

## Regulatory Assistance Project Electric Resource Long-range Planning Survey<sup>1</sup>

State: **Iowa** Date: October 15, 2003  
Name of Agency: Iowa Utilities Board (“Board”)  
Source: Phone interviews, email  
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### Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Yes, but Board rules require filing of plans only for Energy Efficiency (EE). See the explanation of utility resource planning which accompanies applications for Generating Certificates, at the end of this survey.

2. What is it called?

Energy Efficiency Planning and Cost Review.

3. What is the process?

Rate-regulated gas and electric utilities (4 investor-owned utilities) are required to file Energy Efficiency Plans (“Plans”) as ordered by the Board. The plans are reviewed through formal contested case proceedings.

The Office of Consumer Advocate (OCA) is the regular intervenor. Staff of the Board reviews the plans, but only in an advisory role to the Board. Other intervenors include large industrial customers and environmental groups. The Iowa Department of Natural Resources receives copies of the Plans and has the choice of either intervening or providing informal advice to the Board.

Parties participate in a formally prescribed collaborative process during the drafting of the Plans. This process allows the formal parties to challenge each other and negotiate without Board or staff involvement. This process has reduced the amount of litigation before the Board.

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<sup>1</sup> All responses written from notes compiled and edited by Cathie Murray at RAP. Corrections to the draft document, suggested by the contact persons, have been incorporated.

Energy Efficiency Plans are used by the Board to determine annual performance goals for the investor-owned utilities, and to determine annual budgets for utilities' demand-side management (DSM) programs. The energy efficiency plans also determine the levels of charges in customers' rates for recovery of energy efficiency costs.

Non-rate-regulated utilities (municipals and RECs) must file energy efficiency plans every two years, but the Board does not evaluate or approve these plans. These utilities have no requirements for forecasts or other features of integrated resource planning (IRP), although some non-rate-regulated utilities have developed IRPs.

4. Describe the analysis required by the regulatory body.

Utilities are required to address electric and natural gas planning, depending on their service. Utilities must file plans including demand forecasts, assessment of future supply options, calculations of avoided cost, review of demand-side options, assessment of potential savings, proposed programs and proposed goals and budgets.

Supply-side options are assessed only for purposes of determining avoided costs, and are not pre-approved or otherwise evaluated for purposes of supply acquisition. Demand-side options and programs are compared to supply-side avoided costs, to determine the roster of cost-effective demand-side management measures and the programs for promoting demand-side management. Four economic tests are used, which are prescribed by statute.

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

The energy efficiency plans are utility-specific. All gas and electric utilities participate, but only the four rate-regulated utilities provide detailed forecasts, avoided cost information, and other features of integrated resource planning.

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

Since 1990, with some changes in 1996.

### **Required Elements**

7. Which of the following resources must be evaluated/included:

Generation	Yes
Transmission	Yes
Distribution	Yes
Energy efficiency	Yes
Load Management	Yes
Other	Potential purchases of electricity

8. Is a comparison of supply and demand side options/resources required?

Yes, but only to determine supply-side avoided costs. Demand-side options have to be more cost-effective than new supply.

9. The plans' objectives, from the regulatory perspective:

The regulatory objective is to establish goals and programs for utilities' promotion of demand-side management. See question 4 above.

10. The plans' objectives, from the utility perspective:

The utility objective is to promote demand-side management programs, at costs lower than avoided costs of new supply options.

11. Are alternative scenarios analyzed as part of the plan? Yes  
If so, what factors are considered?

The utilities' forecasts typically explore a range of economic conditions and weather. Some sensitivity analysis is also encouraged for DSM programs, but is not required.

12. Are externalities considered?	Economic	Yes
	Environmental	Yes

Externalities are addressed by including externality factors in avoided costs, for both electricity and natural gas. The factors are a 10% adder for electric avoided costs and a 7.5% adder for natural gas avoided costs.

13. What is the planning horizon?	Electric: 20 years; Gas: 5 years
Length of Energy and Demand forecasts:	Electric: 20 years; Gas: 5 years
Length of Short-term Action Plan:	Five years

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

Utilities file new plans when ordered to do so by the Board. In the 1990's, two rounds of plans were filed, in 1991 and in 1995-1996. Starting in 1997 and ending in 2001, discussions of electric restructuring delayed consideration of new plans. When the electric restructuring debate concluded in 2001, the Board asked the rate-regulated utilities to restart the planning process. In 2002, the Board established due dates for new energy efficiency plans. The Board has recently finished the review of those plans, and orders have been issued for all new plans.

15. What monitoring or other processes are used to determine consistency of investments with plans?

The Board has authority to review the implementation of approved energy efficiency plans by ordering the utilities to file formal reports on past implementation, as part of what is called a Prudence Review. The Board has also begun directing utilities to file annual reports on implementation of plans. The Board in a proceeding in 2000 assessed a penalty against a utility for poor performance, and directed the utility to meet quarterly with staff and stakeholders to review continuing progress.

16. Are environmental issues considered in the planning process? Yes

See the answer to item 12.

### **Agency Process**

17. Agency holds public hearings on utility plans Yes

Hearings are held only if all issues cannot be resolved among utilities and intervenors. Three out of the four recent plans were completely settled among all parties.

18. Other ways public participates and comments on plans are:

Utilities are required to notify all customers of the intent to file a new plan sixty (60) days before filing, and must include descriptions of possible programs and estimates of costs and rate impacts. Customers are given contact information and may call or submit written comments. Customers may also ask for public comment hearings, but the latest round of plans did not include any such requests.

19. What action does the Commission take on the plan(s)?

Review it;  
Approve it;  
Reject it;  
Require utility to modify and resubmit it; or  
Approve with additional requirements for funding and information.

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

The process in Iowa required by Board rules results only in the approval of demand-side management programs. Utilities also conduct resource planning and file the results when seeking approval of applications for new power plants.

It is not known if supply resource decisions have changed as the result of DSM or the Energy Efficiency planning process. However, the process has resulted in changes to utilities' DSM plans compared to the plans as originally filed with the Board. For

example, in the recent round of plans, the Board ordered all investor-owned utilities to double the funding for low-income weatherization programs.

21. Are competitive processes used to acquire new resources?

For DSM only, the Board has directed one utility to explore competitive acquisition of load management from large customers. Another utility has proposed a quasi-competitive process for funding energy efficiency projects proposed by large customers.

22. Do utilities file an energy efficiency or DSM plan? Yes  
If so, is it separate or integrated with the IRP process? There is no IRP process.

23. Is competitive bidding used to acquire EE resources? See 21, above.

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes

There is an open docket to consider investment in wind generation by MidAmerican Energy, listed as Docket No. RPU-03-1.

There is also an open docket on transmission and distribution, Docket No. NOI-02-2 (a description is on the Board's Website).

The Board recently closed a docket investigating the reliability of the entire electric system, including generation resource planning. In addition, the Board has recently issued final decisions and orders in dockets involving the GCU process (generation) and E-docket (transmission) described in the Notes section, below.

25. Citation and description:

Docket No. INU-00-5 re: system reliability. (6/30/03)  
Docket No. DRU-03-3 re: wind generation. (6/6/03)  
Docket No. GCU-02-1 re: 750MW coal-fired plant. (6/27/03)  
Docket No. GCU-02-2 re: 600MW combined-cycle plant. (1/2/03)  
Docket No. E-21594 re: 169KV Transmission line. (7/22/03)  
Final decisions and orders may be viewed under "Board Orders" on the Board's WebPages at <http://www.state.ia.us/government/com/util>

26. Are filed plans available on-line? No

The energy efficiency plans submitted to the Board include pdf files of all non-confidential material. These are public documents, but have not been put on the Board's Website. The electronic documents could be E-mailed. The Board's orders approving and modifying the most recent plans are available on the Board's Website,

<http://www.state.ia.us/government/com/util>. Go to “Board Orders,” and look for the following dates and dockets:

07/21/03 Docket No. EEP-03-3  
07/21/03 Docket No. EEP-03-4  
07/18/03 Docket No. EEP-03-1  
06/03/03 Docket No. EEP-02-38

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

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.

28. Do you anticipate any changes to this process in the near future?  
If yes, please describe.

After the energy efficiency plan proceedings for the rate-regulated utilities are complete, Board staff will look at the overall process and try to identify any need for changes. If changes are needed, there will be discussions with stakeholders and eventually a rulemaking to revise Chapter 35. This process is not likely to occur until early 2004.

29. Does your state do performance-based regulation? Not now.

Recent rulemaking regarding distribution reliability requires utilities to record and report a variety of reliability data. At some point in the future, further decisions about performance standards may be made, based on the accumulated data.

There are no performance incentives for DSM, apart from the Board’s authority to disallow costs if a utility implements its plan “imprudently.” All authority relating to EE/DSM allowing for rewards, bonus rates of return, shared savings or lost revenues was eliminated by legislation in 1996. The Board has no statutory authority to grant regulatory incentives for renewables.

## State Energy Plan

30. Is there a State Energy Plan? Yes  
31. Is it connected to the planning described above? No  
32. 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. Contact Sharon Tahtinen, 515-281-7066.

33. 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 DNR for more information.

### Notes:

The Least Cost Planning process formerly used in Iowa ended in 2001, in part due to utility and legislative concerns about reserve margins and reliability. Three formal Board procedures now touch on the non-efficiency electric resource issues that were addressed by the LCP process.

- The more streamlined “certificate of public convenience, use and necessity” process (a.k.a. the GCU process) must be followed by any entity proposing generation exceeding 25MW. Utilities applying for site certificates provide evidence of planning results to support their applications, in the GCU process. The applicable statute is Iowa Code Chapter 476A.1- 476A.15. The applicable rule is 199 Iowa Administrative Code Chapter 24.
- The franchise application process (a.k.a. known as “E docket”) must be followed for certain transmission line construction or upgrades.
- Fuel procurement plans (a.k.a. known as “ARC proceedings”) must be filed by the two rate-regulated electric utilities to allow the Board to evaluate the reasonableness and prudence of the utilities’ fuel procurement and contracting practices.

If a rate-regulated utility is involved in advance ratemaking principles, the utility must demonstrate to the Board that it has considered other sources, and that the proposed generation is reasonable compared to other sources. This requirement may be satisfied through a competitive bid process, but competitive bidding is not required.