

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE:	
MIDAMERICAN ENERGY COMPANY	DOCKET NO. TF-2016-0323

RESPONSE

The Iowa Office of Consumer Advocate, a division of the Iowa Department of Justice, responds as follows to the tariff filing made by MidAmerican Energy Company (MEC) in the above-captioned proceeding on August 31, 2016:

MEC's proposed tariff responds to the Order issued by the Iowa Utilities Board on July 19, 2016 in Docket No. NOI-2014-0001, directing Interstate Power and Light Company (IPL) and MEC to file new net metering tariffs implementing the following tariff changes that will be effective for a three-year study period:

- 1) Increase the net metering cap from 500kW to 1 MW (up to 100 percent of the customer's load;
- 2) Allow all customer classes to net meter but specify that 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 tariffed avoided cost rate. The data collected of the amount of excess credits generated by net-metered customers, those in excess of net-metering offset, should provide the Board information to address possible rule changes. (July 19 Order at p. 5). 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 the utilities' funds 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.

These tariffs will be effective for all customers who file interconnection applications after the Board approves the tariffs. Customers on the current net metering tariff shall have the option to remain under the current tariff or take service under the new tariff and participate in the study. If an existing customer chooses to take service under the new net metering tariffs, the customer cannot return to the existing tariff. The new tariffs should include a sunset provision stating that the tariff will expire three years from the date of its approval. (July 19 Order, p. 4).

MidAmerican proposes to modify its current net metering tariff to eliminate language requiring that a customer and facility owner be the same. OCA supports this approach because it is consistent with the Board's intent in the July 19 Order to abide by Iowa policy encouraging renewable energy development and the Supreme Court of Iowa's decision in *SZ Enterprises, LLC v. Iowa Utilities Board*, 850 N.W.2d 441 (2014). It is also consistent with the approach taken by IPL in its current and proposed tariff for net metering arrangements.

MEC and IPL propose new terminology for net-metered renewable energy facilities. According to MEC's filing, this pilot program rate schedule is applicable to "net billed Private Generation Facilities, which are defined as Alternate Energy Production (AEP) Facilities or Small Hydro Facilities as such terms are defined by Section 476.42, Iowa Code." MEC's proposed net metering tariff then refers to such facilities as "Private Generation Facilities" and the generation from such facilities as "Private Energy Credits." The Iowa legislature adopted safety requirements for distributed electric generation (DG) facilities in H.F. 548 (Laws of the 86th G.A., 2015 Session). It defined "distributed generation facility" as an "Alternate Energy Production" or small hydro facility as defined in section 476.42 or a qualifying facility as defined in 18 C.F.R. pt. 292, subpt.B, implementing the Public Utility Regulatory Policies Act (PURPA) of 1978. Iowa Code § 476.58. "Private Generation Facilities" and "Private Energy Credits" are

not defined terms in Iowa law. Some net metering customers may be public entities and the use of “Private Generation” and “Private Energy Credits” for such entities could be confusing. The use of “Private Generation Facilities” and “Private Energy Credits” in MEC’s net metering tariff is potentially confusing and inaccurate. OCA recommends that MEC use terminology that is defined in and consistent with Iowa Code sections 476.42 and 476.58(1)(b), such as “distributed generation” or “alternate energy production” facilities.

MEC continues to define eligible generation facilities for the net metering pilot (Sheet No. 364) using the same terminology in its current net metering tariff (Sheet No. 349). Both of these eligibility provisions include a “cogeneration facility or small power production facility that has a design capacity of 100 kilowatts (kW) or less and which has obtained qualifying status under 18 CFR 292, Subpart B.” Since net metering is currently available for facilities up to 500 kW and is proposed to be expanded up facilities up to 1 megawatt, OCA suggests that the 100 kW size limit may no longer be appropriate for inclusion on either Sheet Nos. 349 or 364.

The remainder of OCA’s comments will focus on MEC’s proposed tariff terms for meeting the Board’s July 19 Order and whether these terms are consistent with the purpose for the changes directed by the Board.

Measuring a Net Metering Customer’s Load

The Board requires that the net metering cap be increased from 500 kW to 1 MW, or up to 100 percent of a customer’s load.¹ MEC’s net metering tariff proposes a straightforward approach for calculating customer load based on a customer’s historical or anticipated annual energy usage. OCA supports this approach as a fair method to calculate individual customer load for net metering customers.

¹ *In re: Distributed Generation*, “Order Directing Filing of Net Metering Tariffs,” p. 3 (IUB, July 19, 2016).

Cash-Out

The Board also requires an annual cash-out of excess credits, if any, at the utility's tariffed avoided cost rate. This annual cash-out will take place during the first billing cycle of the calendar year. Based on collaborative discussions leading up to the instant tariff filing, OCA understands that the use of the first billing cycle for cash-out may present a disadvantage for DG customers. It is not evident from the underlying NOI proceeding or the Board's July 19 Order that the selection of the first billing period for cash-out was intended to reflect a policy decision. If responsive comments establish that the first billing period will introduce unintended burdens on DG customers, the OCA would urge the Board's consideration of a different billing period for the cash-out to occur. While the selection of a single billing period for all net-metered customers is administratively efficient and should be utilized, it may be appropriate to allow some flexibility in the determination of a billing period for cash-out that would be just and reasonable.

The customer load size limit directed in the Board's July 19 Order serves to limit the size of net-metered DG facilities and will likely reduce the number of net metering customers who carry over excess generation.² MidAmerican has proposed using blended rates so that customers can be compensated at a rate that reflects seasonal and time-of-day pricing differences. In addition to the standard avoided cost rate, which reflects a blended avoided cost rate that weights the seasonal rates, MEC offers an optional time-differentiated blended rate that aligns with its current Board-approved optional time-differentiated rates for cogeneration and small power production facilities.³ This is a reasonable approach.

² OCA understands that the carry-over of excess generation is a relatively uncommon event under current net metering tariffs. In other words, most net metering customers do not have a significant net metering generation credit. OCA also understands that few if any DG customers utilize MEC's tariff avoided cost rates.

³ MEC Electric Tariff No. 2, Rate QF – Cogeneration and Small Power Production Facilities (Sheet No. 344).

The Board allows customers to designate as much as 100 percent of its excess generation toward funding sources for customers in need. MEC requires customers to increase their allocation of the cash-out payment to the assistance fund by 25 percent increments. This decision appears to be arbitrary. OCA supports allowing customers to decide what percentage of excess generation beyond 50 percent they wish to contribute to funding sources for customers in need. While the allocation of excess generation credits to such funds is one means for helping lower income customers realize the benefits of renewable energy generation, OCA hopes that other pilot efforts will provide lower income customers greater opportunities to participate more directly in the benefits of renewable DG.

Sunset Provisions

Although the new net metering tariffs must sunset within three years of their effective date, the Board recognizes the importance of having tariff continuity for the life of the facility. MEC proposes that customers taking service under its tariff shall be allowed to remain on the tariff for the life of their interconnected equipment not to exceed 20 years. The 20-year term is consistent with MEC's current net metering tariff. OCA has no objection to continuing this limitation in the new tariff. A three-year pilot coupled with the inability to assign the pilot tariff terms for the remainder of the 20-year term may discourage renewable energy investment. With the transition to a three-year tariff and the uncertainty about what net metering terms will be available at the conclusion of this period, it is important to offer net metering customers who interconnect during the next three years the ability to transfer such facilities to new purchasers under the same tariff terms. MidAmerican proposes acceptable assignment provisions in its

proposed net metering tariff, (Sheet No. 365).⁴ This approach appears to be consistent with the Board's desire to have the tariff rate available for the life of the facility.

WHEREFORE, OCA concludes that MEC's proposed net metering tariff is generally consistent with the Board's guidance in Docket No. NOI-2014-0001 and has no objection thereto, but recommends that MEC (1) allow customers greater flexibility in designating additional amounts of excess generation, beyond 50 percent, to be contributed to low-income funds,⁵ and (2) replace current references to "private generation facility and private energy credit."

Respectfully submitted,

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⁴ The proposed revision to Tariff Sheet No. 350 regarding existing net metering arrangements appears to contain a typographical error. It should read: "Consent will not be unreasonably withheld by the Company." OCA assumes that MEC intended to include similar assignment provisions in Revised Sheet No. 371, and recommends that this be corrected.

⁵ The possibility of carry-over is minimized by MEC's reasonable approach for defining customer load.