

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: PURPA STANDARDS IN THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007	DOCKET NO. NOI-08-3
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ORDER INITIATING NOTICE OF INQUIRY

(Issued December 5, 2008)

On December 19, 2007, the Energy Independence and Security Act of 2007 (EISA) was signed into law. Among the many provisions of this federal legislation are four new federal electric ratemaking standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA). The first two PURPA standards in EISA are integrated resources planning¹ and rate design modifications² to promote energy

¹ **The integrated resource planning standard is as follows:**

- (16) Integrated Resource Planning. —Each electric utility shall—
- (A) Integrate energy efficiency resources into utility, State, and regional plans; and
 - (B) Adopt policies establishing cost-effective energy efficiency as a priority resource.

² **The rate design standard is as follows:**

- (17) Rate Design Modifications to Promote Energy Efficiency Investments.
- (A) In general.—The rates allowed to be charged by any electric utility shall—
 - (i) align utility incentives with the delivery of cost-effective energy efficiency; and
 - (ii) promote energy efficiency investments.
 - (B) Policy options.—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—
 - (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
 - (ii) providing utility incentives for the successful management of energy efficiency programs;
 - (iii) including the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
 - (iv) adopting rate designs that encourage energy efficiency for each customer class;
 - (v) allowing timely recovery of energy-efficiency related costs; and
 - (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

efficiency investments, found in section 532 of EISA or sections 111(d)(16) and (17) of PURPA.

The other two PURPA 111(d) standards are found in section 1307 of EISA and are labeled with the same numbers (16 and 17) as the first two new standards. The other two standards are consideration of smart grid investments³ and smart grid information.⁴

³ **The smart grid investments standard is as follows:**

(16) Consideration of Smart Grid Investments.

(A) In general.—Each state shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;
- (ii) cost-effectiveness;
- (iii) improved reliability;
- (iv) security;
- (v) system performance; and
- (vi) societal benefit.

(B) Rate Recovery. Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

(C) Obsolete Equipment. Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

⁴ **The smart grid information standard is as follows:**

(17) Smart Grid Information.

(A) Standard.—All electricity purchasers shall be provided direct access, in written or electronic machine readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

(B) Information.—Information provided under this section, to the extent practicable, shall include:

(i) Prices—Purchasers and other interested persons shall be provided with information on—(I) time-based electricity prices in the wholesale electricity market; and (II) time-based electricity retail prices or rates that are available to the purchasers.

(ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kWh, purchased by them.

(iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

(iv) SOURCES—Purchasers and other interest persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.

(C) Access. Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

Pursuant to EISA, the Board must commence a proceeding on or before December 19, 2008, to consider adopting the four new PURPA standards. The Board may decline to adopt or implement any or all of the standards for electric utilities over which it has ratemaking authority, but the Board must state in writing the reasons for its decision; the Board must complete its consideration of the four new standards and issue its decision on or before December 19, 2009. EISA provides that the Board is excused from considering any or all of the four new PURPA ratemaking standards based on prior state actions, which can be that the Board has previously implemented the same or a similar standard or previously conducted proceedings that substantially comply with PURPA requirements. (PURPA Section 112(a).) If the Board fails to act within the deadline set forth in EISA, the standards for which the Board fails to take action must be considered in various utilities' rate proceedings.

Some of the standards, at least in part, appear to already have been adopted by the Board. For example, part of the rate design standard is allowing utilities timely recovery of energy efficiency related costs; Iowa allows contemporaneous recovery of such costs. Other standards may conflict, at least in part, with Iowa law. For example, the standard on smart grid investment appears to contain what could be considered a preapproval process; without statutory authorization similar to the ratemaking principles statute (Iowa Code § 476.53), such a process could be contrary to Iowa law. In order to obtain information on whether the Board should adopt any of the four new standards in part or in their entirety, the Board will open an inquiry into the four EISA PURPA standards, identified as Docket No. NOI-08-3. Copies of this order will be mailed to Interstate Power and Light Company,

MidAmerican Energy Company, the Consumer Advocate Division of the Department of Justice, and the applicable trade associations for both rate-regulated and non-rate-regulated utilities. The order will also be made available on the Board's Web site so that other interested persons may determine whether to participate in this inquiry.

All persons interested in participating in this notice of inquiry shall send an e-mail or written confirmation of their intent to participate to the inquiry manager by December 30, 2008. Notice of participation shall include the following, if available: name of the participant/organization, contact person, mailing address, phone number, facsimile number, and e-mail address. If more than one person from any entity is planning to participate, the written confirmation shall include the names of all participants, but designate a single contact person. As soon as possible after December 30, 2008, the service list will be available on the Board's Web site, www.state.ia.us/iub, or by contacting the Records Center or inquiry manager.

On or before February 6, 2009, all participants shall file responses addressing whether the Board should adopt any or all of the four new standards. Participants may file reply comments on or before March 9, 2009. Participants do not need to address all of the standards if their interest is only in a particular standard. However, MidAmerican and IPL are to address each of the four standards. All responses shall be filed as follows: 1) an original and ten written copies, filed with the Board's Executive Secretary, 2) one copy, via e-mail, to the inquiry manager, and 3) one copy, via e-mail, to each participant on the service list. If a participant does not have an e-mail address, a copy is to be provided by mail or facsimile transmission. All other communications regarding this inquiry are to be directed to the inquiry manager:

Jim Kellenberg
Iowa Utilities Board
350 Maple Street
Des Moines, Iowa 50319-0069
Telephone: (515) 281-3181
Facsimile: (515) 281-5329
E-mail: jim.kellenberg@iub.state.ia.us

After receipt and review of the initial and reply comments, the Board will determine what additional procedures, if any, are necessary to complete the inquiry. Work sessions may be scheduled or additional comments on specific standards may be solicited. An oral presentation to solicit additional comments and argument may also be scheduled. Participants will be notified of any subsequent procedures established.

Finally, the Board notes that its electronic filing system is scheduled to be activated while this matter is pending. The Board intends that dockets that start in the existing paper system will continue to be processed on paper and typically will not be entered into the electronic filing system.

However, if this docket extends longer than anticipated, it may be desirable to shift this docket to the electronic filing system at some point. In order to preserve that option, the Board will direct the parties to file electronic copies of all filings, on CD or DVD, in a format complying with the rules the Board is adopting to implement the electronic filing system, at the same time as they make their paper filings. In this way, if the Board orders that this docket should be shifted to the new system, the entire record will be available on the new system.

IT IS THEREFORE ORDERED:

1. An inquiry, identified as Docket No. NOI-08-3, is initiated concerning the four new PURPA ratemaking standards contained in the Energy Independence and Security Act of 2007. Initial and reply comments are solicited from interested persons pursuant to the schedule contained in this order.

2. The parties are directed to submit all filings both on paper and in electronic format, as described in the body of this order.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Margaret Munson
Executive Secretary, Deputy

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 5th day of December, 2008.