

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. TF-2016-0321 TF-2016-0322
---	--

**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 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 order. Specifically, IPL and MidAmerican were directed to file new net-metering tariffs implementing the following temporary 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<sup>1</sup> 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, IPL filed its compliance tariff, identified as TF-2016-0321.<sup>2</sup> The Board issued an order docketing the tariff for further investigation on September 27, 2016, and established dates for receiving comments on the proposed tariff.

---

<sup>1</sup> For IPL, this is the Hometown Care Energy Fund and for MidAmerican, this is the MidAmerican Energy Company's I CARE program.

<sup>2</sup> Also on August 31, 2016, IPL filed revisions to its Alternative Energy and Small Hydro Production tariff (Rate Code AEP), identified as TF-2016-0322, which are related to the proposed net billing pilot tariff.

Comments were filed by the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice; the Winneshiek Energy District (Winneshiek); the Clayton County Energy Board (Clayton); the City of Cresco (Cresco); Amy S. Bouska; Joel Zook; and Kate and Steve Sheppard. Joint comments were filed by Decorah Solar Field and Oneota Solar LLC (Decorah); the Environmental Law and Policy Center (ELPC), the Iowa Environmental Council (IEC), the Iowa Solar Energy Trade Association, the Natural Resource Defense Council (NRDC), and Vote Solar (collectively "Environmental Commenters"); and Luther College and Luther College Wind Energy Project, LLC (collectively "Luther").

IPL filed reply comments on November 18, 2016.

## **DISCUSSION**

### Calculation of 100 percent customer load

IPL's proposed net-metering tariff defines "load" as a customer's maximum annual kilowatt (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 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.

IPL's proposed tariff appears to allow facilities that are oversized for the specific load 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.

For comparison, 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.

Comments received regarding IPL's proposed tariff indicated that IPL's calculation method could create an artificial limitation on the size of the customer's facility (compared to the methodology used by MidAmerican), which would not encourage renewable energy. Additionally, commenters suggest that IPL's method

was confusing, not transparent, and not consistent with the general understanding of net-metering programs across the country.

The Board finds that IPL correctly interpreted the Board's phrase, "up to 100 percent of customer load" when it based its calculation on kW rather than kWh. The Board also finds that IPL's calculation is reasonable when based on a customer's historic load or customer class non-coincident demand from the annual class load data if no customer-specific historic load data are available. Therefore, the Board will approve IPL's approach to determining 100 percent of a customer's load based on the customer's maximum annual kW demand.

Eligibility of projects financed by third-parties

IPL's pilot tariff does not specifically address the eligibility of distributed generation systems owned by a third party. Rather, in its "Special Provision 4," IPL states that "[a]ll electricity delivered shall be for the exclusive use of the Customer and shall not be resold." Many commenters interpret this provision to mean that projects financed through third-party power purchase agreements (PPAs) are not eligible to participate. IPL respond by indicating that its pilot tariff is available to customers who have installed private generation facilities through the use of third-party PPAs.

The Board finds that "Special Provision 4," along with the absence of language in the tariff regarding whether facilities with third-party PPAs are eligible for participation, is confusing to customers. For clarity, the Board will require IPL to

revise its 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. IPL states that having multiple cash-out dates would be administratively burdensome and asks that the Board identify a single cash-out month for all customers.

After reviewing IPL'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 considering future decisions 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 IPL to update the cash-out date in the proposed tariff to reflect the change.

Sunset provision of the proposed 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. IPL's proposed tariff adds 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 recommends that this sunset provision be changed from 20 years to 25 years to reflect the life of solar equipment. However, OCA notes that the 20-year term is consistent with IPL's Alternative Energy and Small Hydro Production tariff. The Environmental Commenters expresses concern that once the three-year pilot has expired and the current tariff is not available, customers will have no net metering option. The Environmental Commenters suggests that the Board require IPL to make

its then-current net-billing tariff available to participating customers at the end of the pilot period.

After reviewing IPL'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 IPL's tariff ends, there may be no net-metering options available to new customers. Therefore, the Board will require IPL to revise the sunset provision in its 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.

#### Avoided Cost Rate

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. IPL's tariff provides that the applicable avoided cost rate is 2.64 cents per kWh based upon IPL's avoided cost informational filing, which was submitted to the Board pursuant to 199 IAC 15.3. IPL noted that the avoided cost rate would be updated anytime IPL files new avoided cost information with the Board.

Some commenters say that the avoided cost rate does not reflect the true value of solar and suggested the Board commission a solar study. Other commenters suggest that the Board should develop technology-specific and location-specific avoided cost rates. OCA opposes the use of the avoided cost rate from IPL's

informational filing, preferring MidAmerican's proposed approach using blended rates reflecting seasonal and time-of-day pricing differences or providing an option for a time-differentiated blended rate that aligns with the current Board-approved rates for Cogeneration and Small Power Production (CSPP) facilities.

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. With respect to IPL, the Board-approved avoided cost rate is found in IPL's CSPP tariff. Admittedly, updates to that tariff have not been approved since 2008. However, IPL's reliance on an informational filing does not comply with the Board's intent that the utility's pilot program provide for an annual cash-out of excess credits at the utility's tariffed avoided cost rate.

The Board will direct IPL to revise the tariff to reflect the use of avoided cost (where time-of-use metering is not required by the facility) and provide an option for a time-of-use blended rate, both of which should align with the current Board-approved CSPP tariff. The Board directs that the avoided cost rate in effect at the time of the cash-out will be the avoided cost rate used to calculate the cash-out for the customers under the tariff. The tariff should be updated any time the CSPP tariff is revised so that it reflects the current rate approved by the Board.

Percentage of cash-out funds directed to low-income funds

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. IPL's proposed tariff includes a provision where customers can elect to allocate additional cash-out funds to the Hometown Care Energy Fund in 25 percent increments. According to the proposed tariff, customers would be allowed to modify the allocation once each calendar year.

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

In its separate proposed tariff filing, identified as TF-2016-0323, 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. Both of these clarifying issues relate to IPL's proposed tariff as well.

The Board finds that IPL's proposed provision allowing 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 undue administrative complexity.

With respect to the question of how the funds are distributed to the Hometown Care Energy Fund, the Board states that IPL is to distribute the funds to the community action agencies state-wide on a population-proportionate basis. With respect to the question 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 IPL's Hometown Care Energy Fund. 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

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

proposed tariff uses the term “net billing” rather than “net metering.” Some comments reject the use of the term “net billing” because it may result in tax consequences for the distributed generation facility owners. The comments suggest that the proposed tariff use the same terminology used in the current net-metering tariffs.

The Board has considered OCA’s concern regarding potential confusion over some of the terms used by IPL in the pilot tariff. However, the Board finds 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 IPL adequately defined these terms in its proposed tariff and that the terms are consistent with the language used in the tariff.

However, the Board finds that the term “net billing” is not adequately defined and could be confusing to customers since the term “net metering” (or “net metered”) is used throughout the proposed tariff. The Board will direct IPL to revise the proposed tariff to reflect the title, “Net-Metering Pilot – Renewable Energy Facilities” and ensure that the tariff references the term “net metering” rather than “net billing.”

#### Special Provisions

IPL’s proposed tariff includes seven “Special Provisions.” Commenters suggest that the “Special Provisions” need to be clarified or eliminated, specifically “Special Provisions 1, 4, and 7.” The comments indicate that the purpose for “Special Provision 1” is unclear; “Special Provision 4” related to whether facilities with

third-party PPAs are eligible to participate in the pilot; and “Special Provision 7” is a requirement to install smart inverters when interconnection requirements already address reliability and safety concerns.

IPL responds stating that “Special Provision 1” is not a new provision and is also found in IPL’s Alternative Energy & Small Hydro Production tariff and “Special Provision 4” reflects Section 5.13 in IPL’s General Rules and Regulations for Electric Service. IPL did not provide a response with regard to “Special Provision 7.”

The Board finds that IPL’s responses with respect to “Special Provision 1” and “Special Provision 4” provide clarification and validate their inclusion in the proposed tariff. However, the Board finds that “Special Provision 7” introduces terminology that may be unfamiliar and confusing to most customers. Therefore, the Board will require that IPL revise its proposed tariff to eliminate “Special Provision 7.” If IPL believes the issues addressed by “Special Provision 7” are significant, those issues should be included in the interconnection rules rather than in this pilot.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The Utilities Board directs Interstate Power and Light Company to file a revised proposed 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 tariff filed by Interstate Power and Light Company on August 31, 2016, not addressed in this order are approved.

**UTILITIES BOARD**

---

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano  
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 3<sup>rd</sup> 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 3<sup>rd</sup> day of February 2017.