IOWA RENEWABLE ENERGY POLICY:
HOW DID WE GET HERE AND WHERE ARE WE GOING?

Sheila K. Tipton, Esq.
Brown, Winick, Graves, Gross, Baskerville and Schoenebaum, P.L.C.
666 Grand, Suite 2000
Des Moines, Iowa 50309
T: 515-242-2438
E. tipton@brownwinick.com
Iowa’s Energy Resource Mix
Source: 2012 EIA Data

- Wind: 29.6%
- Natural Gas: 17.9%
- Nuclear: 3.9%
- Coal: 41.8%
- Hydro: 0.8%
- Petroleum: 6.9%
- Other Renewables: 6.1%
Wind Energy

• Iowa is #1 in the nation for the percentage of electricity generated by wind energy at 31.3%
• Iowa ranks 2nd in total wind generation
• Installed wind capacity: 5,177 megawatts (MW). Iowa ranks 3rd for total MW installed
• Number of wind turbines: 3,216 turbines. Iowa ranks 3rd for number of utility-scale wind turbines
• Wind projects online: 101 wind projects
• Wind capacity under construction: over 1,055 MW
• It has been said that Iowa has the potential to supply over 40% of its energy needs with wind energy in the next five years and it could more than triple the supply by 2030.

Iowa’s Wind Generation and Manufacturing Facilities

Year | MW
---|---
1992 | 0.25
1993 | 0.39
1997 | 1.20
1998 | 3.00
1999 | 230.70
2001 | 81.75
2002 | 98.43
2003 | 45.57
2004 | 162.00
2005 | 202.31
2006 | 103.05
2007 | 260.70
2008 | 1,599.75
2009 | 879.85
2010 | 3.10
2011 | 646.70
2012 | 858.88
Under Construction | 1,056.37
Total | 6,233.99

# Other Renewables

## Installed Renewable Energy Capacity (2012)

<table>
<thead>
<tr>
<th>Source</th>
<th>American Council On Renewable Energy (ACORE), Renewable Energy in the 50 States: Midwestern Region (Updated October 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar PV</td>
<td>1.2 MW</td>
</tr>
<tr>
<td>Hydro</td>
<td>131.3 MW</td>
</tr>
<tr>
<td>Biomass/Waste</td>
<td>14.6 MW</td>
</tr>
<tr>
<td>Ethanol</td>
<td>3,848 mGy</td>
</tr>
<tr>
<td>Biodiesel</td>
<td>305 mGy</td>
</tr>
</tbody>
</table>
The Bottom Line

IOWA IS A NET EXPORTER OF ENERGY
The Journey

• FEDERAL ACTION: PURPA (1978); EPACT (2005); Presidential Initiatives and the EPA

• STATE ACTION:
  – Iowa’s Own Mini PURPA
  – IUB Implementation of the law – Net Metering

• UTILITIES LOBBYING FOR CHANGE

• INDUSTRY LOBBYING EFFORTS
Iowa Action

- Iowa acted early and often to adopt policies to encourage renewable energy

  - **Alternate Energy Production Law** (1983, as amended) (Iowa Code § 476.41 et. seq.)
    - Requires IOUs to interconnect with and purchase from AEPs at avoided cost
    - Includes net metering option (500 kW individual capacity limit)
    - Includes an RPS of sorts (105 MW combined obligation)
    - Amended at utilities’ request to allow utilities to build alternate generation

  - **Advanced Ratemaking Principles** (1983, as amended) (Iowa Code § 476.53)
    - Applies to new/significantly altered 200+ MW baseload generating facilities and utility-owned or purchased renewable energy generation
    - Approval in advance of the ratemaking principles that will apply when generation goes into base rates
    - E.g., jurisdictional allocation, accounting for environmental credits/wholesale revenues, depreciation, ROE, cancellation cost recovery
Iowa Action (cont’d)

  • Specifically states that the State’s intent is to encourage development of renewable electric power generation, to encourage the use of renewable power to meet local electric needs and to develop transmission capacity to export Iowa-generated wind power

  • Some expedited review possible
  • Differing levels of review, depending upon size of the facility
## Other Laws Designed to Encourage Development of Alternate/Renewable Energy

<table>
<thead>
<tr>
<th>Iowa Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>§ 476.47</td>
<td>Customer Contributions to AEP Development</td>
</tr>
<tr>
<td>§ 476A</td>
<td>Generation Siting Exemption for Small (&lt; 25MW) Facilities</td>
</tr>
<tr>
<td>§ 476.48</td>
<td>Small Wind Innovation Zones</td>
</tr>
<tr>
<td>§ 476.46</td>
<td>Alternate Energy Revolving Loan Program</td>
</tr>
<tr>
<td>Ch. 564A</td>
<td>Solar Access Easements</td>
</tr>
<tr>
<td>§ 427.1(29)</td>
<td>Property Tax Exemption - Methane Gas Conversion Property</td>
</tr>
<tr>
<td>§ 427B.26</td>
<td>Special Property Tax Valuation and Assessment - Wind Energy Conversion Property</td>
</tr>
<tr>
<td>§ 441.21(8)</td>
<td>Property Tax Exemption - Renewable Energy Systems</td>
</tr>
<tr>
<td>§§ 437A.6, 437A.3(27)</td>
<td>Replacement Tax Exemptions - Methane Gas Conversion Property, Large Hydro Facilities, Self-Generators and Wind Energy Conversion Property</td>
</tr>
<tr>
<td>§§ 423.3(54), (90)</td>
<td>Sales Tax Exemptions - Wind Energy Conversion Property &amp; Solar Energy Equipment</td>
</tr>
<tr>
<td>§§ 476B, 476C</td>
<td>Wind Energy Tax Credit; Renewable Energy Tax Credit</td>
</tr>
</tbody>
</table>
Primary Drivers of RE Growth in Iowa

1. Changes to law to allow utilities to construct renewables and recover cost from customers

2. Tax Incentives
Primary Reasons for Slow Independent Renewable Energy Growth

1. Low avoided cost purchase rates
2. Difficult/costly interconnection process
3. Tariff issues (limits on size and timing)
What’s Ahead at the Federal Level?

- **Clean Power Plan** – EPA Rules on Appeal

- **Other Judicial Action Pending** – Wholesale power implications of distributed generation.

  Sponsored by Lisa Murkowski (R-Alaska) and Maria Cantwell (D-Washington)
What’s Ahead in Iowa?

- **IUB’S Avoided Cost Investigation – Docket No. INU-2014-0001**
  - The subject of several IUB proceedings over the years
    - Energy Efficiency Plan proceedings for the IOUs
    - Review of tariffs for qualifying facilities (QFs) filed by the IOUs
    - EEP parties in settlements were able to reach a temporary agreement on avoided costs
    - No consensus has ever been reached on QF avoided cost issues
  - Initiated on April 22, 2014
    - IOUs to provide information on their avoided cost methodologies – confidentiality protected
    - Each IOU required to organize a workshop on its avoided cost methodology
What’s Ahead in Iowa (cont’d)

• **IUB’S Avoided Cost Investigation**
  – Workshops held on June 6 and 7, 2014 to further educate parties on the models
  – Board staff and stakeholders interacted with utility staff familiar with economic models and methods of determining avoided cost
  – Workshops followed by a round of questions from stakeholders and responses from utilities
  – **Status**
    • Staff has completed review of extensive materials obtained from the workshops and will prepare report for the IUB
    • IUB will then decide what additional steps are needed, such as additional rounds of questions or workshops
  – **Prognosis**
What’s Ahead in Iowa (cont’d)

- IUB’s Distributed Generation Investigation – Docket No. NOI-2014-0001
  - Grew out of EEP proceedings – debate whether utilities should have incentive-based renewable energy programs
  - Initiated January 7, 2014, in recognition of the response to increasing interest in Solar PV, CHP, biomass, and other forms of distributed generation
  - Purpose to consider the technical and policy issues associated with potential widespread use of DG. Goal to determine extent of interest, existence of opportunities and barriers, existence and extent of consumer protection, safety and/or interconnection issues, and IUB’s role in dealing with any such issues
  - Working definition: Generation fueled by renewable or fossil-fuel sources built in order to serve load located at or near the generator and capable of delivering power to a utility’s distribution system
  - So far, 3 rounds of comments on questions presented by the IUB
What’s Ahead in Iowa (cont’d)

- **IUB’s Distributed Generation NOI**

  - First round areas of inquiry were general – intended to identify further areas for specific inquiry
    - Benefits/challenges of DG for utilities and ratepayers
    - Whether they differ for utility-owned DG vs. customer-owned DG
    - What state/IUB policies should be examined in connection with DG
    - What other topics should the IUB examine (technological, financial, regulatory, safety, etc.)
    - Comments received from 170 diverse respondents (utilities, utility associations, environmental groups, renewable energy advocates, energy-related organizations, businesses, and individuals)
    - Comments covered a wide range of topics (e.g., net metering, interconnection, safety and reliability, financial issues, feed-in-tariffs, incentives, permitting, consumer protection, utility planning, etc.)
What’s Ahead in Iowa (cont’d)

- IUB’s Distributed Generation NOI
  - Second and third round areas of inquiry more focused
    - Net metering (excluding avoided cost and standby rates – considered in other proceedings)
    - Interconnection (to include safety, reliability and customer awareness of DG)
    - Rate Issues
    - IUB Order of October 2015 asked for pilot projects
  - Current Status
    - Three Pilots Filed -- MidAmerican Energy, Interstate Power and Winnesheik Energy
    - Utilities’ pilots -- Community Solar Garden, Storage and Rate Changes
    - Winnesheik – off-site solar array, virtual net metering, larger customer eligibility
  - Prognosis – new dockets, collaboration process
What’s Ahead in Iowa (cont’d)

• **New Iowa Energy Plan Development** ([http://www.iowaenergyplan.org/index.html](http://www.iowaenergyplan.org/index.html))

  – Led by IEDA and DOT
  – Described as:
    
    “a means to set state priorities and provide strategic guidance for decision-making while working to encourage energy, economic, and environmental benefits through the goals and recommendations it sets forth. It will include an assessment of current and future energy supply and demand, examine existing energy policies and programs, and identify emerging energy challenges and opportunities. The plan will synthesize the existing state energy goals and strategies that are beneficial for the state, as well as an outline, new goals, and strategies to position Iowa for the future”

  – Working Groups Formed: Economic development and energy careers
    Iowa’s energy resources
    Transportation and infrastructure
    Energy efficiency and conservation

  – Public Forums to be held over the next several weeks
  – Prognosis
Other Developments

• Iowa Supreme Court decision in **SZ Enterprises, LLC v. Iowa Utilities Board**, No. 13-0642 (July 11, 2014)


• Transmission line projects (MVP and Clean Line (potential federal involvement))

  All have the potential to expand DG, in particular solar and wind generation
For a listing of major federal energy legislation from 1920 – 2009 see: https://www.e-education.psu.edu/geog432/node/116

Other Resources:

1. Iowa Utilities Board: https://iub.iowa.gov/
5. Iowa Solar Energy Trade Association: http://www.iowaseta.org/