not be held to a strict limit on that basis. *Id.* at 13. Joint Commenters also cite the “extreme impact” of IPL’s proposed tariff and call for more scrutiny of it through rehearing. *Id.* at 13-14.

Lastly, should the Board endorse IPL’s demand-based load calculation, the Joint Commenters ask the Board to clarify that this load calculation applies only to facilities between 500 kW and 1 MW. Joint Commenters’ petition at 14-16. In its July 19, 2016, order, the Board had specifically directed IPL to file tariff provisions to “[i]ncrease the net metering cap from 500 kW to 1 MW (up to 100 percent of a customer’s load).” *Id.* at 14. Instead of simply increasing the cap, according to the Joint Commenters, IPL proposed a new methodology for all net-metered customers that dramatically changes and limits net metering. *Id.* at 14. If approved at all, that new method should be limited to systems between 500 kW and 1 MW consistent with the Board’s order; a more general application threatens severe negative impacts on Iowa’s solar energy market and a significant reduction of renewable distributed generation from levels under the current net metering tariff. *Id.* at 14-15. They argue that such a result is impossible to reconcile with the mandate of Iowa Code § 476.41 to “encourage” DG, or with Lieutenant Governor Reynolds’s new Iowa Energy Plan, with its objective to “[s]upport distributed renewable energy generation including wind, solar, and other clean energy resources in Iowa.” *Id.* at 15-16. The Board should reject this element of IPL’s tariff filing and clarify that the limitation should apply only to projects between 500 kW and 1 MW. *Id.* at 16.

“[A]ny party . . . to a contested case before the board may within twenty days after the issuance of the final decision apply for a rehearing. The board shall either grant or refuse an application for rehearing within thirty days after the filing of the application. . . .” Iowa Code § 476.12. The Board’s rules further provide that “[a]pplications for rehearing or reconsideration shall specify the findings of fact and conclusions of law claimed to be erroneous, with a brief statement of the alleged grounds of error.” 199 IAC 7.27(2). As the rule implies, the appropriate ground for reconsideration of a final decision by the Board is an error of fact or law.

Concerning IPL’s proposed method of calculating customer load and the cap on unit output eligible for net metering, neither OCA’s motion nor the Joint Commenters’ petition identifies any error of fact or law that would warrant reconsideration of the Board’s February 3, 2017, order, or that calls for changes in the tariff filed in compliance with it, subject to the changes specifically discussed below. The motion and the petition present arguments that the Board has already considered, first in defining the parameters for IPL’s net-metering pilot tariff and then in reviewing it and requiring modifications.

The Joint Commenters suggest that IPL should, for purposes of this net-metering pilot program, employ methods substantially similar to those proposed by MidAmerican for calculating and applying the load cap. The tariff at issue here, however, is for the purpose of conducting a pilot program to gather information about the practical consequences of net metering for customers and utilities. The Joint

Commenters have supported the idea of “a data driven approach to distributed generation policy.” “Response to Board Order Soliciting Additional Comments” filed June 15, 2015, in Docket No. NOI-2014-0001, *In Re: Distributed Generation*, at 5. The Board is accordingly establishing pilot programs to be implemented by the State’s two investor-owned electric utilities. Differences between the two programs do not compromise the data-collection objective of the pilot program, but rather amplify it. Nor was it ever the Board’s intention to dictate a pilot program of its own devising. Instead, under the directives issued by the Board in Docket No. NOI-2014-0001, the two utilities were to develop their own pilot programs, in light of stakeholder input and subject to Board approval of compliance tariffs.

The Board opened Docket No. NOI-2014-0001 in 2014. The documents filed in that proceeding are numerous; if printed, they would occupy a number of large binders. The utilities and other stakeholders have had ample procedural opportunity to articulate their positions. It is now time to begin the operation of pilot programs to find out how, under these pilot tariffs, distributed generation and net metering work for customers and for electric utilities. The differences between the IPL and MidAmerican pilots may provide useful data. The limited scope and duration of the pilots are intended to accommodate future improvements based upon empirical experience.

In sum, the Board will deny the requests of the Joint Commenters and OCA for reconsideration of IPL's pilot program tariff with respect to the definition of load and implementation of the cap on facility output eligible for net metering.

Nor will the Board reconsider its determination on the allocation of the cash-out payment between DG-owning customers and low-income assistance funds. While the Board's ruling on that particular point was not unanimous, it is final. No compelling reason has been advanced for reconsideration.

The Board will, however, grant reconsideration in part, and will require IPL to modify its tariff in three respects. First, in response to the point identified by OCA, IPL shall incorporate language in its tariff comparable to that in the MidAmerican tariff (sheet number 365) providing that the contract between the utility and the net-metering customer may be assigned upon written consent of the parties, such consent not to be unreasonably withheld.

Second, in response to the recommendation by the Joint Commenters, IPL shall expressly provide that the load cap is to be applied in terms of alternating current (AC) kW, rather than direct current (DC).

Third, the Board finds reasonable the Joint Commenters' suggestion that the IPL tariff should set forth the class load factors that IPL will use to determine load-based caps for net metering. IPL shall therefore revise its net-metering pilot tariff as follows: 1) in the provision entitled "Load Limitations for Private Generation Credits" (Sheet No. 41), IPL shall specify the customer class average annual load factors that

will be used for customers that do not have historical kW demand data, as well as the customer class non-coincident demand that will be used to define the load for a customer with no historic kWh usage, 2) IPL shall also incorporate in its tariff a sample calculation showing how the load limitations for customers with no historic kW data are determined, and 3) IPL shall, in its cover letter for the tariff filing or in an attachment filed with the letter, identify the source or sources for the load factors and non-coincident demand figures included in the tariff, for review by the Board and interested stakeholders.

IPL shall refile its compliance tariff to incorporate these modifications and to provide the additional data no later than 14 days from the date of this order.

IT IS THEREFORE ORDERED:

1. The Utilities Board grants in part, and denies in part, the applications of the Office of Consumer Advocate, a division of the Iowa Department of Justice, and of the Environmental Law & Policy Center, Iowa Environmental Council, Sierra Club, Iowa Solar Energy Trade Association, Solar Energy Industries Association, Vote Solar, and Winneshiek Energy District, respectively, for reconsideration of the “Order Requiring Revised Tariff” issued in these dockets by the Utilities Board on February 3, 2017, to the extent discussed in the body of this order.

2. Interstate Power and Light Company shall, no later than 14 days from the date of this order, file with the Utilities Board a revised tariff incorporating the

changes identified in the body of this order, together with the supporting data identified in the order.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 17th day of March 2017.