AGENDA SET FOR 2013 LEGISLATURE:
Budget ($700 million) Surplus – Property Tax Relief – Education Reform

No Mention of Energy Issues in Opening Comments

The First Session of the 85th Iowa General Assembly was gavelled to order on Monday, January 14, 2013 as 12 new senators and 26 new state representatives took their seats. The Senate remains in control of the Democrats (26-24) and the House continues to be controlled by Republicans (53-46). One more new representative will join the House following the special election on January 22 to determine the replacement for former Representative Brian Quirk who resigned last fall to become the General Manager of the New Hampton Municipal Light Plant.

Some consensus has emerged on the major agenda items for this session. The leaders in both chambers and Governor Branstad have identified the state budget (what to do with a $700 million surplus), property tax relief and major education reform as the three biggest issues facing legislators. However, as expected, there are sharp differences between the party caucuses as to how to address these and other issues. (Click here to read Governor Branstad’s Condition of the State Address.)

Of special note to the energy industry; no chamber leader or Governor Branstad mentioned any specific energy-related issues during their opening speeches. This certainly doesn’t mean energy issues won’t be addressed this session; it just means they are not on the top of any legislative agendas – for now.

LEGISLATURE AND GOVERNOR RECOGNIZE “SUPER STORM SANDY” UTILITY WORKERS

One of the first pieces of legislation the Iowa House formally addressed this session was an opening day resolution honoring the workers of Iowa’s utility companies and their contractors who went to the East Coast to assist with Hurricane Sandy utility restoration efforts. Following the unanimous adoption of HR 3 and a standing ovation by House members for the workers; Governor Branstad held a formal recognition for the workers in the first floor rotunda of the Capitol. Also speaking at the recognition were Lt. Governor Kim Reynolds and IUB Chair Libby Jacobs. Some 60 company and contract workers participated in the activities.

Alliant Energy sent 215 employees and 138 contract line workers and tree crew members to assist with Hurricane Sandy restoration efforts. Of Alliant Energy’s 215 employees who responded, 114 were from Iowa. MidAmerican Energy sent 29 Iowa employees and released more than 250 contract line workers and tree crew members to provide assistance in the East. Contract workers of ITC Midwest also responded to the call for assistance. For more information, see the IUB’s Iowa Utility Workers Honor Ceremony Informational Page.

HR 3 reads in part, “The House of Representatives honors the men and women of Iowa’s utility companies and their contractors who left their homes and families during the holiday season and provided aid and comfort to their fellow Americans.”
2013 LEGISLATIVE LEADERSHIP

Governor Terry Branstad (R)
Serving Fifth Term

Iowa Senate (26 D - 24 R)
*Newly Elected - Senate President Pam Jochum (D, Dubuque)
  Majority Leader Mike Gronstal (D, Council Bluffs)
  *Newly Elected - Minority Leader Bill Dix (R, Shell Rock)

Iowa House (53 R – 46 D) *Special Election on January 22
  Speaker of the House Kraig Paulsen (R, Marion)
  Majority Leader Linda Upmeyer (R, Garner)
  Minority Leader Kevin McCarthy (D, Des Moines)

Commerce Committees
  Senate Committee Chair, Senator Matt McCoy (D-Des Moines)
  *Newly Appointed - House Committee Chair, Representative Peter Cownie (R-West Des Moines)

ENERGY ISSUES
LIKELY TO BE ADDRESSED IN 2013 SESSION

The following is a list of some of the potential issues impacting energy that have either garnered attention in previous years and/or are likely to be addressed by this year’s Iowa Legislature:

1. Nuclear Regulatory Bill
   - MidAmerican Energy will not pursue nuclear legislation in this session.

2. Retail Sales by an Independent Power Producer (Eagle Point Solar & City of Dubuque)
   - Some legislators have indicated their intent to seek legislation that would allow an independent power producer to sell (retail) directly to an “end-use customer.” [A hearing in Polk County District Court is being held today regarding Eagle Point Solar’s appeal of the IUB’s April, 2012 ruling that Eagle Point Solar would be a public utility and is prohibited by the exclusive service territory law from offering its retail power sales to the City of Dubuque.]

3. Stray Voltage
   - The Iowa REC’s have indicated their intent to bring forth legislation similar to the bill approved by the Iowa Senate in 2012.

4. Replacement Tax – Ethanol Challenge
   - The industry will be monitoring any efforts by the ethanol industry to make changes to the utility replacement tax. [A decision is expected any day from an Administrative Law Judge regarding the challenge of some ethanol plants to last year’s Dept. of Revenue decision denying them replacement tax refunds.]

5. Replacement Tax – American Water Company
   - American Water Company is drafting legislation that would include and apply the utility replacement tax to investor-owned water companies.

6. Replacement Tax – Fertilizer Plants
   - The industry will be monitoring efforts to exempt natural gas deliveries to fertilizer manufacturing plants from the utility replacement tax.
7. **Renewable Energy Mandates**
   - Based on recent history, it is reasonable to assume that there will be efforts to promote the expansion of renewable energy and energy efficiency through mandates on the utility industry.
     - Solar Feed-in-Tariffs (Diversify renewable energy sources)
     - Solar Power State Investment ($3.1 million) at U of Iowa. *(Senator Hogg)*
     - Energy Efficiency Standards (1.5%)
     - RPS (40% by 2020)

8. **Iowa Wind Energy Association’s Published 2013 Agenda**
   - Establish tax credits for small scale residential, commercial and agriculture wind energy systems. Similar to solar credits established in 2012 session.
   - Low cost loans for Small Wind Innovation Zones
   - Direct the IUB to determine a “reasonable rate of return” to be paid to small scale wind producers in addition to the current “avoided cost” allowance.
   - Establish an installed capacity goal of 1% of wind energy from distributed generation by 2020.
   - Allow meter aggregation on properties served by a small wind generator.

9. **Right of First Refusal - Transmission**
   - ITC Midwest and the Iowa Association of Municipal Utilities have indicated their intent to bring forth legislation that gives the incumbent utility in the impacted service territory the “right of first refusal” to build/own transmission.

10. **Railroad Rights of Way**
    - The industry will be monitoring any legislative efforts initiated by Hawkeye Land Company to remove the company from the railroad crossing statutes.

11. **Industrial “Opt-Out” of Energy Efficiency Programs/Charges**
    - Ag Processing has drafted a position paper and is seeking the support of other industrial users (2 MW or higher of demand) to ask the legislature for an “opt-out” option of utility energy efficiency programs.

12. **Pipeline Safety Violations**
    - The IUB is proposing to amend 479.31 and impose new civil penalties of $100,000 maximum per violation per day and $1 million maximum for a related series of violations. *(See SSB-1051)*

13. **Ratemaking Principles for Power Purchase Agreements**
    - NextEra Energy has indicated its intent to reintroduce legislation (HSB 539 from 2012) that would allow IUB ratemaking principles for power purchase agreements entered into by rate-regulated utilities.

14. **Tax Credits for Facilities Dispensing Electricity or CNG for Vehicles**
    - General Motors and Black Hills Energy have indicated their interest in, once again, pursuing legislation (SF-520 from 2012) that would provide for a tax credit for facilities that dispense electricity or CNG to fuel motor vehicles.

15. **IUB Budget Funding**
    - The industry will be monitoring the Legislature’s actions on the IUB’s budget appropriation.

For information on these and other energy issues, watch for the weekly *IUA Legislative Briefs*, contact your company lobbyist or give the IUA a call.
SENATE NOW OFFERS LIVE VIDEO

Although the system has had a few “bugs” this first week, the Iowa Senate has now joined the Iowa House in offering a live video feed when that chamber is in session. Just go to the Iowa General Assembly’s website and look for the video feed under “Popular Links.”

KEY 2013 SESSION TIMETABLE DATES

- Subject to Change –

- JANUARY 14 - First day of 110-day session.
- JANUARY 21 - Martin Luther King Jr. Day - State government offices are closed including the Iowa Legislature and the Iowa Utilities Board.
- MARCH 8 - (First Funnel) - Final date for Senate bills to be reported out of Senate committees and House bills out of House committees.
- APRIL 15 - (Second Funnel) - Final date for Senate bills to be reported out of House committees and House bills out of Senate committees.
- MAY 3 - 110th calendar day of the session (Legislator per diem expenses end)

2013 ENERGY BILL WATCH LIST

SENATE BILLS

SF-4 Appropriation to Build Solar Facility at University of Iowa (Natural Resources) Appropriates $3.1 million to construct and maintain solar electric generation facilities at the University of Iowa.

SSB-1005 Water Quality and Storm Water Discharges (Natural Resources) Makes changes to public notices for permits for storm water discharge or an air contaminant source. Allows time extensions for permits for water diversions or withdrawals.

SSB-1048 Exempts Internet Protocol-Enabled Services from IUB Regulatory Authority (Commerce) Bill exempts any service, capability, functionality or application that uses internet protocol and enables an end user to send or receive voice, data or video communications from the regulatory authority of the Iowa Utilities Board.

SSB-1051 Increases Civil Penalties for Pipeline Safety Violations (Commerce) This IUB-sponsored bill increases civil penalties for pipeline and underground gas storage violations to $100,000 per violation and $1 million maximum for any related series of violations.

HOUSE BILLS

HF-48 Geothermal and Solar Property Tax Exemption Limitations (Ways & Means) Removes the current 10-year limit for the property tax exemption for geothermal systems and the current 5-year limit for solar systems. Also removes the state’s obligation to reimburse local governments for these property tax exemptions.
INDUSTRIALS ASK IUB FOR ENERGY EFFICIENCY OPT-OUT RULING

A group of industrial energy users have asked (DRU-2013-0002) the Iowa Utilities Board for a ruling if the agency has the authority to order rate-regulated utilities to implement an energy efficiency plan “opt-out process” for customers who utilize energy efficiency measures. The industrial users filed for a Declaratory Ruling on January 10, 2013 and the IUB responded on January 15 with an order establishing a comment and procedural schedule on the question with an informal meeting scheduled for February 13.

IOWA EPC ADOPTS MORE FLEXIBLE ENFORCEMENT RULES & WANTS TO REVIEW TITLE V BUDGETING

At its regular January meeting this week, the Iowa Environmental Protection Commission (EPC) approved, in light of opposition from some citizen and environmental groups, a new rule (see Agenda #9 at Chapter 17) addressing how the agency will handle enforcement actions. The new rule allows the DNR to take a variety of compliance and enforcement actions in response to potential violations of law or rules.

“The DNR works hard to educate people on the front end,” said DNR Director Chuck Gipp. “We would much rather provide assistance in meeting environmental regulations so that people understand and know what’s expected of them to protect our resources, than say ‘Gotcha’ when they mess up.”

The EPC has also finalized its annual report to the Governor and Legislature. The annual report summarizes the Commission’s major activities and accomplishments for 2012 and contains recommendations for policy considerations for 2013. Of particular interest to the utility industry, the following is included in the EPC’s recommendations:

“The fee structure for the Title V needs to be addressed so that the cost of the program is not paid by a few large industries in the state. Staff resources to work on construction permits should be funded by the industries using those resources. A more equitable fee structure needs to be put into place to ensure timely responses from the department to the needs of both current and new industries in our state.”

The DNR has scheduled a Title V stakeholders’ workshop for next Wednesday, January 23.

UTILITIES FILE BRIEF SUPPORTING RAILROAD CROSSING FEES

The IUA coordinated a recent filing of an Amicus Brief in the Iowa Supreme Court in support of Franklin County Wind. The brief was filed in the case centering on Hawkeye Land Company’s objections to Iowa’s railroad right-of-way statutes. Hawkeye Land has a long history of objecting to and disregarding the $750 fee limitation on railroad crossings by utility facilities. In addition to the Iowa Utility Association, others signing on to the brief were Alliant Energy, Black Hills Energy, MidAmerican Energy, Iowa Association of Electric Cooperatives, Iowa Association of Municipal Utilities, Iowa Association of Water Agencies, and the Iowa Rural Water Association.

IUB MOVES FORWARD WITH POLE ATTACHMENT RULEMAKING

The Iowa Utilities Board UB has moved forward with its formal rulemaking RMU-2011-0007 governing pole attachments. The agency’s proposed rules were formally “noticed” before the Legislature’s Administrative Rules Review Committee on December 11. The IUB invited written comments on the rules to be filed no later than January 4, 2013 and plans to conduct a hearing for oral comments on February 12, 2013. Some telecommunications companies have filed comments asking for changes to the proposed rules. The rulemaking is the result of the industry’s petition filed in December, 2011.
NARUC TO GIVE IUB CYBER-SECURITY OVERVIEW

On January 24, 2013 Miles Keogh, NARUC’s Director of Grants and Research, will be meeting with the members and staff of the IUB to provide them with some introductory education and training surrounding cyber-security issues. The meeting is closed to the public and is meant to help the IUB and other utility commissions develop strategies for engaging and communicating with their utility stakeholders on cyber-security issues. Keogh is also conducting similar sessions in 11 other states.

APPLICATIONS NOW OPEN FOR ENVIRONMENTAL EXCELLENCE AWARDS

The State is now accepting applications for the Governor’s Iowa Environmental Excellence Awards until April 12, 2013. These awards are the premier environmental honors in Iowa, recognizing leadership and innovation in the protection of Iowa’s water, land and air. For 2013, organizations are encouraged to submit their applications electronically to reduce paper waste. Complete instructions are included in the application packet.

“The Environmental Excellence Awards allow us to showcase and share the creative efforts businesses and organizations in Iowa are utilizing to protect our natural resources as well as grow jobs in our state,” said Gov. Terry Branstad.

In addition to rewarding important efforts to improve Iowa’s natural resources, Gov. Branstad noted that highlighting success stories benefits other businesses and organizations in the state. Innovation is one of the key components needed to reaching important state goals of creating 200,000 new jobs, increasing personal income by 25 percent in the state and promoting Iowa’s Healthiest State initiative, Branstad said.

Awards will be given for Overall Environmental Excellence, along with Special Project Awards in:

- Air Quality
- Energy Efficiency/Renewable Energy
- Habitat Restoration
- Waste Management
- Water Quality
- Environmental Education

For more information and to download an application, go to www.iowadnr.gov/eeawards or contact Emily Bainter at 515-242-5955 or Emily.Bainter@dnr.iowa.gov.

IUB/OCA OFFICE BUILDING RECEIVES LEED® PLATINUM RATING

The office building of the Iowa Utilities Board and the Office of Consumer Advocate has been awarded LEED® Platinum Certification established by the U.S. Green Building Council and verified by the Green Building Certification Institute. Participation in the LEED process demonstrates leadership, innovation, environmental stewardship, and social responsibility, with LEED Platinum representing the highest international standard.

The Iowa Utilities Board-Office of Consumer Advocate building is the first state government agency structure in Iowa to be certified LEED Platinum. A public LEED dedication ceremony is also being planned for early in 2013.

Since its opening in January of 2011, the building has demonstrated proven and cost-effective energy efficient measures. Its first-year energy use was 22.4 kbtu per square foot and its net energy use, accounting for rooftop solar generation, was just 20.5 kbtu. A typical office building of similar size, compliant with the Iowa Energy Code, uses about 3.4 times more, or an estimated 70.0 kbtu annually.

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