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IOWA UTILITIES BOARD

STATE OF IOWA

DEPARTMENT OF COMMERCE

BEFORE THE IOWA UTILITIES BOARD

IN RE: DISTRIBUTED GENERATION	DOCKET NO. NOI-2014-0001

ADDITIONAL COMMENTS OF THE IOWA ASSOCIATION OF MUNICIPAL UTILITIES

The Iowa Association of Municipal Utilities (IAMU) appreciates the opportunity to respond to the Iowa Utilities Board (IUB) order issued September 19, 2014 soliciting specific comments related to Distributed Generation in Docket NOI-2014-0001.

IAMU is a non-profit corporation representing 543 cities that operate electric, gas, water and broadband utilities. IAMU's mission is to "support and strengthen" our municipal utility members. As IAMU has stated in earlier comments, Iowa's municipal electric utilities have served their communities with reliable and affordable electricity for over 120 years.

The preservation of local control and local regulation is of paramount importance to IAMU's electric members. Answers to questions in regard to distributed generation must take into account that a one-size fits all approach doesn't work with municipal electric utilities. The size of Iowa's municipal electric utilities ranges from the City of Ames with nearly 25,000 customers, to the City of Westfield with fewer than 100 customers. Over 75% of Iowa' municipal electric utilities serve 1500 or fewer customers. Power supply arrangements vary greatly depending on the unique characteristics of each, including factors such as the size of the utility, access to transmission facilities and its ownership of those facilities.

Questions 1-5 are for non-Utility Participants.

IAMU has no comment

6. Several commenters assert that including CHP and WHP projects as eligible facilities in the net metering rules would encourage the development of small CHP and WHP projects. Assuming it is legally possible, would you object to including these types of projects as facilities eligible for net metering if they fall under the 500 kW size cap? Explain why or why not.

Municipal electric utilities are not subject to the jurisdiction of the IUB in regard to net metering. The local governing body of the municipal utility is in the best position to make a determination as to the type and size of facility eligible for net metering.

For All Participants
***7. MidAmerican states that a cash-out option may require Federal Energy Regulatory Commission (FERC) approval because it may be considered a wholesale transaction instead of a net metering arrangement. Do you agree? Explain*.**

Municipal utilities are not subject to FERC jurisdiction.

8. Provide comments on MidAmerican's assertion that a cash-out option encourages overbuild of a DG system.

9*. Some commenters recommend setting a cap on the amount of cash-out the customer could receive.*
a. Do you agree that a cap is needed?
b. If yes, at what level and why that level?

10. If the customer is allowed to cash-out a net balance, should it be:
a. On a monthly basis or an annual basis? Explain why.
b. Required or optional? Explain why.

Response to Questions 8-10: Net metering policies adopted by municipal electric utilities are typically intended to accommodate small DG systems that are sized to offset the electrical usage of individual customers, and not to sell any significant quantity of electricity to the utility. If a DG system is designed and sized appropriately to offset the customer's electrical usage, there should be little or no net excess energy delivered to the utility over the course of the year. Some municipal utilities that have adopted a net metering policy have included a cash-out policy, often priced at the utility's avoided cost.

Issues related to DG rates and charges, and pay-out options are best decided at the local level through the municipal electric utilities' local governing bodies.

IAMU contends that it is not good public policy to overcompensate providers of DG energy and that rates paid to DG owners should reflect avoided costs of the utility. Anything more creates a subsidization of DG customers by other customers of the utility.

11. Comment on the potential impact of IPL's suggested rule change that would consider net metered kWh as a cost of purchased power recoverable through the energy adjustment clause.

Municipal utilities are not subject to the IUB's regulations regarding the types of expenses that can be recovered through energy adjustment clauses.

12. Although there was no consensus, the commenters discussed whether a cash-out rate should be based on the utility's avoided cost rate or the utility's retail rate. Explain which one you believe is the appropriate rate and why.

As discussed in the answer to question 10, a cash-out rate, if available, should be based on avoided cost.

13. IPL and MidAmerican discuss connecting the meters on a DG customer's premises in order to aggregate meters, while the Iowa Nebraska Equipment Dealers Association (INEDA) believes no physical connection is necessary. Comment on this.

IAMU has no comment

14. MidAmerican suggests that meter aggregation needs to occur behind the meter and the utility's distribution system cannot be used to aggregate the meters; otherwise, FERC would consider it retail wheeling. Do you agree? Explain why or why not.

IAMU has no comment.

15. For more accurate reporting to the Board, the U.S. Energy Information Administration, and FERC, IPL suggested changing 199 IAC 20.9(2) to reflect that all energy produced in excess of that used by the net metering customer would be considered an energy purchase. Do you agree with this suggested change? Explain your response.

IAMU has no comment

16. IPL, MidAmerican, and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) suggested a rate design change for DG customers such as a time-of-use (TOU) or demand rate. According to MidAmerican, this would remove any possible cross-subsidization between DG customers and non-DG customers. Is this a reasonable solution to this issue? Explain.

IAMU has no comment.

17. Comment on IPL's suggestion that DG customers should have their own specific customer class for rate design purposes since their load profiles and service needs differ from non-DG customers.

IAMU has no comment.

18. Some parties suggest that a study be done showing the benefits of DG compared to the costs of DG to determine if there is cross-subsidization.
a. Is this an appropriate approach to resolve this issue?
b. Is this the appropriate time to expend the resources to conduct such a study or should the study be done when DG penetration reaches a level where it becomes a bigger issue for utilities?
c. If your response to part (b) is that a study should be delayed until DG penetration increases, what level of penetration do you believe would justify the study?

d. Who should perform the study?
e. Who should pay for the study?

IAMU supports policies that encourage financially sustainable methods for compensating DG owners for energy and other benefits that are supplied to the utility grid, while ensuring that non-DG customers are not required to subsidize those DG owners. IAMU has been working to educate municipal electric utilities on the potential costs and benefits of DG to the grid, and will continue to do so. While the benefits and costs of DG to the grid may be generally applied to all utilities, the magnitude of any costs and benefits may vary significantly between utilities. For example, the costs and benefits of a given DG system are likely to be different for small municipal utilities with an all requirements power supply contract serving several hundred customers compared to a municipal utility that owns generation and transmission assets and serves several thousand customers. Municipal utilities and their joint action agencies are best situated to determine the costs and benefits of DG to the grid.

19. INEDA points to Minnesota, Illinois, Arizona, and Colorado meter aggregation rules for Board consideration. Could any of these approaches be appropriate for Iowa?

IAMU has no comment.

20. The IAMU notes that at least one municipal utility offers virtual net metering. How is this being done, given the legal concerns expressed by some commenters?

"Virtual net metering" as the term is used in relation to the community solar array in Traer, Iowa does not bring into question violation of state law.

MEC's states that "virtual net metering" by someone other than the utility creates a fundamental conflict with the Iowa service territory statutes." (MEC, June 24, 2014 at p. 6). IAEC acknowledged that issues can arise if the DG facility is located in one utility's service area, but the customer's retail load is located in another utility's service area. (IAEC, June 24, 2014 at p 5.) In the case of Traer "retail wheeling" across the service territory of another utility is not at issue.

Traer Municipal Utilities (TMU) built and sold certificates of ownership for a community solar array with 52 participants. Under the agreement each customer owns a particular solar panel for a period of 20 years. After such time, the ownership of the panel reverts back to TMU. TMU continues to maintain and to insure the array. TMU measures the energy produced and deducts that amount from the customer's bill. The array was limited to the use of only those customers of TMU, thus no impact to the

provision of service to customers outside of the service territory or on other Traer customers who chose not to participate in the project. Generation and transportation of kWh is only over TMU's distribution system exclusively within TMU's service territory. TMU maintains sufficient "indicia of ownership" over the solar array that it would be more akin to TMU's own generation source as opposed to a third-party DG facility forcing TMU to purchase the power and wheel it over TMU's distribution lines.

IAMU agrees that if a third party were allowed to wheel electricity from outside a particular service territory to serve a customer in another service territory without the permission of the utility serving the territory, it would raise questions in regard to the state's service territory law.

Under IPL's interpretation, TMU's community solar array could be considered as a separate "public utility" pursuant to section 476.1. If determined to be a public utility, it would then subject to the service territory limitations of section 476.23. IPL notes that "virtual net metering" is not part of the nomenclature of widely accepted utility terms and IPL assumes that the definition of "virtual net metering" is as defined on page 16 of the SEPA Solar Design Handbook which allows net metering credits generated by a single renewable system to offset load at multiple electric accounts within a utility's service territory. (IPL, June 24, 2014 at p. 11)

Again, IAMU would point to the "indicia of ownership" factors that TMU maintains over the solar array. IAMU doesn't believe that TMU's community solar array is a public utility for purposes of 476.1 under the circumstances in which it was developed and implemented. This array which was sponsored by TMU is under the local control of TMU, and is more akin to TMU's local generation than a third-party DG scenario. IPL's interpretation in this instance could impede the future development of DG projects where an existing utility has facilitated and maintains indicia of ownership in the project.

For Electric Cooperatives and Municipal Utilities

21. For those electric cooperatives and municipal utilities that do not currently offer net metering, explain why you do not offer net metering, whether you intend to offer net metering in the future, and if so, when.

IAMU represents 136 municipal electric utilities. While IAMU has worked with its members to provide answers to the specific questions, this is a representative response and is not indicative of potential responses from all 136 municipal electric utilities.

IAMU has developed model interconnection standards and a net metering policy for adoption by municipal utilities. The model standards and net metering policy have significantly reduced the time and cost for municipal utilities in implementing distributed generation policies and has accelerated the adoption of policies by municipal utilities.

A concern many municipal electric utilities have with net metering is the subsidization of DG owning customers by customers who do not own DG that occurs under net metering. Net metering assumes that the value of DG energy is always equal to the retail rate. However, this is an oversimplification and might over value the DG energy. Most municipal electric utilities include fixed costs, such as the cost of the distribution system, in their energy rates. If a DG customer receives net metering, they effectively receive compensation for energy and fixed costs even though they only supplied energy to the utility. Any overcompensation of a DG customer requires subsidization by other customers.

22. Is there a need to adopt FERC SGIP standards as recommended by the Environmental Law and Policy Center (ELPC) and others? Specify sections of the standards that should be adopted and explain the value these sections would bring to the Board's existing rules.

IAMU has no comment.

23. Some parties suggest that adoption of these standards would be counterproductive. Explain why adoption of these sections is not counterproductive.

IAMU has no comment.

24. Is there a need to adopt the Interstate Renewable Energy Council's Model Interconnection Procedures, as recommended by ELPC and others? Explain the additional value these standards would bring to the Board's existing rules.

IAMU has no comment.

25. Comment on the need to develop a supplemental periodic installation review process after the installation of DG.
a. What elements (frequency of installation inspection, duration etc.) should be included in the review process?
b. Who should develop, implement, and conduct the review process?
c. Do you have any suggestions on which Board rules need revision to incorporate your recommendations?

26. Who has the authority to inspect a DG installation for improper installation, maintenance, or operation? Provide legal standards that apply.

27. Who has the authority to penalize a DG installation for improper installation, maintenance, or operation? Provide legal standards that apply.

Answer to questions 25-27: IAMU supports requiring all DG systems be inspected by the electrical inspector having jurisdiction to ensure that it meets all local codes prior to interconnection with a utility's electrical system. IAMU also supports the option of the utility to perform a witness test to ensure that the DG system has been properly installed and operates in accordance with the requirements of IEEE 1547.

IAMU supports the responsibility of the DG owner to regularly inspect and maintain the DG system in good working condition. If the DG system causes adverse system impacts on the utility's electrical system, or unauthorized modifications are made to the DG system, the utility should be able to disconnect the DG system until the adverse system impact is corrected. The utility may inspect the system to ensure that the adverse system impact has been corrected.

28. Comment on IPL's proposal to give preference to existing customers. Explain your response. What problems would this create or solve?

IAMU has no comment.

29. Provide MidAmerican's reasons to extend the notice language changes needed to extend the 30-day advance notice discussed in MidAmerican's response to Board Interconnection Question 2 in the May 12, 2014, order.

IAMU has no comment.

The Board has additional questions regarding the interconnection process, fees, standards, and other interconnection issues:

30. What, if any, specific Board rule changes are necessary to allow for the study of DG installations in new developments or neighborhood service areas?

IAMU's members address these issues locally.

31. Is there a need to revisit the 15 percent screen standard discussed in rules 199 IAC 45.8(1)"a" and 45.9(1)"a"? Explain your response.

IAMU has no comment.

32. What are the potential impacts of revising the 15 percent limit of the maximum load normally supplied by the distribution circuit to a higher limit?

IAMU has not comment.

33. What, if any, higher limit should be adopted? Explain the reasoning and data that support why such a higher limit is reasonable.

IAMU has no comment.

34. Comment on IPL's proposal to increase the Level 1 and Level 2 application fees to $250, including any justification for keeping fees the same or raising them to IPL's recommended level.

IAMU's members set rates, including any application fees, at the local level.

35. For MidAmerican and IPL: What number of DG customers would be required before you would be able to conduct cost of service studies to determine DG class rates? Does either utility have a cost study today to show that the true interconnection costs exceed the current fees?

IAMU has no comment.

36. MidAmerican has indicated that a DG owner is a different type of customer and should be treated as a separate class. Provide comments on how this should be done, if it should be done, or if there is a different way to account for differences between customers.

IAMU supports ratemaking that appropriately and equitably recovers the cost to serve customers. Policies regarding distributed generation, including rate making, should not cause owners of distributed generation to be subsidized by other customers of the utility. Municipal utilities are well positioned to set equitable rates because they are locally regulated by local boards and councils.

37. Should utilities require DG operators to install a lockable external disconnect switch? Explain your response and provide the pros and cons of such a requirement from cost and technology perspectives separately.

IAMU supports municipal utilities requiring DG operators to install a lockable external disconnect switch. While DG systems with inverters manufactured to comply with IEEE Standard 1547 or UL standard 1741 will automatically disconnect the DG system from the electric grid when the utility power is offline, the presence of a lockable external disconnect switch provides an additional measure of safety. Employee safety is a primary concern to municipal utilities, and the ability to lock out DG sources when working on the distribution system is necessary.

38. For each reported DG facility, indicate whether capacity and generation data is reported to the Energy Information Administration (EIA). In other words, do any DG facilities file either EIA 860 or EIA 923 reports? If so, identify those facilities.

The Energy Information Administration (EIA) provides the following qualifications for required respondents to the EIA-860 report (Form EIA-860 Annual Electric Generator Report Instructions):

Existing plants are required to respond to the EIA-860 if:

- *The plant's total generator nameplate capacity is 1 Megawatt (MW) or greater and*
- *The plant's generator(s), or the facility in which the generator(s) resides, are connected to the local or regional electric power grid and have the ability to draw power from or deliver power to the grid.*

The EIA provides the following qualification for required respondents to the EIA-923 report (Form EIA-923 Power Plant Operations Report Instructions):

Form EIA-923 is a mandatory report for all electric power plants and CHP plants that meet the following criteria:

1. *Have a total generator nameplate capacity (sum for generators at a single site) of 1 megawatt (MW) or greater; and*
2. *Where the generator(s), or the facility in which the generator(s) resides, is connected to the local or regional electric power grid and has the ability to draw power from the grid or deliver power to the grid.*

Six of the DG facilities listed in the table of DG systems interconnected with municipal utilities previously filed by IAMU meet the qualifications for mandatory reporting specified for the EIA-860 and EIA-923 reports.

39. Did you include all CHP installations in the data you provided? If not, provide comparable data for all CHP installations in your service territories.

To the best of IAMU's knowledge, we reported all the relevant data in the last response.

40. Based on the data provided, it appears that hourly load data is available for the DG capacity associated with all residential customers for both IPL and MidAmerican; for 10 percent of the non-residential DG capacity for MidAmerican; and for 59 percent of IPL's non-residential DG capacity. Is this statement accurate? If no, what are the correct percentages? If yes, discuss what would be required in order to get hourly data for the remaining DG capacity.

IAMU has no comment.

41. On July 11, 2014, the Iowa Supreme Court issued its opinion in No. 13-0642, SZ Enterprises, LLC d/b/a Eagle Point Solar v. Iowa Utilities Board, a Division of the Department of Commerce, State of Iowa, et al. What are the legal impacts, if any, of this decision on DG policies or practices in general and particular policies or practices such as net metering (both traditional and virtual)? Does the decision impact any of your prior comments or responses in this docket? If so, explain.

IAMU members have not indicated that the decision has led to the increase of DG activity in their service territories. IAMU is unclear that the decision has had any impact on virtual net metering policies or that it should impact current DG policies or practices, except to the extent that a purchase power agreement with the terms that were used and the fact scenario that was in the case of Eagle Point Solar and the City of Dubuque can be allowed.

Respectfully Submitted,

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