



Alliant Energy Corporate Services
Legal Department
608-458-9188 – Telephone
608-458-4820 – Fax

Arielle Silver Karsh
Attorney - Regulatory

Interstate Power and Light Co.
An Alliant Energy Company

Alliant Tower
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

Office: 1.800.822.4348
www.alliantenergy.com

August 31, 2016

Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

RE: Interstate Power and Light Company
Docket No. TF-2016-_____

Dear Executive Secretary:

Enclosed please find the following documents:

- Interstate Power and Light Company's (IPL) pilot tariff consistent with the Board's July 19th Order Directing Filing of Net Metering Tariffs (July 19th Order) in Docket No. NOI-2014-0001;
- Attachment 1 – Calculation of Avoided Cost Energy Rate; and
- IPL's interpretation letter of its pilot tariff.

IPL notes that, in its July 19th Order, the Board stated it would issue an order providing guidance regarding data collection. IPL welcomes the opportunity to provide input and will work with the Board to identify the data it could provide to support the Board's goal in measuring the results of the pilot tariff.

Sincerely,

/s/ Arielle Silver Karsh

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Attorney - Regulatory

ASK/tab
Enclosure

Interstate Power and Light Company

August 31, 2016

INTERPRETATION NO. IPL E2016-25

**NET BILLING PILOT TARIFF
COMPLIANCE FILING**

RE: Docket No. TF-2016-_____

Purpose

On July 19, 2016, the Iowa Utilities Board (Board) issued an Order in Docket No. NOI-2014-0001 (July 19th Order), directing Interstate Power and Light Company (IPL) to file a new net-metering tariff pilot (Pilot). The July 19th Order establishes certain requirements for the Pilot and provides that the Pilot will run for a period of three years, at which time, the Board will determine whether to extend the Pilot. Upon becoming effective, the Pilot will apply to all new net-metering customers. Existing net-metering customers will have the option to remain on the current net-metering tariff or opt-in to the Pilot; the current net-metering tariff will not be available to new net-metering customers once the Pilot becomes effective. Customers taking service under IPL's current net-metering tariff may elect to take service under the Pilot and participate in the study; however, if an existing customer chooses to take service under the Pilot, the customer cannot return to the pre-existing tariff.

Pilot Tariff Requirements

Specifically, the July 19th Order directs the Pilot to reflect the following key requirements:

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 but 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 avoided cost rate. 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 IPL's Hometown Care Energy Fund to provide assistance to customers in need or the customer may choose to allow up to all of the excess credits to be distributed to provide assistance to customers in need.

The July 19th Order also requires the Pilot to have a three-year sunset provision from the date of Board approval. In the event the Pilot is not incorporated on a permanent basis after its expiration, customers currently taking advantage of the Pilot may remain on the Pilot for the life of the interconnected equipment.

IPL's Compliance Pilot Tariff

In compliance with the July 19th Order, IPL hereby submits its proposed Pilot for net billing¹. The Pilot allows net billing of energy (kWh) for all customer classes, including residential, general service and large general service customers. The Pilot includes a capacity limitation for net billing to no more than 1,000 kW of nameplate capacity or 100 percent of customer's load.

The Pilot defines load as a customer's maximum annual kilowatt (kW) demand, which is consistent with numerous Iowa Administrative Code references² to "load" as well as generally-accepted electric industry practices (such as those used in providing extension of service). IPL will derive customer load on a customer-specific basis by either reviewing actual historic demand billing of the customer or by applying an annual load factor to a customer's annual usage. Annual customer class data is provided in IPL's annual class load data filed in compliance with 199 IAC 35.11. The customer class specific annual load factor would be applied to an individual customer's annual kWh usage to determine a customer-specific kW load. For a customer with no historic usage, IPL will utilize the customer class non-coincident demand from the annual class load data filing to make this determination.

Example: If the residential customer class average load factor is 25 percent, and a customer's annual usage is 12,000 kWh, the customer specific load calculation is $\text{Load Cap} = \text{Annual usage} / 8,760 \text{ hours in a year} \text{ divided by the customer class load factor}$. In this instance the calculation for a customer using 12,000 kWh annually is $12,000 \text{ annual kWh} / 8,760 \text{ hours} / 25\% = 5.48 \text{ kW}$.

The net-metering load cap will not restrict the installation size of a customer's generator, but it will limit the monthly amount of kilowatt-hours eligible for net billing. Similar to the methodology employed today under the AEP tariff, in the event a customer installs generation in excess of the cap, net billing would apply on a pro-rata basis to the generation on the basis of the load cap to the total generator capacity.

Example: If a customer installs a 1,250 kW generator, 80 percent of the monthly generation output would be eligible for net billing (1,000 kW / 1,250 kW). For the portion of generation IPL receive in excess of the cap, IPL will credit customers for excess generation at a purchase rate not to exceed avoided cost.³ This purchase of energy will be reflected as a dollar credit on a customer's bill.

Consistent with the July 19th Order, the Pilot provides for an annual cash-out of the customer's end-of-the-year bank of kWh, which will occur during the first full billing cycle of the following year (i.e. January). The cash-out will be at avoided cost, currently 2.64 cents per kWh.⁴ Customers will receive a bill credit for 50 percent of the cash-out, and the other 50 percent will be paid to IPL's Hometown Care Energy Fund, which supports low-income customers. The avoided cost rate will be updated anytime IPL files new avoided cost information with the Board. At the customer's option, it can elect to allocate additional 25 percent increments from its receipt of the annual cash towards the Hometown Care Energy Fund.

¹ The net metering program referenced in the Board's July 19th Order is commonly referred to as a net billing structure.

² See e.g., 199 IAC ch. 35 ("load control" in definition of energy efficiency measures).

³ If the installed generation is greater than 1,000 kW, the PPA rate is negotiated at a rate not to exceed avoided cost.

⁴ Attachment 1 provides the derivation of this avoided cost rate.

The proposed tariff sheets replace existing tariff sheets marked “Reserved for Future Use” in their entirety, therefore no redline tariffs are included.

Attachments:

Attachment 1 – Calculation of Avoided Cost Energy Rate

Tariff Changes:

IPL. – ORIGINAL TARIFF NO. 1

Replace:

Fourth Revised Sheet No. 1

Third Revised Sheet Nos. 39-42

With:

Fifth Revised Sheet No. 1

Fourth Revised Sheet No. 39

Fourth Revised Sheet No. 40

Fourth Revised Sheet No. 41

Fourth Revised Sheet No. 42

Prepared by Dave Vognsen
Interstate Power and Light Company
Lead Regulatory Affairs Consultant
Regulatory Pricing – West
Voice: 319-786-4679
E-mail: DavidVognsen@AlliantEnergy.com

Calculation of the Net Billing Avoided Cost Rate

Summer On-peak	Summer Off-peak	Winter On-peak	Winter Off-peak	Annual Average Cost	
<u>\$/MWH</u>	<u>\$/MWH</u>	<u>\$/MWH</u>	<u>\$/MWH</u>	<u>\$/MWH</u>	<u>\$/kWh</u>
\$ 29.21	\$ 25.29	\$ 26.50	\$ 26.10	\$ 26.39	\$ 0.0264

Source: IPL's June 30, 2016 Report of Electric Utility System Cost Data in compliance with 199 IAC 15.3
Attachment A, Page 1 of 7