

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY AND MIDAMERICAN ENERGY COMPANY	DOCKET NO. AEP-07-1
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**ORDER REQUIRING REPORTS AND SETTING COMMENT PERIOD**

(Issued July 12, 2007)

The Utilities Board (Board) has been monitoring the growing number of states in the Midwest that have adopted renewable portfolio standard (RPS) mandates for their regulated electric utilities. While the various RPS mandates have been adopted on a state-by-state basis, there appears to be growing recognition among regulators, utilities, and others of the multi-state nature of wholesale energy markets, which include renewable energy markets. In order to ensure compliance with the various RPS mandates in a regional market, the Board believes it may be necessary to have a centralized accounting system that links specific renewable resources with specific state RPS requirements. Such a system could also allow Iowa investor-owned utilities to sell all or some of the attributes of renewable power to utilities in states with RPS mandates, with the resulting revenues benefiting Iowa ratepayers.

Because of the laws of physics that govern operation of the electric transmission system, it is impossible to ensure that electricity produced by a particular renewable source is specifically and exclusively directed, in a physical sense, to the purchasing entity. An accounting system that verifies compliance must

therefore rely on an agreed-upon abstract medium of exchange, similar to the way the markets rely on paper money to represent value. In the renewable energy area, Tradable Renewable Certificates (TRCs) have been developed as a medium of exchange representing the renewable attributes of renewable energy. TRCs can be used to show compliance with energy-based RPS mandates.

In 2003, the Izaak Walton League, Center for Resource Solutions, and Great Plains Institute, all non-governmental organizations, organized an effort to form a centralized exchange for creating, tracking, and transferring ownership of TRCs in the Midwest region, known as the Midwest Renewable Energy Tracking System (M-RETS). Several utility regulators in the Midwest expressed interest in M-RETS, either as a way to verify compliance with an individual state's energy-based RPS requirements or as a means for individual utilities to export surplus in-state renewable resources for meeting other states' RPS requirements (with resulting revenues benefiting the utility's customers). The state of Wisconsin contracted to implement and operate M-RETS. M-RETS is expected to be fully operational by September 3, 2007, with the cost funded by a participant-based fee structure.

Iowa does not have an energy-based RPS requirement. Iowa's statutory alternate energy production (AEP) requirements are found in Iowa Code §§ 476.41 through 476.45 and were adopted before energy-based RPS standards achieved widespread use. Iowa's requirement is capacity-based and relates to specific AEP facilities either owned or contracted by utilities, rather than an energy-based portfolio requirement. Iowa's investor-owned utilities, Interstate Power and Light Company

(IPL) and MidAmerican Energy Company (MidAmerican), are, among other things, required by the AEP statutes to own or purchase, at any one time, their share of 105 MW of power from AEP production facilities or small hydro facilities. Iowa Code § 476.44(2). The Board allocates this percentage between the two utilities; 49.8 MW is allocated to IPL and 55.2 MW to MidAmerican, based on total Iowa retail peak demand. Iowa Code § 476.44(2) and 199 IAC 15.11(1).

Because Iowa's AEP requirements are capacity-based and related to specific AEP facilities, IPL and MidAmerican cannot use energy-based TRCs to comply with their Iowa AEP statutory mandates. However, based on information filed with the Board, both IPL and MidAmerican currently own or contract with AEP facilities for more than the statutory 105 MW mandate. IPL and MidAmerican could become net exporters of TRCs, with the resulting TRC sales revenues providing a net benefit (after participation fees) to IPL and MidAmerican customers. In the case of IPL, benefits to customers could flow through the energy adjustment clause. In the case of MidAmerican, benefits to customers would flow through the revenue sharing mechanism approved in Docket No. RPU-03-1.

In the event IPL or MidAmerican decide to export TRCs by participating in M-RETS, they will need an authoritative basis for differentiating renewable resources used for meeting the Iowa AEP requirements from those resources available for TRC export. Without this, TRC purchasers in M-RETS would have no way of knowing whether a particular Iowa-based resource is being double-counted; single renewable

resource cannot be used to satisfy both the Iowa AEP requirement and, through export of TRCs, the energy-based RPS standard in another state.

In order to facilitate voluntary M-RETS participation by IPL and MidAmerican, and to ensure compliance with Iowa's AEP statutory mandate, the Board will require IPL and MidAmerican to each file reports designating specific AEP generating facilities (or fractional facilities), and associated capacity and energy production, that the utility exclusively dedicates to meeting its AEP requirements under Iowa Code §§ 476.41 through 476.45 and 199 IAC 15.11(1). The reports are to be filed within 30 days of the date of this order according to the following criteria:

1. The report should include the following information for each designated AEP facility (or fractional facility) and associated capacity:
  - a. Facility location;
  - b. Facility owner;
  - c. AEP fuel or technology type;
  - d. Total facility nameplate MW capacity and estimated annual MWH production; and
  - e. Share of facility nameplate MW capacity and associated estimated annual MWH production dedicated to complying with the utility's AEP obligation under Iowa Code §§ 476.41 through 476.45 and 199 IAC 15.11.
2. The designated AEP facilities and associated capacity and energy should not include capacity and energy that is:
  - a. Net metered or net billed;
  - b. Dedicated to the utility's Alternate Energy Purchase Program under Iowa Code § 476.47 and 199 IAC 15.17; or

c. Dedicated to meeting renewable requirements in any other jurisdiction.

3. If there is any change in this designation, the utility should file an updated report within 30 days of the change.

In order to provide an authoritative foundation for voluntary M-RETS participation, the initial reports and any subsequent updates will be subject to Board review and approval.

To provide further authoritative basis for voluntary participation in M-RETS, the Board intends to issue requirements for participation by IPL and MidAmerican. The Board is issuing these requirements in draft form for comment. Comments on the draft participation requirements may be filed by IPL, MidAmerican, and any other interested persons within 30 days of the date of this order. Comments should address any proposed changes, additions, or deletions to the draft requirements. After reviewing any comments, the Board intends to adopt participation requirements. The following participation requirements are issued for comment:

Iowa investor-owned utilities participating in M-RETS are required to do the following:

1. Register with M-RETS those AEP facilities and associated capacities designated by the utility for meeting its AEP requirement under Iowa Code §§ 476.41 through 476.45 and 199 IAC 15.11(1); with the registration information identifying the facilities and associated capacities as such.

2. Transfer the M-RETS Certificates associated with energy produced from these facilities and associated capacities, to an M-RETS retirement subaccount specifically established to record the utility's compliance with its AEP obligation under Iowa Code §§ 476.41 through 476.45 and 199 IAC 15.11(1).

3. Register with M-RETS those AEP facilities and associated capacities dedicated to the utility's Alternate Energy Purchase Program under Iowa Code § 476.47 and 199 IAC 15.17; with the registration information identifying the facilities and associated capacities as such.

4. Enter the net revenues from sale of M-RETS Certificates in account 447 of the Uniform System of Accounts, if the utility has an energy adjustment clause under 199 IAC 20.9.

**IT IS THEREFORE ORDERED:**

1. Interstate Power and Light Company and MidAmerican Energy Company shall file reports containing the information identified in the body of this order within 30 days of the date of this order.

2. Interstate Power and Light Company, MidAmerican Energy Company, and other interested persons may file comments on the draft M-RETS participation requirements within 30 days of the date of this order.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Krista K. Tanner

Dated at Des Moines, Iowa, this 12<sup>th</sup> day of July, 2007.