Iowa Environmental Council

SF 198/HF 248 Talking Points

Summary: SF 198/HF 248 removes oversight on the spending of hundreds of millions of ratepayer dollars by Alliant Energy and MidAmerican Energy through the Emissions Plan and Budget (EPB) process. MidAmerican and Alliant have a monopoly over the people they serve – Iowans do not have a choice about where they buy electricity. Current law requires the utilities to get approval from the Iowa Utilities Board (IUB) before spending money to modify coal plants in order to meet federal air quality rules. This bill makes review voluntary, leaving it up to the utility "*in its sole discretion*."

The oversight provided by the EPBs is important because there may be more cost-effective options than pouring more money into old, polluting technologies. This could include running the coal units less or even replacing them with clean energy. And poor investment decisions can serve to prop up expensive, old coal plants instead of protecting Iowans' health and pocketbooks.

Talking points:

- Iowans do not have a choice in where they buy their electricity – Iowa policymakers chose to give them a state-sanctioned monopoly. Investor-owned utilities agreed to IUB oversight in exchange for having a guaranteed market. Customers foot the entire bill of a utility's expenditures and therefore utilities should be accountable for every dime spent. ***Reducing regulatory oversight of monopoly utilities means reducing consumer protections against excessive energy costs.***

- Electric utilities in Iowa are more like the government than a business and should receive similar scrutiny. Just like you have to get your driver's license from the DOT, you have to buy electricity from the utility that serves your house.
  - If the Iowa DOT spent hundreds of millions of dollars on a fleet of Mercedes Benz trucks and charged the cost to taxpayers, it would be a scandal.
  - Lawmakers would never grant a state agency the right to spend without oversight. The state-sanctioned monopoly utilities are asking for legislative approval to spend first and ask forgiveness later. This provides no protection for captive customers of the utility.

- The energy industry is in a period of great risks and changes as the cost of clean technologies continue to drop and significant new environmental regulations are looming. Reforms to utility regulation should improve transparency and accountability for customers, not simply eliminate existing oversight without designing something better.

- Emissions Planning and Budget (EPB) planning can involve a lot of money, so oversight is critical:

  - In its 2012 EPB filing, Alliant detailed **$515 million** in expenditures on coal plants. All of that is paid by ratepayers with a healthy 10-12% rate of return on top for shareholders.
  - The original project budget for just one emissions reduction project at the Ottumwa generation station was **$84 million**, as approved in Alliant's 2016 EPB Update. That was for just **one project at one plant**.
  - ***Both examples are from Alliant Energy because MidAmerican Energy filed all information about these expenditures as confidential, keeping it secret from the public.***

- As air quality standards are tightened, and with expected future regulation of greenhouse gas emissions at the federal level, this bill will have removed any oversight of how the utilities spend money to retrofit their coal plants and risks massive customer costs if the IUB does not review the spending in advance.

- Pouring money into old facilities also risks the creation of stranded assets – leaving customers on the hook to keep paying for generation plants when the utility has not fully recovered its investment before that plant shutters. Adding more bells and whistles to plants that are already struggling to be cost-competitive is a recipe for creating stranded assets. This is similar to a situation where a homeowner is "upside-down" on their mortgage, and should be examined as a risk of continued investments in old coal plants.