

**Regulatory Assistance Project Electric Resource Long-range Planning Survey<sup>1</sup>**  
Compiled by CM  LB

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Name of Agency: Iowa Utilities Board (IUB)

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**Policies**

1. Is any form of long-range electrical resource and/or investment planning required?  
Yes                      No

Utilities are required to procure enough supply to reliably and adequately meet their load plus an adequate margin. The Board has the authority to require utilities to file a resource plan, and this happens periodically. Plans are filed on an as-needed basis. The Board has generally accepted 15% as adequate reserve based on Midwest Area Power Pool (MAPP) or the Midwest Reliability Organization (MRO) requirements.

On the demand side, Energy Efficiency Planning is done on a regular basis. This planning is similar to IRP, but supply side resources are examined only to develop cost effectiveness thresholds by determining avoided costs.

2. If yes, what planning processes are going on?

Resource plans are not regularly filed, but may be filed by utilities on their own as part of a docketed proceeding or at the request of the Board. There are multiple avenues available for this including a Notice of Investigation (NOI) upon Board's own initiation, as part of a generation certification docket, as part of a reorganization/merger docket, or a rate case proceeding. Generally the Board determines whether the plan or an updated version of the plan is reasonable in order

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<sup>1</sup> All responses written from notes compiled and edited by Liz Baldwin, RAP researcher. Corrections to the draft document, suggested by the contact person(s), have been incorporated.

to provide adequate service without being detrimental to customers. Generating certificates (GCUs) are required for any new generation to be built in the state exceeding 25 MW (such projects may be built by utilities or other entities). Some of these proceedings may require a hearing.

On the demand side, Iowa has an Energy Efficiency Planning process that guides energy efficiency acquisitions by investor-owned utilities.

3. Please describe the process. (Who files what, when, how often? Who analyzes filings? Formal docket? Who responds? Who are regular parties? How is it used?)

For resource plans, see response to question 2.

For Energy Efficiency planning, utilities file plans approximately every five years<sup>2</sup> in a formal, docketed process that includes public hearings and testimony from intervenors. The next plans will likely be filed in 2007. The Office of Consumer Advocate (OCA) is a regular intervenor. Industrial customers and environmental groups sometimes respond as well. Utilities are expected to propose target goals for the programs, and to describe planned technologies, programs, incentives, and projected results. The plans are also an opportunity for utilities to propose pilot programs. Analysis is done by staff at the Board and at the OCA. (Board staff serve an advisory role and don't file testimony in this process.) Once the board approves a plan, the utility begins implementation. Some programs are ongoing, with changes made as necessary.

Municipal utilities and coops file EE reports every two years, in an informal, information-only process.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

Both supply and efficiency planning are utility-specific. For EE planning, only the four investor-owned utilities participate in the full, formal process. Iowa's smaller utilities file informal EE reports (see above).

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

Resource plans support the GCU (Generation certificate) process by showing that a project is needed for reliable and adequate service<sup>3</sup>. Prior to 2001, Iowa's least cost

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<sup>2</sup> There was a lag in filings from 2000-2003, when restructuring was being considered in Iowa and during which time EE plans weren't filed. In 2001, the restructuring debate ended, and after some statutory changes, the utilities were instructed to resume EE planning. The current plans were filed in late 2002 and early 2003; the next round of plans will be filed in late 2007 to go into effect in 2009.

<sup>3</sup> Formerly, projects were required to meet the "convenience and necessity" standard in order to be granted a GCU. Recent legislation has changed the standard to "reliable and adequate".

planning process had included a connection between supply planning and rate treatment decisions, but in 2001 legislation was passed that established an advanced ratemaking process for power plant construction, and the least cost planning that had been used was discarded.

There is no such relationship regarding EE planning. DSM programs are paid for by a tariff rider, and utilities are given a dollar for dollar cost recovery from an account which is trued up annually.

6. This form of planning has been required since what date?

Efficiency plans have been required since 1990, with some changes to the process in 1996.

Filing of resource plans is not a requirement.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

For resource plans, see response 2.

For EE planning, the Board has the authority to conduct prudence reviews of utilities' program implementation. This authority has been used several times. For example, in 2000, a utility asked to refund overcollected funds for low participation in some programs. The IUB investigated the case and found that the programs' lack of success was because the utility had stopped promoting most of its programs. Because the utility had diverged from its plan in this way, the IUB disallowed some of the costs for one year of the plan. The utility subsequently restored promotion of the plan's programs, and the plan had substantial success.

Until 1996, all of the evaluation and approval of recovery of costs was done in miniature contested rate cases with intervenor testimony. These cases often involved 4-6 years of expenses and proved to be burdensome. Since 1996, informal annual reports have been required, with increased emphasis on tracking and evaluation of the programs.

8. Is anything similar required for non-electric natural gas-related planning?  
 Yes     No

If yes, what is that process called?

In Iowa, most natural gas is supplied by combination gas and electric utilities. Energy Efficiency Planning is dealt with in the same docket for both natural gas and electricity.

## Required Elements

9. Back to the electric resource process. Which of the following resources must be explicitly evaluated/included:

Generation

Transmission

Distribution

Energy efficiency

Load Management

Other demand side measures

Specific generation (e.g. renewable, distributed)

Others

There are no requirements about what must be included in resource plans. The plan has to be reasonable.

For EE plans, generation is evaluated only to develop avoided costs.

Transmission, distribution, EE, and load management are all explicitly addressed in the EE plans.

What tests must be included/utilized?

There are no required tests for supply resources.

In the EE plans, demand side measures are evaluated using the total resource cost test, the societal test, the participant cost test, the rate impact measure test, and the utility cost test.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

There is no specific analysis required in the resource plans. The plans must show that proposed projects are needed to provide adequate and reliable service and are not detrimental to customers.

In the EE plans, programs are analyzed in a variety of ways, including by comparing the societal cost of EE programs with avoided supply costs. Utilities are required to develop a forecast of future growth in energy use for the next 20 years. Based on that forecast, they determine what their needs will be and develop a list of supply resources to meet that need. The cost of these supply resources is the estimated avoided cost (the "cost to beat"), which is used to assess the benefits and cost of various EE programs.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

This isn't done explicitly, either on the supply side or the demand side. In EE planning, some sensitivity testing is done, but this generally tends to test the strength of the model rather than assess supply resources.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

This isn't done in the resource plans. As part of an E-docket proceeding, which covers issuing of an electric franchise for a 69 kV or above transmission line, the builder of the line must show that the line is needed to provide adequate reliable service in the region.

In the EE plans, see Question 10, above.

13. The plan's objectives, from the regulatory perspective:

The goal for resource plans is to ensure that reliable service is provided at a reasonable cost.

For EE planning, the stated objective in the statute is to save energy and reduce environmental impacts.

14. The plan's objectives, from the utility perspective:

For resource plans, the goal is probably the same as the Board's: to deliver reliable service at a reasonable cost.

For EE planning, the utilities regard DSM as very beneficial from a customer relations standpoint. For example, Mid American Energy recently won an award for customer service, which was substantially based on their efficiency programs.

15. Are alternative scenarios analyzed as part of the plan? Yes No

Are externalities considered? If so, which ones and how are they considered?

In the EE plans, a 10% adder is applied to electric supply costs and a 7% adder is applied to natural gas costs, to make sure that externalities aren't being missed. Other factors could be proposed to address externalities, but this hasn't happened.

16. What is the planning horizon?

For supply, the planning horizon is based on the criteria used by the regional reliability organizations.

For EE plans, the horizon for electricity is 20 years; for gas, 5 years.

Length of Energy and Demand forecasts See above

Length of Short-term Action Plan There are no short term action plans for supply. For EE plans, 5 years.

17. How often do utilities have to file plans? Update plans? What actually happens?

There are no requirements for resource plans.

EE plans are filed approximately every five years. There are provisions for altering plans when necessary (for example, if a program isn't working, something new will be added, or a budget will be changed). Alterations to plans may need to be formally filed and evaluated if the change means substantial alteration of budgets or benefit-cost results.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

For resource plans, see question 2.

For EE plans, monitoring is informal, and is done via observation of annual reports and regular meetings with utilities and intervenors. Prudency reviews are done by formal proceedings and may be triggered when serious problems occur. If a utility's actions are determined imprudent, costs for those actions may be disallowed. See Question 7, above.

19. Are environmental issues considered in the planning process?  Yes  No  
If yes, please describe.

There is no detailed requirement to address environmental issues in the resource plans. When utilities come in for Generating Certificates, the Board involves the Department of Natural Resources in the siting process.

In the EE plans, environmental issues are not addressed explicitly, other than in addressing externalities (see Question 5, above).

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

No.

### **Agency Process**

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing?  Yes  No

Resource plans are not formally accepted, although they are requested through a formal Notice of Inquiry process.

EE plans are accepted through a formal docketed process.

22. Does the agency hold public hearings on draft/final utility plans? Yes No  
If not, describe what does happen.

Hearings are generally not held on resource plans unless they are filed as part of a formal proceeding (GCU, merger/reorganization, line franchise).

For EE plans, hearings are usually held when all parties cannot resolve the issues via a settlement. Customers may ask for public hearings to be held, but the latest round of filings did not include such a request. Public hearings were held in the first round of filings, but with low levels of participation. Since then, the rules have been revised to require utilities to meet with intervenors and other stakeholders (large equipment vendors, or other impacted parties) to develop the plans. This has reduced the number of litigated issues, and the most recent round of plans included a public hearing for only one utility.

If yes, what is the duration of the public hearing process?

23. Other ways the public participates and comments on plans are:  
(Prompts if needed: email or mailing lists, interactive web sites)

Interventions are granted on a case-by case basis by the Board for all proceedings before the Board.

For EE plans, utilities are required to notify all customers of the intent to file a new plan sixty days before filing. Notification must include descriptions of possible programs, and estimates of costs and rate impacts. Customers are given the utilities' contact information and may call or submit written comments.

24. What action can the Commission take on the plan(s)?

Review it   
Accept it   
Approve it   
Reject it   
Acknowledge it   
Require utility to modify and resubmit it   
Other

The Board can take any of the above actions on EE plans. In the past, the Board has required utilities to provide updates of the resource plans. The Board has not specifically approved a resource plan.

25. Have resource acquisition decisions changed as a result of the planning process?

Yes    No    Not Sure

26. Are competitive processes used to acquire new resources?    Yes    No

27.

For supply resources, competitive processes have been discussed. Utilities may use competitive processes, but this has not happened so far.

28. If yes, do you require regulatory review and approval of the competitive solicitations used?

29. Do utilities file an energy efficiency or DSM plan?    Yes    No  
If so, is it separate or integrated with other plans?

There is no formal integration of the plan with other processes.

30. Is competitive bidding used to acquire EE resources?    Yes    No

Competitive bidding for EE resources is not required, but is used to some extent. One utility is piloting a bidding process in which large customers propose projects and incentives, and the utility gathers bids over several months and picks the best projects for the proposed cost. There is no Board review and approval of competitive solicitations resulting from the process.

31. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments?    Yes    No

32. Citation and description:

Docket SPU-05-15 deals with the sale of a nuclear plant.

All EE planning dockets are kept open, even when the contested review proceeding has been terminated, so that intervenors can see what's going on.

Are utility plans available on-line?    Yes    No    If so, what is the address?

There are summaries of the EE plans on the Board's website. Anything not filed as "confidential" is available to the public by request.

Resource plans are not available online.

Is on-line publication voluntary or mandatory?

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

There are no policies guiding the resource plans.

The cites for the Energy Efficiency Planning statutes and rules are:  
“Iowa Code 476.6(17) and 476.6(19),” and  
“199 Iowa Admin. Code Chapter 35.”

The statute and rules can be found on the Board’s Website,  
[www.state.ia.us/government/com/util](http://www.state.ia.us/government/com/util)

For the statute, at the very bottom left of the main page, under “Links,” click on  
“Code of Iowa.” Click on “Code 2003” in the list of versions of the Iowa Code. Type  
in “476.6” in the box for the Chapter.

For the rules, under “Links” on the Board’s website (same location as noted for  
statutes), click on “Iowa Administrative Code,” scroll down the list and click on  
“Chapter 35.” Keep clicking until the text comes up.

34. Do you anticipate any changes to this process in the near future?  Yes  No  
If yes, please describe.

No changes are anticipated for the resource planning process.

For EE, it is unknown whether or not changes will occur. There has been a discussion  
about EE costs, which some industrial customers would like to be exempt from.

35. Have there been any recent settlements or orders in rate cases or other dockets that  
may affect resource procurement or investment incentives?  Yes  No

There have been a few rate case decisions over the last three years that have  
transferred the recovery of load management costs from base rates and into the  
energy efficiency cost recovery accounts. This hasn't had a direct impact on overall  
rates, but it made the programs more visible. There is also an ongoing investigation  
of load management programs, with a report due next summer.

36. Does your state do performance-based regulation?  Yes  No  
If so, please describe briefly.

35. If your state uses PBR, is successful compliance with an approved resource plan one  
of the areas subject to incentives or penalties?  Yes  No

36. Are there any regulatory incentives specifically for energy efficiency, other DSM, or  
renewables?  Yes  No (Examples: lost revenue recovery, shared  
savings, bonus rate of return) If so, please describe briefly.

For a brief period, utilities were able to apply for bonus rates of return on EE  
investments. The utilities were concerned about the rate impacts for these programs,  
and in 1996 the process was discarded. Since then, actual results from EE have

improved, and recent MW savings goals were surpassed by substantial amounts. (Goals are proposed by the utilities, but may be altered by the Board.) This improvement is partly due to the Board's requests to utilities to do more EE, and partly due to higher natural gas prices. Until 1996, all of the evaluation and approval of recovery of costs was done in miniature rate cases with intervenor testimony. These cases often involved 4-6 years of expenses and proved to be burdensome. Since 1996, informal annual reports have been required, with increased emphasis on tracking and evaluation of the programs.

37. Do any tariffs include a fuel/purchased power clause?  Yes  No  
If so, how does it work?

One utility has an energy adjustment clause for fuel costs. Adjustments are made every month according to a formula in the Iowa Code.  
For the other utility, rates are frozen.

38. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)?  Yes  No

Can EE or DSM savings be credited toward a utility's renewable mandate?  
If so, please describe, including how the mandate relates to power vs. RECs.

There is a statutory requirement that IOUs must contract with alternate energy facilities for the purchase of 105 MW capacity of renewables. This amount is allocated between IOUs based on their Iowa peak load. The purpose of the statute is to encourage the development of alternate energy facilities. The statute was enacted in 1982 and makes no references to RECs. The requirement is the purchase of capacity only. The statute can be found in Chapter 476 of the Iowa Code at <http://nxtsearch.legis.state.ia.us/NXT/gateway.dll/moved%20code/2005%20Iowa%20Code/1?f=templates&fn=default.htm>. Iowa has also recently enacted tax credits for alternate energy facilities built within the state.

### **State Energy Plan**

39. Is there a State Energy Plan?  Yes  No  
40. Is it connected to the planning described above?  Yes  No  
41. If yes, who is responsible for the Plan?

The Iowa Department of Natural Resources is responsible for the State Energy Plan and updates to the plan.

42. What is included in the Plan, apropos of long-range electrical planning?

The State Energy Plan tends to use state-level data from the federal Energy Information Administration. Contact the DNR for more information.