STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

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

ORDER DENYING APPLICATIONS FOR REHEARING AND REQUIRING REVISED TARIFF FILING BY MIDAMERICAN ENERGY COMPANY

(Issued March 17, 2017)

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 reflecting specific provisions contained in the July 19, 2016, order. The order required MidAmerican and IPL to file tariffs implementing changes to be effective for a three-year study period, so as 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, MidAmerican filed its compliance tariff as TF-2016-0323. The Board docketed the tariff for further investigation on September 27, 2016, and established dates for receiving comments on the proposed tariff. Several parties filed comments on MidAmerican's compliance tariff filing, and MidAmerican filed reply comments on November 18, 2016.

On February 3, 2017, the Board issued an "Order Requiring Revised Tariff" in this docket, identifying specific changes for MidAmerican to include in a further compliance filing and approving certain provisions in the MidAmerican tariff that other parties had challenged.

In light of the parties' comments, the Board approved MidAmerican's definition of customer load in terms of historic or anticipated annual energy consumption. The Board directed MidAmerican to specify in its tariff the means of calculating annual energy usage. In addition, the Board required MidAmerican to revise the pilot tariff to allow customers who install a distributed generation unit of less than 1 MW capacity but whose output exceeds the customer's annual usage to be eligible for service under the proposed Rate PG Pilot tariff for that portion of output serving the customer's own needs, with MidAmerican's Rate QF (for cogeneration) or Rate AEP (alternate energy production) applying to the excess.

The Board required MidAmerican to include language stating that net metering is available under any ownership structure, including for facilities financed through third parties. The Board required MidAmerican to provide explicitly 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 the "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 approved MidAmerican's blended avoided-cost rate and the optional time-of-day avoided cost rate, but directed that MidAmerican update its pilot tariff to reflect any revisions to the avoided cost rate approved by the Board for the Rate QF tariff.

The Board approved MidAmerican's proposals to allow customers to allocate to customer assistance funds additional amounts in 25 percent increments up to 100 percent of the cash-out amount and determined that MidAmerican must distribute funds to community action agencies state-wide on a population-proportionate basis. Finally, the Board addressed certain questions of terminology and required MidAmerican to clarify whether certain cogeneration facilities must use renewable energy sources.

MidAmerican filed its revised tariff provisions on February 17, 2017. On the same date, MidAmerican filed a "Request for Reconsideration of the Board's February 3, 2017, Order", and specifically that portion of it requiring MidAmerican to revise its tariff so as to "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." MidAmerican Request at 1-2. According to MidAmerican, the Board's decision would enable customers to oversize their distributed generation facilities, burdening MidAmerican with the allocation of unit output between the net-metering pilot tariff and the QF or AEP tariff. MidAmerican Request at 2. MidAmerican further argues that the facility size limitation is intended to discourage installation of oversized generation units, in light of the potential for net metering of DG units to shift transmission and distribution system costs to other customers. *Id*. at 2. According to MidAmerican, limiting net metering to 100 percent of a customer's load mitigates that negative impact. The mitigation is impaired, however, to the extent a customer can construct an oversized DG unit, obtain the benefit of the net-metering pilot tariff, and oblige MidAmerican to bill under two different rates. *Id*. at 2.

MidAmerican points out that while a customer interconnecting a significantly oversized unit must intend the surplus output for uses other than its own, the Board-sanctioned purpose for "private generation" is to meet a customer's own needs. MidAmerican Request at 2. MidAmerican's QF and AEP tariffs, with monthly cash-out, send a more accurate economic signal on facility sizing. *Id*. at 3. Hence, a customer that wants to produce significantly more than its own requirements should operate as a QF or alternative energy producer. MidAmerican proposes a clarified definition of “significantly oversized” DG units as those facilities expected to exceed 150 percent of annual customer energy usage. A customer with such a unit should be eligible for service solely under the QF or AEP tariff, not under the net-metering pilot tariff. *Id*. at 3. MidAmerican also proposes an output calculation based on comparison of expected output to historical or estimated usage. *Id*. at 3. According to MidAmerican, this approach will send proper signals and will obviate expensive manual billing divided between two different tariffs. *Id*. at 3-4.

Subsequently, on February 23, 2017, 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. 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. OCA Motion at 5. DG customers themselves should have discretion to decide how much to contribute to customer assistance programs. *Id.* at 5. Instead, OCA recommends the Board consider means for lower-income customers to participate directly in renewable DG, such as community solar projects. *Id.* at 5. Luther College, on the same date, filed a letter expressing its support of OCA’s motion and application.

“[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.

MidAmerican asks the Board, upon reconsideration, to allow the utility to apply a QF or AEP tariff instead of the net-metering tariff if a customer constructs a facility rated at more than 150 percent of the customer's annual energy usage. MidAmerican has not, however, identified any error of fact or law that would call for reconsideration of the Board's February 3, 2017, order on this point. Concerning the potential for construction of oversized DG units, the Board expects that several elements of the pilot program -- including the limitation of netting to energy charges only, the load cap, and the sharing of cash-out payments -- should serve to balance against incentives favoring the installation of excess capacity. The MidAmerican tariff has been developed for use in a pilot program to gather data about the practical consequences of net metering for customers and utilities. Experience with that program should help to evaluate the balancing of incentives in this tariff regime. The Board will not undertake further attempts at fine-tuning in the absence of empirical data that only the pilot program can provide.

Neither 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. It serves, moreover, as an element of the pilot program framework intended to temper the potentially uneconomic incentives otherwise implicit in a net-metering arrangement. OCA has advanced no compelling reason for reconsideration.

The Board will require that MidAmerican modify its net-metering pilot tariff to comply with the Board's February 3, 2017, order. Under MidAmerican's tariff filed on August 31, 2016, a customer installing a generation facility with an output significantly exceeding the customer's annual energy needs would take service not under the net-metering pilot tariff but exclusively under MidAmerican's Rate QF or Rate AEP, neither of which allows a customer to carry excess generation over to the next month. In its February 3, 2017, order the Board directed 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.

February 3, 2017, order at 5. MidAmerican sought reconsideration of this requirement. The Board, by this order, denies reconsideration. MidAmerican shall, no later than 14 days from the date of this order, file tariff revisions in compliance with the Board's directive in its February 3, 2017, order.

IT IS THEREFORE ORDERED:

1. The Utilities Board denies the applications of MidAmerican Energy Company and of the Office of Consumer Advocate, a division of the Iowa Department of Justice, for reconsideration of the "Order Requiring Revised Tariff" issued in this docket by the Utilities Board on February 3, 2017.

2. MidAmerican Energy Company shall, no later than 14 days from the date of this order, file with the Utilities Board a revised tariff in compliance with the requirements set forth in the "Order Requiring Revised Tariff" issued in this docket by the Utilities Board on February 3, 2017.

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.