

**STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD**

IN RE:)	DOCKET NO. DRU-2017-0002
)	
MIDAMERICAN ENERGY COMPANY)	REPLY COMMENTS
)	
)	

The Environmental Law & Policy Center and the Iowa Environmental Council (Environmental Intervenors) provide the following reply comments in Docket No. DRU-2017-0002:

In our initial comments, we outlined support for the MidAmerican Energy repowering proposal given the higher capacity factor, higher energy generation, and longer operating life that can be expected from repowered wind facilities. We identified a need to move quickly on review and approval of the proposal to ensure that MidAmerican can obtain federal production tax credits at 100% of their value. Finally, we questioned whether a DRU proceeding was the appropriate venue to review and approve the proposal. We stand by our initial comments and support for MidAmerican’s repowering project. We also stand by our comments raising concerns about a DRU being the appropriate forum for modifying a tariff. If MidAmerican wanted to explore a DRU to clarify a past Board order related to the Production Tax Credits and EAC to provide certainty or guidance, that may be appropriate.

MidAmerican’s repowering proposal is a new and innovative concept in Iowa, as are repowering proposals in other jurisdictions where they are beginning to emerge. Given this, it is fair for parties to make a good faith effort to identify questions and concerns on appropriate procedure. We understand that other jurisdictions are facing questions about appropriate

procedure as well. We believe several principles should guide the question of procedure for this proposal. First, the outcome must provide MidAmerican with needed certainty on the use of the production tax credits. Second, the timeline must move quickly enough to ensure that MidAmerican will obtain the full value (100%) of production tax credits to support this project. Third, parties should have reasonable opportunity to obtain information about the proposal, including costs, benefits, and risks, and to provide comments for Board consideration on such issues.

Based on questions raised in the initial comments of other parties, we do not believe an extensive proceeding is needed to advance this third principle, but the DRU's 60-day schedule and limited opportunity for discovery or other exchange of information poses challenges. The Tech Companies raised a number of substantive questions or issues for further clarification in their initial comments. We believe a number of these questions or issues should not be difficult to resolve, and information regarding some questions is available in MidAmerican's initial petition.

For example:

- "Repowering would increase the output of certain wind farms resulting in more zero cost energy and lower EAC charges."

We think this statement is accurate. Repowering will increase the output of affected wind turbines and wind farms. We cited to information provided by GE in our initial comments and to our preliminary analysis based on information provided by MidAmerican in its initial petition (Confidential Exhibit B) regarding this issue. Increased wind energy production will result in additional zero cost energy and displacement of additional fossil fuel generation, resulting in lower EAC charges. There could be additional details to get more precise estimates of increased output and the impact of that increased output. It also important to consider that MidAmerican is

proposing to use the performance-based production tax credit to support this project. MidAmerican has an incentive to get increased energy production in order to receive a flow of tax credit value. We think MidAmerican's statements about these benefits are, on their face, reasonable based on our knowledge of repowering.

- “There is no substantive analysis supporting many of MidAmerican's projections.”

We think MidAmerican provided analysis as part of the filing. We think that there could be additional detail to that analysis and to the underlying assumptions that allowed MidAmerican to come to its conclusions. It is reasonable for stakeholders or parties to have an opportunity to review this analysis and ask follow up questions.

- “As facilities are repowered, a growing amount of existing rate-based investment may no longer be used and useful, and retail customers would be required to pay stranded costs without any obligation on MidAmerican's part to mitigate those costs

We would expect that existing rate-based assets with fuel costs (e.g., coal, gas) could run less. We are not aware of assets that are likely to or scheduled to retire because of repowering.

- “How did MidAmerican determine that repowering will reduce capital expenditures?”

MidAmerican stated that capital cost avoidance would come from gearbox and blade replacements. In its filing, MidAmerican specifically noted, “As any machine ages, the capital expenditures necessary to maintain the equipment tend to increase. By effectively replacing the old parts, MidAmerican will reduce the capital expenditures needed to maintain the older turbine.” MidAmerican Petition for Declaratory Order, at 5 (filed May 12, 2017). MidAmerican provided a high level analysis as part of the filing. It would be reasonable for parties to check the calculation that MidAmerican has provided, but this question has been answered.

- “How will repowering impact the operation or costs for MidAmerican’s existing conventional fleet?”

This is similar to the question above on potential stranded assets. Additional wind generation will continue to displace fossil fuel generation in MidAmerican’s conventional fleet. This means that those units will run less and require less fuel. This will in turn lower operational costs and lower costs flowing through the EAC. It will also reduce MidAmerican’s emission intensity.

We continue to support MidAmerican’s repowering proposal and hope that procedural issues can be resolved in order to allow for the project to be fully considered, including an opportunity for reasonable follow up questions by the parties, and approved on a timely basis.

Respectfully submitted this 9th day of June, 2017.

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