

Iowa Electric Utility Structure

Three components are involved in delivering electricity to consumers:

1. Generation – the facility that generates the electricity, such as a wind farm, a coal-fired or gas-fired power plant, a solar farm;
2. Transmission – the high-voltage lines that connect the generation facility with the distribution lines;
3. Distribution – the low-voltage lines that connect the transmission lines to the consumer (homes and businesses).

Electric utilities are divided into three classes:

1. Municipals – These are utility companies that are owned by cities. The municipal may have its own generation facilities, but they may also have contracts with generation and transmission companies. Iowa has 136 municipal utilities.
2. Rural electric cooperatives (RECs) – RECs are owned by their members – people and businesses who get their electricity from the REC. RECs usually operate in the rural areas. There are 45 RECs in Iowa.
3. Investor-owned – There are two operating in Iowa – MidAmerican Energy Company and Alliant (Interstate Power and Light). These companies are owned by shareholders - private investors.



Traditionally, investor-owned utilities were vertically integrated, meaning that they owned generation, transmission and distribution assets. However, they are not required to own those assets. In fact, Interstate Power and Light sold its transmission lines to ITC Midwest.

Demand is the amount of electricity the customers are using. Peak load is the highest amount of usage at any period of time. Baseload is the minimum amount of power that a utility is providing to its customers. Capacity refers to the ability of the utility to supply electricity to meet the customers' needs.

When a utility does not have enough capacity to meet demand, it must purchase extra power from another generator. Sometimes this is done with power purchase agreements which are contracts between the two companies where the utility agrees to purchase electrical power from a generator. Sometimes the power has to be purchased on the open market.

The Rural Electric Cooperatives and some municipals have contracts with generation and transmission companies to provide power to the members of the RECs. In Iowa, the main generation and transmission companies are Central Iowa Power Cooperative (CIPCO), Corn Belt Power Cooperative, Dairyland Power Cooperative, L & O Power Cooperative, Basin Electric Power Cooperative, Northwest Iowa Power Cooperative, Associated Electric Cooperative, and Northeast Missouri Electric Power Cooperative. The generation and transmission companies are also cooperatives since they are owned by the RECs and municipals that they serve. The generation and transmission companies have their own power generators and can also obtain electricity from other companies.

How electric rates are determined

The price a customer pays for electricity varies from utility company to utility company.

The electric bill will show charges for:

- A basic service charge. This is a charge for the meter, billing, and the basic maintenance of the utility equipment.
- The cost of the energy to produce the electricity. This is the cost of the fuel, such as natural gas or coal which is used to produce the electricity.
- Kilowatts of electricity used. This is a charge for generating the electricity. This cost often built into a table that sets the price per kilowatt hour based on the total electricity used in a month.
- Taxes.
- Regional transmission service may be included on your bill. This is a charge for moving electricity from the power plant to a business or home over lines that are not owned by the utility company.

The pricing structure and rate tables for determining an electric bill is written in a document called a tariff. When residential, business or industrial rates increase or decrease, they are noted in the tariffs.

In Iowa, the investor-owned utilities must get approval from the three-member Iowa Utilities Board for any changes to the tariffs because the investor-owned utilities are monopolies. Consumers must buy their electricity from the utility serving their area and cannot take their business to another utility. In order to protect the customers, the Iowa Utilities Board reviews all requests from the investor-owned utilities for tariff changes. This is a formal proceeding. The customers are represented by the Consumer Advocate, a division of the Attorney General's Office. Any other group, company or individual can also intervene in the proceedings if they will be affected by the rate request. Once a request for a tariff change is made, experts for each intervening party review the request. The Iowa Utilities Board then schedules a formal hearing before members decide to allow the tariff change or to modify the request.

For rural electric cooperatives, a board of directors oversees the operation and approves tariff changes. Members of the REC elect their board of directors. Rural electric cooperatives are not rate-regulated by the Iowa Utilities Board.

For municipals, the city code for each jurisdiction lays out the process for tariff changes. Municipal utilities are not rate-regulated by the Iowa Utilities Board.

