



BILL SUMMARY

Nuclear Energy HF 561

Status of Bill: House Floor
Committee: Commerce (passed 23-0)
Lead Democrats: Reps. Quirk & Jacoby
Floor Manager: Rep. Soderberg
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March 15, 2011

Background

Last year, the Legislature passed HF 2399, which was intended to ensure that rate regulated utilities (MidAmerican Energy and Alliant Energy) begin planning for future electric generation capacity under a low-carbon environment. The reason for the legislation was that despite aggressive construction of wind turbines and retrofitting of plants to reduce emissions, it was determined that it is unlikely that Iowa utilities will be able to meet carbon reduction proposals being considered by the federal government without relying on nuclear energy to some extent.

Last year's bill also specifically provided for MidAmerican Energy to begin an analysis of the possible construction of a nuclear plant allowing recovery of reasonable and prudent planning costs, and was required to submit its plan to the Iowa Utilities Board (IUB) before December 31, 2013. That plan has not yet been filed with IUB. According to MidAmerican, House File 561 continues the process by establishing the regulatory construct and regulatory certainty that is needed for Iowa to attract the significant capital required for a nuclear facility. It will also position MidAmerican to favorably compete for U.S. Department of Energy funds, which could become available.

If this bill is adopted this year, the Legislature will no longer need to play a role in this process. It will then be between the utility companies and the Iowa Utilities Board.

Bill Summary

The bill states that it is the intent of the General Assembly to encourage the prudent development of baseload nuclear electric power generation. And, the General Assembly recognizes that meeting stringent environmental permit requirements is expensive, and creates significant cost burdens on customers and employers due to the comprehensive and costly regulations by the U.S. Environmental Protection Agency.

This bill requires a rate-regulated electric utility company to file an application with the Iowa Utilities Board (IUB) for ratemaking principles applicable to the construction of a nuclear generating facility. Utility companies that are applying for rate-making principles for nuclear energy are exempt from demonstrating to the IUB that they have considered other sources for long-term electric supply and that the facility is reasonable when compared to other feasible alternative sources of supply. MidAmerican states that the reason for this exemption is due to the intent language mentioned in the first paragraph.

Current law allows utilities to apply to the IUB, through advance rate making principles, and ask for the IUB to approve a list of cost-related items in rate principles. This is done by the utility before the plant is even built so that they can better determine what costs they will be authorized to recover through rates. Under HF 561, IUB

is required to authorize a utility to recover, through a rider, costs that are normally asked for by the utility through advance ratemaking principles. (Riders are separate charges from the base rate that are charged to customers.) The following are some of what is required to be recovered through a rider:

- All U.S. Nuclear Regulatory Commission permitting or licensing costs.
- All prudent preconstruction and construction costs incurred if the utility elects to not complete construction of a nuclear generating facility.
- Ongoing operations and maintenance costs, site restoration costs, and taxes for a new nuclear generating facility.

If there is a court action (either directly or indirectly) which modifies the IUB's ratemaking order regarding nuclear energy, it can only apply prospectively. The legislation does not allow for refunds on previously collected revenues, unless the IUB determines that the amount collected exceeded the actual incurred costs by the utility.

IUB is directed to conduct a study to identify the potential impact to customer's rates resulting from recent federal regulations adopted by the Environmental Protection Agency, and possible strategies to mitigate this impact. The study must involve electric public utilities and other stakeholders identified by IUB. IUB must submit a report with the results of the study by January 1, 2012.