

## **University of Iowa Pilot Project Tariff Docket Number TF-2011-0055**

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On April 29, 2011, MidAmerican Energy Company (MidAmerican) filed a proposed electric tariff authorizing MidAmerican to conduct a pilot project with the University of Iowa (University).<sup>1</sup> The purpose of the pilot project is to allow the University to share in the benefits of MidAmerican's electricity sales into the regional day-ahead hourly pricing (DAHP) market of the Midwest Independent Transmission System Operator (MISO) by selling electricity available from the University's load reductions associated with its load-shedding and self-generation capabilities.

The tariff filing included a proposed tariff sheet and the contract between MidAmerican and the University. The contract specified an effective date of June 1, 2011, and an initial term of three years, with successive one-year extensions unless the pilot is terminated by either party. The specific terms of the contract, including the monthly basic service charge, baseline usage, and baseline usage charges, were granted confidential treatment by the Board.

The tariff and contract provide for a basic service charge and sets out the charges for baseline usage. Hourly baseline usage is determined using the University's actual hourly loads for the previous 24 months adjusted for forecasted energy increases or decreases which are determined in consultation between MidAmerican and the University. The energy charges (set out in the confidential contract) include on-peak and off-peak charges for both summer and winter.

Under the tariff and contract, the University effectively pays fixed monthly amounts for its baseline hourly electric usage. To the extent the University's actual hourly usage deviates from these baseline amounts, it either pays incremental charges or receives incremental billing credits, based on the actual hourly usage above or below the baseline amounts. The charges or credits for incremental usage are calculated based on the actual MISO DAHP rates in effect for the hours during which usage was above or below the baseline. In other words, the tariff and contract provide that if the University can reduce its electricity purchases from MidAmerican during periods when DAHP rates are high, either through self-generation or by shedding load, it can share in the benefits of the regional energy market by selling the energy it otherwise would have consumed into the MISO day-ahead electricity market. In effect, MidAmerican sells the energy in the MISO DAHP market on behalf of the University and transfers the DAHP revenues it receives from MISO to the University.

MidAmerican's other customers will not be disadvantaged or harmed due to the sharing of MISO benefits with the University. If the availability of MISO benefits causes the

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<sup>1</sup> MidAmerican is an investor-owned rate-regulated combination natural gas and electric utility in Iowa.

University to make reductions in its MidAmerican retail load that it would not otherwise have made, passing on the resulting DAHP benefits to the University makes other MidAmerican customers no worse off than if the University had made no load reductions.

The contract also contains specific safeguards to protect MidAmerican's other customers. For instance, when the university commits to day-ahead load reductions, MidAmerican will commit the unused power for sale in the DAHP market. If the University does not make its committed reductions, MidAmerican must make up the difference by purchasing electricity in the more expensive MISO real-time spot market to meet customers' needs and those higher costs will be passed on to the University.

The pilot project allows the University to effectively participate in the MISO market through MidAmerican and to obtain a share of the benefits from the market. Ultimately, the pilot project tariff should encourage the University to reduce its retail demand during high-cost periods. Information learned from the tariff will be valuable in determining whether effective participation in the MISO market can be expanded to other customers.

MidAmerican will file pilot project progress reports every six months. Additionally, after the pilot has been operating for a year, MidAmerican will include information in its reports on whether it would be appropriate to expand the pilot project to other similarly-situated customers.

Below is a listing and brief discussion of the legal standards that were relevant to this proposed tariff filing.

### **Legal Standards**

**Iowa Code 476.4** – A statutory requirement that utilities are to file tariffs showing rates and charges for its public utility services and the rules and regulations under which such services are furnished.

MidAmerican has an approved tariff on file with the Board.

**Iowa Code 476.5** – This statutory requirement states that no public utility subject to rate regulation shall directly or indirectly charge a greater or less compensation for its services than that prescribed in its tariffs, and no such public utility shall make or grant any unreasonable preferences or advantages as to rates or services to any person or subject any person to any unreasonable prejudice or disadvantage.

This proposal was filed as a pilot project tariff and not under the Board's flexible rate rules (i.e., Iowa Speedway Tariff). The pilot project will allow MidAmerican to study the workability of sharing MISO market benefits with customers that have the capability of reducing load at opportune times (either by shedding load or displacing it with customer generation). If the pilot is successful, MidAmerican indicated that the service could be extended to other similarly-situated

customers. Staff believed that the proposed pilot project did not disadvantage other MidAmerican customers and therefore did not violate this statutory requirement.

**Iowa Code 476.6(1)** – A statutory requirement that a public utility subject to rate regulation must have prior approval from the Board in order to implement a new or changed rate, charge, schedule, or regulation.

As required, MidAmerican filed this proposal seeking Board approval *before* implementing the rates in this tariff.

**Iowa Code 476.8** – A statutory requirement that utility charges for services shall be reasonable and just.

Staff advised the Board it believed the proposed tariff was just and reasonable because the tariff and contract are based on a combination of MidAmerican baseline rates and MISO market benefits, with no disadvantage to other MidAmerican customers.

**Iowa Administrative Code 199-20.2(4)"g"** – Administrative rule requiring that utility tariffs include copies of special contracts.

MidAmerican included a copy of the proposed contract between MidAmerican and the University when it filed this proposed tariff.