

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: RULE MAKING FOR RATEMAKING PRINCIPLES PROCEEDING [199 IAC CHAPTER 41]	DOCKET NO. RMU-2017-0003
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ORDER COMMENCING RULE MAKING

(Issued January 22, 2019)

PROCEDURAL BACKGROUND

The Utilities Board (Board) is commencing a rule making to adopt rules that will set filing requirements for applications for ratemaking principles pursuant to Iowa Code § 476.53. This section allows rate-regulated electric public utilities that file an application to construct or lease generating facilities that meet certain criteria to request the Board specify in advance the ratemaking principles that will apply when the costs of the facility are included in regulated rates for electric service. The Board's determination of ratemaking principles is to be made after a contested case proceeding; these proposed rules will govern the filing requirements and procedure for these proceedings.

On November 30, 2017, the Board issued an "Order Requesting Stakeholder Comment on Potential Rules" requesting interested parties to file comments regarding potential proposed rules governing ratemaking principles proceedings. On December 20, 2017, the Environmental Law and Policy Center and the Iowa

DOCKET NO. RMU-2017-0003
PAGE 2

Environmental Council (collectively, Environmental Intervenors) filed a general statement of position. On December 29, 2017, Interstate Power and Light Company (IPL), the Iowa Business Energy Coalition (IBEC), Facebook, Inc., and Google LLC, (collectively, Tech Customers), and the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed comments. IBEC's filing offered no initial comments regarding the ratemaking process.

On January 2, 2018, MidAmerican Energy Company (MidAmerican) filed a statement of position. On January 16, 2018, Tech Customers, IPL, OCA, and Environmental Intervenors filed reply comments.

STAKEHOLDER COMMENTS

In its initial comments, OCA generally agrees that the rules, as proposed, are appropriate in light of the total number of ratemaking principle projects that are proposed and the expedited nature of the projects. OCA Initial Comments at p. 1. OCA states that while the potential rules do not address existing facilities that may be significantly altered, the rules could be amended to include requests to significantly alter existing generating facilities. *Id.*

OCA next comments on proposed rule 199 IAC 41.3, stating that while the rule sets forth the minimum filing requirements for ratemaking principles, OCA would request that the Board clarify the wording of potential rule 199 IAC 41.3(5) to note that the enumerated ratemaking principles and terms are not considered mandatory filing requirements. *Id.* at 1-2.

DOCKET NO. RMU-2017-0003
PAGE 3

OCA also requests that the Board clarify whether ratemaking principles would be completely irrevocable or if the rule would permit ratemaking principles that would allow for “revised or adjustable ratemaking.” *Id.* at 2. OCA argues that allowing for flexible ratemaking principles may be a desirable outcome as part of the ratemaking principle rule. *Id.*

IPL contends in its initial comments that the Board has utilized advance ratemaking principles since 2002 without formal rules and that the addition of chapter 41 is unnecessary. IPL Initial Comments at p. 1. IPL states that the rules in chapter 41 should specifically include repowering wind turbines (including the installation of new, upgraded components like blades and gear boxes) and should be eligible for ratemaking principles. *Id.*

IPL states that repowering projects are well-suited to ratemaking principles and notes that repowering provides increased economic benefits for customers and additional federal production tax credits (PTCs). *Id.* at 1-4. IPL proposes modifications to the language in the Board’s potential rules by explicitly including repowered alternate energy production facilities. *Id.* at 4.

Next, IPL proposes that energy storage facilities should be included in the ratemaking principles. *Id.* IPL contends that while energy storage facilities share some characteristics of both generation and distribution or transmission, their use as part of a larger electric grid “aligns with the intent of [Iowa Code § 476.53(2)(b)]” and should again be explicitly included in the Board’s potential rules. *Id.* at 4-5.

DOCKET NO. RMU-2017-0003
PAGE 4

Finally, IPL says that any filing requirement regarding the specific site of the proposed facility is impractical in light of the current practice of approving facilities before the final location is chosen. *Id.* at 5. Accordingly, IPL proposes modifying the Board's potential rules to allow companies to follow the filing requirements "to the extent feasible." *Id.*

In their initial comment, the Tech Customers state that they generally agree that the Board should adopt rules regarding the ratemaking principle process and are generally supportive of the rules as proposed by the Board. Tech Customer's Initial Comments at pp. 1-2. The Tech Customers did note that there were three changes they would like to see. *Id.* at 2.

First, the Tech Customers state that an applicant should be required to state the purpose of the facility for which the ratemaking principles are sought. *Id.* at 3. The Tech Customers argue that while most facilities will have to make this showing to obtain a certificate of public convenience and necessity pursuant to Iowa Code chapter 476A, wind facilities with less than 25 MW of nameplate capacity on a single gathering line are not required to obtain this certificate. *Id.* The Tech Customers broadly state that the purpose of the facility does not have to be limited to capacity needs of the utility, but could be more flexible. *Id.*

Second, Tech Customers allege although the Board's proposed rules require comparison of the proposed project to other feasible sources of supply on a variety of grounds, the rule does not specifically require the applicant to show that the chosen

DOCKET NO. RMU-2017-0003
PAGE 5

option is reasonable as compared to other sources. *Id.* at 4. The Tech Customers believe that this requirement, as found at Iowa Code § 476.53, should be explicitly included in the rules. *Id.*

Third, the Tech Customers propose requiring the applicant disclose “all economic assumptions made by the [applicant] and underlying its analysis of project costs and benefits, including but not limited to revenue sharing, off-system sales, tax benefits and other such assumptions.” *Id.* The Tech Customers believe that these assumptions should be included in the proposed rules at 199 IAC 41.3(2). *Id.*

MidAmerican notes that it has a strong interest in ratemaking principle rules because it has utilized the existing ratemaking principle framework 13 times and possibly could use the new rules. MidAmerican Statement of Position at p. 1. MidAmerican argues that the Board should not pursue ratemaking principle rules, noting that the Board is currently revising its rules to remove outdated or unnecessary rules. *Id.* MidAmerican states that the Board’s experience and precedent established over 18 dockets in the last 16 years, is sufficient to address questions of ratemaking principles and that additional rules would only limit the Board’s flexibility. *Id.* at 1-2.

MidAmerican next argues that adding rules for ratemaking principles would likely have a negative impact on the development of new projects. *Id.* at 3. MidAmerican notes that the current system allows applicants to “adapt filings to changing economic conditions and changing legal requirements or opportunities”;

DOCKET NO. RMU-2017-0003
PAGE 6

promulgating rules could require applicants to seek further rule changes or waivers.

Id. MidAmerican also argues that the current system has a strong track record of success and that implementing new rules now could hamper the development of new projects. *Id.* at 3-4.

MidAmerican notes that the potential rules would require the applicant to provide information that may not be available at the time of the application. *Id.* at 4. Specifically, MidAmerican notes that information like a “site description, a description of all the financial and contractual commitments, a map of the general transmission corridors, and identification of a general contractor” may not be available until later in the development process. *Id.*

MidAmerican concludes by reiterating that it believes the rules are unnecessary and that the best way to implement any rules, if desired, would include a workshop with stakeholders to focus on the requirements of Iowa Code § 476.53 and to preserve flexibility. *Id.* at 5. Finally, MidAmerican agrees that the rules should include energy storage, although MidAmerican believes a determination of the Board’s authority to include energy storage in the rules would best be done in a declaratory order. *Id.*

In its reply comments, OCA disagrees with IPL and MidAmerican that the rules are unnecessary, citing to Iowa Code chapter 17A to argue that the Board is obligated to create “rules of practice setting forth the nature and requirements of all formal and informal procedures available to the public.” OCA Reply Comments at

DOCKET NO. RMU-2017-0003
PAGE 7

p. 1. OCA states that the rules are not just meant for utilities, but also act as an informational piece for the public in dockets that can involve billions of dollars of investment and have functional lives of 40 years. *Id.* at 1-2.

OCA disagrees with IPL and MidAmerican on including energy storage and repowering as part of the ratemaking principles rules. OCA argues that energy storage and repowering are not included in Iowa Code § 476.53(3), and the Board does not have the statutory authority to include these items in ratemaking principles. *Id.* at 2. OCA states that while the utilities can repower wind turbines and build energy storage, those projects should be evaluated for prudence and recovery through normal ratemaking proceedings. *Id.*

Next, OCA requests a change to the potential rules at 199 IAC 41.3 to address the concerns of IPL and MidAmerican that project specifics are frequently unavailable when the application is submitted. *Id.* at 3. OCA argues that language allowing compliance with the rules “to the extent feasible” should be limited only to the requirements of general site descriptions, and not additional filing requirements. *Id.*

OCA also agrees with the Tech Customers that some applications for ratemaking principles do not include a statement of purpose about the facility. *Id.* However, OCA states that the Board should address those concerns in Docket No. DRU-2017-0003 (currently under judicial review). *Id.* Finally, OCA agrees with the Tech Customers’ suggestion to specifically note that applicants include a statement

DOCKET NO. RMU-2017-0003
PAGE 8

that the proposed project is reasonable in light of comparison to other facilities and sources of electricity. *Id.*

In its reply comments, IPL states that it disagrees with OCA on rules that would include flexible ratemaking principles. IPL Reply Comments at p. 1. IPL argues that adjustable ratemaking procedures could undermine the certainty sought by applicants as part of the ratemaking process, and the request for additional clarification is better suited for a declaratory order than by rule making. *Id.* at 1-2. Finally, IPL also disagrees with the Tech Customers' comments regarding additional information as part of the application process, noting that the Board's current process has been used effectively for the last 16 years. *Id.* at 2.

Tech Customers' reply comments note that before the Board began using ratemaking principles, companies had to request a certificate of public convenience and necessity, then file a rate case to begin recovering the costs for the facility. Tech Customers' Reply Comments at p. 1-2. Tech Customers note that the use of ratemaking principles eliminates much of the risk borne by utilities in the original process. *Id.* at 2. Tech Customers argue that the Board has intended to promulgate rules for ratemaking principles since Docket No. RMU-01-11 was closed. *Id.* at 2. Tech Customers argue that rules provide information to applicants and all parties about the information the Board believes is relevant to determining ratemaking principles, and that rules are important because of the size, scope, and speed of ratemaking principle projects. *Id.* at 2-3.

DOCKET NO. RMU-2017-0003
PAGE 9

Tech Customers agree with IPL and MidAmerican that the rules should preserve the flexibility currently found in the Board's ratemaking principles process, but disagree that promulgating rules would negatively impact the development of renewable energy in the state. *Id.* at 3. The Tech Customers also agree with IPL and MidAmerican that energy storage should be eligible for ratemaking principles as part of the rules. *Id.*

The Environmental Intervenors agree with OCA and IPL that repowering projects should be included as part of the ratemaking principles rules. Environmental Intervenor Reply Comments at pp. 1-2. They state that repowering provides significant customer benefits and note that Iowa Code § 476.53 does not preclude repowering projects from inclusion in the rules. *Id.* at 2. The Environmental Intervenors note that repowering provides increased turbine output, longer turbine operational life, and significantly higher environmental and economic benefit. *Id.* at 2-3.

Further, Environmental Intervenors believe that energy storage facilities should be included in the rules. *Id.* at 3. Environmental Intervenors state that energy storage facilities enable and encourage the development of additional renewable generation in ways such as increased grid flexibility and improved load-matching. *Id.*

Environmental Intervenors also agree that the rules should preserve flexibility with regard to the site description requirement to maximize benefits to utilities and their customers. *Id.* at 4. However, they also agree with IPL that this flexibility should

DOCKET NO. RMU-2017-0003
PAGE 10

not be extended to projects like baseload generation or combined-cycle combustion turbines because the rules are already appropriate for traditional generation facilities.

Id. Environmental Intervenors note that the Board should tailor this flexibility to renewable generation and energy storage projects, which could be accomplished by including “to the extent feasible” language specific to subsections 41.3(1)(b) and 41.3(1)(f) and specifically including energy storage as part of the rules. *Id.* at 4-5. They also note that they could support expanding the “to the extent feasible” language to include the general contractor information as well. *Id.* at 5.

Finally, the Environmental Intervenors agree with the Tech Customers’ suggestion that the applicant specifically determine that the proposed project is reasonable as compared to alternative sources. *Id.* They also believe that the application should include the purpose of the facility if it was not otherwise included in an application for a certificate of public convenience and necessity under Iowa Code chapter 476A. *Id.*

BOARD DISCUSSION

The Board first finds that it is appropriate to issue rules for ratemaking principle proceedings. Although the parties note that the Board has granted ratemaking principles in the past without formal rules, the Board agrees with the comments of OCA and the Tech Customers that the rules provide not only guidance for applicants unfamiliar with the current informal process but also provide a level of information beneficial to the public at large.

DOCKET NO. RMU-2017-0003
PAGE 11

The Board also finds that concerns about formalized rules rendering the process inflexible or burdensome are overstated; as the parties have identified, applicant utilities have sought, and received, ratemaking principles from the Board for numerous projects based on the filing requirements contained in the attached NOIA. The filing guidelines contained in this rule making are consistent with the rules originally proposed in 2001 and applicant utilities have successfully requested ratemaking principles pursuant to those rules.

As part of the discussion about the purpose and role of these rules, OCA noted that flexible principles may be able to provide better long-term outcomes. The Board notes that the goal of ratemaking principles is to provide applicant utilities certainty regarding the ratemaking treatment of a project before the project is complete. This goal is enumerated at Iowa Code § 476.53(3)(f)-(g). These sections allow the utility to withdraw a project after the Board issues ratemaking principles with the requirement that the principles offered by the Board are binding on the project in the utility's next rate case. Further, in the rare situation where a flexible principle may be warranted, the Board has the authority to consider and approve such a principle pursuant to Iowa Code § 476.53(3)(b). Accordingly, the Board will decline to include provisions in the rules that would create flexible standards.

The parties also expressed a strong desire to explicitly permit utilities to seek ratemaking principles for energy storage and wind turbine repowering projects.

DOCKET NO. RMU-2017-0003
PAGE 12

At the time of this rule commencement, § 476.53 did not include any reference to repowering; however, the Iowa Legislature passed Senate File (SF) 2311 on May 4, 2018. The bill created Iowa Code § 476.53(3)(a)(1)(a)(v), which states:

Repowering of an alternate energy production facility. For purposes of this subparagraph subdivision, “*repowering*” shall mean either the complete dismantling and replacement of generation equipment at an existing project site, or the installation of new parts and equipment to an existing alternate energy production facility in order to increase energy production, reduce load, increase service capacity, improve project reliability, or extend the useful life of the facility.

Based on this specific authorization, the Board will include the above language to indicate that ratemaking principles may be sought for wind turbine repowering, along with any other repowering project that would meet the definition included in SF 2311.

The Board does note that although the statute does not specifically authorize storage along with repowering, storage’s ability to function as a hybrid source outside the generation-and-transmission dichotomy leaves open the issue of whether storage should, or could, be addressed in the rules. The Board invites interested parties to submit additional comments regarding how, if at all, storage should be included in these rules.

The next issue addressed by the parties regards filing flexibility. The parties have indicated that the filing requirements included in the draft NOIA attached to the order requesting stakeholder comments include information that is not routinely

DOCKET NO. RMU-2017-0003
PAGE 13

available for significant projects like wind farms. The Board has attempted to address these concerns by including language that would require the applicant utility to provide any available information regarding certain filing requirements at the time of the application for ratemaking principles. The rules included in the attached NOIA distinguish between projects like wind farms and baseload generation because different types of generating facilities have very different profiles. Information that may be unnecessary when requesting ratemaking principles for a wind farm (like the exact location of all of the proposed turbines) may be crucial when discussing ratemaking principles for a baseload generating facility (like the exact location of a gas turbine facility).

Further, the Board attempted to limit the flexibility of the provisions by limiting which information could be provided “to the extent feasible.” This ensures that companies will only seek ratemaking principles for projects that have gone through extensive evaluation and ensure that the Board has sufficient information to make a reasonable determination about which ratemaking principles, if any, should be granted for a project. The Board invites parties to provide comments on the appropriateness of this distinction, as well as the appropriateness of flexibility only on certain provisions.

The Board agrees that including a provision requiring a specific showing that the proposed project is reasonable as compared to other feasible sources of long-term supply, as required by Iowa Code § 476.53(3)(c)(2), is a reasonable addition to

DOCKET NO. RMU-2017-0003
PAGE 14

the rules. Although the inclusion of the language in the rule does not change the burden on the utility seeking ratemaking principles, it does act as a guide for the minimum filing requirements that follow.

The Board will not require a utility to include all of the underlying economic assumptions used to determine that the facility is a reasonable source of long-term electric supply. However, the Board notes that a utility must be prepared to explain how those assumptions influenced its decision as part of the Board's determination as to the appropriateness of ratemaking principles. Finally, the Board does not believe that flexible principles should be explicitly permitted in the rules. The Board agrees with OCA's contention that principles that include flexible guideposts or elements could provide additional benefits for customers and utilities. However, the Board's authority under Iowa Code § 476.53(3)(b) provides the Board with sufficient flexibility to consider unique principles based on each individual application without requiring a specific rule in this chapter.

ORDERING CLAUSES

1. A rule-making proceeding identified as Docket No. RMU-2017-0003 is commenced for the purpose of receiving comments on the proposed amendments as described in the attached "Notice of Intended Action" which is incorporated in this order by reference.

DOCKET NO. RMU-2017-0003
PAGE 15

2. The “Notice of Intended Action” attached to this order shall be submitted to the Administrative Rules Code Editor for review and publication in the Iowa Administrative Bulletin.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Nick Wagner

ATTEST:

/s/ Bradley Nielsen /s/ Richard W. Lozier Jr.

Dated at Des Moines, Iowa, this 22nd day of January, 2019.

UTILITIES DIVISION[199]

Notice of Intended Action

Proposing rule making related to _____ and providing an opportunity for public comment.

The Utilities Division hereby proposes to adopt “Chapter 41, Ratemaking Principles Proceeding,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is proposed under the authority provided in Iowa Code sections 17A.4, 476.2 and 476.53.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code section 476.53.

Purpose and Summary

The Utilities Board is adopting these rules to allow rate-regulated electric utilities to apply for advance ratemaking principles for the construction or significant alteration of electric generation facilities. If granted, a rate-regulated electric utility may choose to accept the ratemaking principles set forth by the Board, which would be binding on the rate-regulated electric utility and the Board at the utility’s next general rate case. The rules set forth the information the Board believes is appropriate to consider the request for ratemaking principles and the appropriate review process. On November 30, 2017, the Board issued an order requesting stakeholder comment on the proposed adoption of Chapter 41. The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice; the Environmental Law and Policy Center and the Iowa Environmental Council (Environmental Intervenors); Interstate Power and Light Company (IPL); Iowa Business Energy Coalition (IBEC); Facebook, Inc., and Google LLC (Tech Customers); and MidAmerican Energy Company (MidAmerican) filed comments concerning the proposed rules. The Board reviewed stakeholder comments and proposes the following ratemaking principles process rules. The rules are very similar to ones proposed by the Board in 2001 which have since been utilized by public utilities and the Board as guidelines for ratemaking principles contested cases.

The Board issued an order on January 22 , 2019, commencing this rule making. The order provides a full discussion of the proposed amendments and is available on the Board’s electronic filing system under Docket No. RMU-2017-0003.

Fiscal Impact

This rule making has no fiscal impact to the State of Iowa.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Board for a waiver of the discretionary provisions, if any.

Public Comment

Any interested person may submit written comments concerning this proposed rule making. Written comments in response to this rule making must be received by the Board no later than 4:30 p.m. on February 5, 2019. Comments should be directed to:

Don Tormey
Iowa Utilities Board

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

March 21, 2019	Board Hearing Room
10 a.m. - 12 p.m.	1375 E. Court Ave.
	Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact the Board and advise of specific needs.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making action is proposed:

The following rule-making action proposed:

ITEM 1. Adopt the following **new** 199—Chapter 41:

CHAPTER 41

RATEMAKING PRINCIPLES PROCEEDING

199—41.1(476) Definitions.

“Affiliate” means a party that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a rate-regulated public utility.

“Alternate energy production facility” means any or all of the following:

a. A solar, wind turbine, waste management, resource recovery, refuse-derived fuel, agricultural crops or residues, or wood burning facility.

b. Land, systems, buildings, or improvements that are located at the project site and are necessary or convenient to the construction, completion, or operation of the facility.

c. Transmission or distribution facilities necessary to conduct the energy produced by the facility to users located at or near the project site. A facility which is a qualifying facility under 18 C.F.R. part 292, subpart B, is not precluded from being an alternate energy production facility under this division.

“Baseload generation” refers to generating units designed for normal operation to serve all or part of the minimum load of the system on an around-the-clock basis. These units are operated to maximize system mechanical and thermal efficiency and minimize system operating costs.

“BTU” means British thermal unit.

“Combined-cycle combustion turbine” refers to an electric generating technology in which the efficiency of electric generation is increase by using otherwise lost waste heat exiting from one

or more combustion turbines. The exiting heat is routed to a boiler or to a heat recovery steam generator for utilization by a steam turbine in the production of electricity.

“Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract or otherwise.

“CWIP” refers to construction work in progress.

“Emission allowance” means an authorization, allocated by the federal Environmental Protection Agency under the Acid Rain Program, to emit up to one ton of sulfur dioxide, during or after a specified calendar year.

“kWh” means kilowatt-hour.

“Facility” means any electric power generation of a combination of plants at a single site, owned by any person, with a total capacity of 25 megawatts of electricity or more and those associated transmission lines connecting the generating plant to either a power transmission system or an interconnected primary transmission system or both.

“Opportunity sales” refers to sales of electricity from a particular facility at market price after all contracted and firm transactions have been met.

“Utility” as defined in this chapter refers to a rate-regulated electric public utility selling to retail customers in Iowa.

“Repowering” means either the complete dismantling and replacement of generation equipment at an existing project site or the installation of new parts and equipment to an existing alternate energy production facility in order to increase energy production, reduce load, increase service capacity, improve project reliability, or extend the useful life of the facility.

199—41.2(476) Applicability and purpose. These rules apply to any rate-regulated public electric utility proposing to build or lease in Iowa, either in whole or in part, a new baseload generating facility exceeding 300 megawatts in size, a new combined cycle combustion turbine of any size, a new alternate energy production facility of any size, or any combination of the above, and desiring predetermination of ratemaking principles to be used in establishing retail cost recovery of such a facility. The rules set the minimum filing requirements in a ratemaking principles proceeding depending on the specific circumstances in each filing.

199—41.3(476) Application for predetermined ratemaking principles - contents. Each person or group of persons proposing to construct, repower, or lease a facility under this chapter and desiring predetermination of ratemaking principles for costing that facility shall file an application with the board. An application may be for one facility or a combination of facilities necessary to meet the current and future resource needs of the utility. An application for ratemaking principles must demonstrate that the utility has considered other sources for long-term electric supply and that the facility or lease is reasonable when compared to other feasible alternative sources of supply. At a minimum, an application shall substantially comply with the following informational requirements.

41.3(1) General information. An application shall include the following general information:

a. A complete description of the current and proposed rights of ownership in the proposed facility and current or planned purchased power contracts with respect to the proposed facility.

b. For a baseload electric power generating facility with a nameplate generating capacity equal to or greater than 300 megawatts, a combined-cycle electric power generating

facility, or repowering of a facility, a general site description including a legal description of the site of the location, a map showing the coordinates of the site and its location with respect to state, county, and other political subdivisions, and prominent features such as cities, lakes, rivers, and parks within the site impact area. For an alternative energy production facility, to the extent feasible, a general site description including a description of the site location or locations, map(s) showing the coordinates of the site(s) and its location with respect to state, county, and other political subdivisions, and prominent features such as cities, lakes, rivers and parks with the site impact area(s).

c. A general description of the proposed facility including a description of the principal characteristics of the facility such as the capacity of the proposed facility in megawatts expressed by the contract maximum generator MW rating, the net facility addition to the system in ME, by net to the busbar rating, and the portion (in MW) of the design capacity of the proposed facility which is proposed to be available for use by each participant, the number and type of generating units, the primary fuel source for each such unit, total hours of operation anticipated seasonally, and annually and output during these hours, expected capacity factors, a description of the general arrangements of major structures and equipment to provide the board with an understanding of the general arrangement of major structures and equipment to provide the board with an understanding of the general layout of the facility, and a schedule for the facility's construction and utilization including the projected date significant site alteration is proposed to begin and the projected date the facility is to be placed into service. For this purpose, a group of several similar generating units operated together at the same location such that segregated records of energy output are not available shall be considered a single unit.

d. A general description of all raw materials, including fuel, used by the proposed facility in producing electricity and of all wastes created in the production process. In addition to describing the wastes created in the production process, the applicant shall determine annual expected emissions from the facility and provide a plan for acquiring allowances sufficient to offset these emissions. The applicant shall describe all transportation facilities currently operating that will be available to serve the proposed facility and shall describe any additional transportation facilities currently operating that will be available to serve the proposed facility and shall describe any additional transportation facilities needed to deliver raw materials and to remove wastes.

e. Identification, general description, and chronology of all financial and other contractual commitments undertaken or planned to be undertaken with respect to the proposed facility.

f. A general map and description of the primary transportation corridors and the approximate routing of the rights-of-way in the vicinity of the settled areas, parks, recreational areas, and scenic areas.

g. An analysis of the existing transmission network's capability to reliably support the proposed additional generation interconnection to the network. The analysis must also show that the interconnection to the transmission system is consistent with standard utility practices and the proposed interconnection does not degrade the adequacy, reliability, or operating flexibility of the existing transmission system in the area.

h. Identification of the general contractor for the proposed facility and the method by which the general contractor was selected. If a general contractor has not yet been selected, the utility shall identify the process by which the general contractor is or will be selected and the anticipated timeline for selecting a general contractor.

i. Identification of the plant operator for the proposed facility and the method by which the operator was selected. If a plant operator has not yet been selected, the utility shall identify the process by which a plant operator is or will be selected and the anticipated timeline for selecting a plant operator.

41.3(2) *Economic evaluation of proposed facility.* An application shall include an overall economic evaluation of the facility using conventional capital budgeting techniques and the proposed ratemaking principles. The analysis should include and present a comparison to other feasible sources of supply and be conducted using a range of alternative assumptions and scenarios which will also be presented. At a minimum, the evaluation should include:

a. Net present value calculations. An application shall include annual and total net present value calculations of revenue requirements and capital costs over the life of the facility. If a traditional revenue requirement analysis does not account for revenue sharing arrangements, rider, or other mechanisms that impact customer bills then, in addition to the revenue requirement calculations the utility shall provide annual and total net present value calculations that show the impact on amounts that will actually be paid by customers when these mechanisms are accounted for. In making these calculations, the utility shall detail the following cost assumptions:

(1) Installed cost. The utility shall provide an itemized statement of the total costs to construct the proposed facility. Such costs shall include, but not be limited to, the cost of all electric power generating units, all electric supply lines within the facility site boundary, all electric supply lines beyond the facility site boundary with a voltage of 69 kilovolts or higher used for transmitting power from the facility to the point of junction with the distribution system or with the interconnected primary transmission system, all appurtenant or miscellaneous structures used and useful in connection with said facility or any part thereof, all rights-of-way, lands or interest in

lands the use and occupancy of which are necessary or appropriate in the maintenance or operation of said facility, engineering and development, sales taxes, and allowance for funds used during construction (AFUDC) (if applicable). The costs of all electric power generating units shall include all costs of transmission and gas interconnection (if applicable). Facility costs shall be expressed in absolute terms and in dollars per kilowatt. The absolute and per kilowatt construction costs shall be adjusted by the expected rate of inflation from the time the construction costs are calculated to the time the facility is scheduled for operation.

(2) Fixed expenses. For each year of the facility's life from the time of application to the end of its expected life, the utility shall file expense factors for fixed operation and maintenance costs; property, income, and other taxes; and straight-line and tax depreciation rights.

(3) Variable expenses. For each year of the facility's life from the scheduled time of operation to the end of its expected life, the utility shall file expected variable operation and maintenance costs including the cost of fuel and emission allowances. These costs shall be reported in absolute terms and on a kilowatt-hour basis assuming expected annual capacity factors for the facility.

b. Cost of capital. The utility shall provide its projected costs of capital for the proposed facility for each year from the time of application throughout the facility's life. All assumptions used in the projections shall be provided including, but not limited to, capital structure, cost of preferred stock, cost of debt, and cost of equity.

c. Cash flows. The utility shall provide the estimated maximum, minimum and expected cash outflows associated with the facility in each year from the date of the application throughout the facility's life.

41.3(3) *Risk mitigation factors.* At a minimum, the following information regarding contractual risk mitigation factors shall be included in an application:

a. Construction risk mitigation factors. A general description of the contractual standards by which the general contractor, if not the utility, must comply to mitigate construction risks including, but not limited to, cost overruns, labor shortages, failure to meet deadlines, and the need for replacement power if operational deadlines are not met. If the facility is being leased by the utility, identify the above factors for the general contractor construction the facility and the lessor. The general description should include all remedies, financial and otherwise, available to the utility for noncompliance with the construction standards and schedules.

b. Operational risk mitigation factors. A general description of the contractual standards by which either the general contractor or the plant operator, if not the utility, must comply to mitigate operational risks of the facility including, but not limited to, low availability factor and higher than expected operation and maintenance costs. The general description should include a list of all contractual inspections the general contractor must meet prior to the utility taking ownership or lease of the facility and all remedies, financial and otherwise, available to the utility for noncompliance with the operating standards. If the utility leases the facility from its affiliate, the expectation is that the lease shall contain specific performance standards that the affiliate must meet to avoid financial consequences.

41.3(4) *Non-cost factors.* The utility shall include in its application a comparison of the proposed facility with other feasible sources of supply related to the following non-cost factors:

a. Economic impact to the state and community where the facility is proposed to be located including job creation, taxes, and use of Iowa resources.

- b. Environmental impact to the state and community where the facility is proposed to be located.
- c. Electric supply reliability and security in Iowa.
- d. Fuel diversity and use of nontraditional supply sources such as alternate energy and conservation.
- e. Efficiency and control technologies.

41.3(5) *Proposed ratemaking principles.* At a minimum, an application must include support, as required by this subsection, for each ratemaking principle requested. Proposed ratemaking principles not envisioned by these rules shall be supported by sufficient evidence to justify their use in costing the facility for regulated retail rate recovery.

a. Cost of equity. The utility shall file financial models demonstrating the proposed equity rate or range of equity rates is necessary to attract equity capital to the project. The financial analysis shall include a risk assessment of the proposed facility including a comparison with like facilities being built or developed in the Midwest region.

b. Capital structure. The utility shall file a peer group analysis of capital structures used for like facilities within the last two years.

c. Costs of debt and preferred securities. The utility shall file analysts' forecasts of debt and preferred cost rates that include the scheduled completion date of the proposed facility.

d. Depreciable lives. Depreciable lives based on technical obsolescence shall be supported by studies projecting technological advancements in the generation of electricity that will hasten the end of the proposed facility's economic life. Depreciable lives based on financial considerations shall be supported by a peer group analysis of depreciable lives used for like facilities within the last two years.

e. Jurisdictional allocations. Proposals for principles allocating the cost or output of the proposed facility among jurisdictions, both federal and state, shall be supported by jurisdictional allocation studies.

f. Current returns on construction work in progress. Proposals to include a current rate of return on cost of work-in-progress (CWIP) in regulated retail rates prior to the operation of the facility shall be supported by financial models calculating the difference in revenue requirements for each year from the time of application to the end of the facility's expected life resulting from including a current return on the CWIP versus traditional allowance for funds used during construction (AFUDC) accounting.

41.3(6) *Additional application requirements for leasing arrangements.* The following additional information shall be filed when a utility is proposing an arrangement in which the utility leases a facility from a deregulated affiliate of the utility or an independent third party:

a. Identification of the method used in selecting the affiliate or independent third party to build the facility (i.e., competitive solicitation, sole source, etc.)

b. Copy of the lease agreement

c. Detailed description of the lease agreement including, but not limited to, the following:

(1) Commitment of capacity from the proposed facility to the utility under the lease agreement.

(2) Description of the final disposition of the leased facility at the end of the lease arrangement including any options available to the utility and the terms of those options.

(3) Identification of party responsible for operating, dispatching, and maintaining the facility.

(4) Identification of the party responsible for the cost of capital improvements, renewals and replacements, environmental compliance, taxes, and all other future costs associated with the facility.

(5) Identification of the party responsible for contracting capacity from the proposed facility.

(6) Identification of the party benefitting from revenues received through contracted capacity and opportunity sales.

d. If the lessor is an affiliate of the utility, a detailed description of the affiliate including corporate structure and percent ownership of the affiliate by the utility.

e. If the lessor is an affiliate of the utility, identify utility assets transferred to the affiliate for use by the proposed facility and the cost at which those assets were transferred.

f. If the lessor is an affiliate of the utility, identify any financial benefits and cost savings, including any tax advantages, accruing to the utility from leasing an affiliate-owned facility versus building a facility itself.

199—41.4(476) Coincident filing. The utility shall have the option of filing its application for ratemaking principles, as required by this chapter, coincident with its application for generation plant certification under IAC Chapter 24. Identical information required by both chapters need only be included once in a joint principles and certification application.