

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

IN RE:)	
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RULE MAKING FOR RATEMAKING)	DOCKET NO. RMU-2019-0041
PRINCIPLES PROCEEDING [199 IAC)	
CHAPTER 41])	PUBLIC COMMENTS
)	

The Environmental Law & Policy Center (ELPC) and Iowa Environmental Council (IEC) submit these public comments on Docket No. RMU-2019-0041 regarding rule making for advanced ratemaking principles in response to the Notice of Intended Action published on January 15, 2020, in the Iowa Administrative Bulletin.

On November 30, 2017, the Iowa Utilities Board (Board) opened a rule-making docket identified as Docket No. RMU-2017-0003 to consider rules related to Iowa Code § 476.53. ELPC and IEC submitted comments on that docket on January 16, 2018. On April 12, 2019, the Board issued an order in this docket requesting stakeholder comment on a draft Notice of Intended Action (NOIA). After receiving comments and revising the proposed rules, the Board issued an Order Commencing Rulemaking in this docket on December 26, 2019.

ELPC and IEC have participated in multiple advanced ratemaking dockets, including recent wind energy dockets. We continue to support effective use of advanced ratemaking principles to encourage renewable energy development and consider the advanced ratemaking policy part of the important policy framework that supports Iowa’s national leadership in renewable energy.

I. ELPC and IEC Support the Inclusion of Energy Storage in the Definition of “Facility.”

Proposed Section 41.1 of the rules includes energy storage in the definition of “facility.” ELPC/IEC previously recommended that rules should make energy storage eligible for advanced

ratemaking. RMU-2017-0003, IPL Comments (filed Dec. 29, 2017); ELPC/IEC Reply Comments (filed Jan. 16, 2018). OCA opposed this position as beyond the authority given to the Board in Iowa Code section 476.53 and inconsistent with apparent legislative intent. OCA Reply Comments (May 28, 2019).

The statute expressly allows advance ratemaking principles for an alternate energy production (AEP) facility. Iowa Code § 476.53(3)(a). An AEP facility, in turn, can include “Land, systems, buildings, or improvements that are located at the project site and are necessary or convenient to the construction, completion, or operation of the facility.” Iowa Code § 476.42(1)(a)(2). Energy storage can be convenient to the operation of renewable energy generating facilities by ensuring they can provide a consistent flow of energy to the transmission or distribution system or facilitating the matching of renewable energy generation and higher load and higher cost times. As a result, the renewable generation can offset generation that may otherwise be necessary to ensure adequate system capacity. Energy storage meets the definition of an AEP facility, and therefore is within the statutory authority of the Board to include in the definition of “facility” for purposes of advanced ratemaking.

Energy storage is a natural complement to renewable energy projects. As renewable penetrations increase and storage costs decline, storage can add value to renewable energy projects in multiple ways. Energy storage can enhance the flexibility and stability of the grid as availability of renewable resources fluctuates. Storage also allows utilities to match delivery of low-cost renewable energy to times of higher load and higher cost. Lower energy prices ultimately benefit customers by reducing market prices at times of high demand. As a result, including energy storage is consistent with the purposes of section 476.53 to promote economic development through cost-effective generation and should be included when utilities evaluate feasible alternative sources of supply.

It is likely we will see large-scale storage proposals in Iowa soon. The solar projects proposed

by Invenergy and approved by the Board in GCU-2019-0002, GCU-2019-0003, and GCU-2019-0004 contemplated the possibility of adding energy storage facilities in the future. *See* Docket No. GCU-2019-0002, Application for Generating Certificate and Waivers (filed Sept. 13, 2019) at 38-39; Docket No. GCU-2019-0003, Application for Generating Certificate and Waivers (filed Sept. 16, 2019) at 38-39; Docket No. GCU-2019-0004, Application for Generating Certificate and Waivers (filed Sept. 16, 2019) at 38-39. This is becoming an increasingly popular approach in other states and, given the benefits of storage, Iowa should be ready to embrace storage as a resource.¹ For all of these reasons, ELPC and IEC support the inclusion of energy storage in the definition of facility.

II. ELPC and IEC Support the Inclusion of Repowering Projects.

ELPC and IEC support the Board’s inclusion of repowering projects in the advanced ratemaking rules at section 41.2. Repowering projects provide significant benefits and are consistent with Iowa policy and the advanced ratemaking statute. Those benefits include increased output from renewable generating facilities, extending the operating life of renewable facilities, and economic development benefits. The 2018 revision to the statute expressly included repowering of AEP facilities. Iowa Code § 476.53(3)(a)(1)(a)(v). It is also consistent with the policy of Iowa “to encourage the development of alternate energy production facilities and small hydro facilities in order to conserve our finite resources and expensive energy resources and to provide for their most efficient use.” Iowa Code § 476.41. A repowering project is specifically envisioned within the statute, and it helps accomplish the policy goals in Iowa Code.

¹ *See, e.g.*, NIPSCO, “2018 Integrated Resource Plan Executive Summary,” at 6, available at <https://www.nipSCO.com/docs/librariesprovider11/rates-and-tariffs/irp/irp-executive-summary.pdf?sfvrsn=9> (identifying solar, wind, and battery storage as the majority of capacity by 2023); Russel Gold, “Florida Power & Light to Build World’s Largest Solar-Powered Battery System,” *The Wall Street Journal*, Mar. 28, 2019, available at <https://www.wsj.com/articles/florida-power-light-to-build-worlds-largest-solar-powered-battery-system-11553783071>; Sammy Roth, “Los Angeles OKs a deal for record-cheap solar power and battery storage,” *Los Angeles Times*, Sep. 10, 2019, available at <https://www.latimes.com/environment/story/2019-09-10/ladwp-votes-on-eland-solar-contract>.

III. Evaluation of “Reasonableness” Requires Consideration of Existing Resources.

Before approving applicable ratemaking principles the Board must find that “The rate-regulated public utility has demonstrated to the board that the public utility has considered other sources for long-term electric supply and that the facility... is reasonable when compared to other feasible alternative sources of supply.” Iowa Code § 476.53(3)(c).

Consideration of “other sources” of generation should include those that already exist. The Board has regularly found that “reasonableness” of new generation includes consideration of a utility’s existing resource portfolio. The Board raised this issue, for example, in the Wind IX docket when it sought information from MidAmerican Energy regarding the question “Wind generation will reduce the production needed from generating units that are already included in MidAmerican's rates. Will all of the existing generation currently in MidAmerican's rates continue to be used and useful?” Docket No. RPU-2014-0002 (Wind IX), “Order Requiring Additional Information” (filed Nov. 14, 2014) at 3. The Board specifically identified the questions it posed as the type of information that should be provided in future applications. *Id.* at 1. Since that time, MidAmerican has regularly provided it. *See* Docket No. RPU-2018-0003 (Wind XII), MidAmerican Energy Company Post-Hearing Brief (filed October 29, 2018) at 19 (“MidAmerican’s answer from Wind IX was similar to the answer provided in the Wind X and Wind XI dockets, and the Board did not identify concerns with the answers”). Incorporating such a requirement into rule would ensure the Board receives this type of information in future applications.

The Board subsequently considered a utility’s larger goals for its generation portfolio when considering advance ratemaking applications: “IPL has shown that the New Wind Project is part of its strategy of transitioning its fleet to cleaner energy sources and that its models show additional wind generation is a cost-effective means of insuring IPL meets its customers’ energy needs in the future.” RPU-2016-0005 (“IPL New Wind Project”), Order Cancelling Hearing and Approving Settlement

Subject to Modification and Reporting Requirements (filed October 25, 2016) at 3. Evaluating whether the transition of a fleet meets goals necessarily requires consideration of the fleet, not merely a unit thereof.

Most recently, the Board rejected requests to require direct evaluation of coal plant closure in the process of developing advanced ratemaking principles. Docket No. RPU-2018-0003 (Wind XII), “Final Decision and Order” (filed December 4, 2018) at 32. The Board reasoned that requiring closure could jeopardize reliability of customer service, which itself is a codified goal of the state. Iowa Code § 476.53. In the Wind XII docket, MidAmerican did not provide analysis on the reliability effects resulting from the closure of a single coal plant. However, in future requests for advance ratemaking, the Board could require a utility provide information about the reasonableness of adding new generation without concurrent removal of generation that fails to meet other state goals. The Board has previously acknowledged the importance of putting an advanced ratemaking docket in the context of a utility’s generation. RPU-05-4, Order Requiring Additional Information, at 1 (filed January 4, 2006) (recognizing that in “reviewing the Application and whether it is a reasonable alternative, the Board must determine how the proposed wind project fits into MidAmerican’s current resource plan.”). Adopting a rule requiring such an evaluation by the applicant would ensure that the Board would have adequate information to determine whether a retirement would result in reliability concerns.

Requiring information about the relationship to existing generation resources would also be consistent with other codified state policy, which encourages decreasing carbon emission intensity (Iowa Code § 476.53), increasing use of renewable generation (§ 476.53A), and managing emissions – particularly from coal (§ 476.6(19)). Utilities have regularly relied on these types of policies in support of advanced ratemaking principles, referencing the emissions reductions that result from the renewable energy proposed in advanced ratemaking principle applications. *See* Docket No. RPU-

2018-0003 (Wind XII), MidAmerican Wright Direct at 22; *see also id.* at 21 (“Wind XII will supply customers with emissions-free energy and capacity”); RPU-2016-0001, Direct Testimony of William J. Fehrman, at 19 (filed April 14, 2016) (“MidAmerican sees a future where coal-fueled resources will be retired (which is why MidAmerican is proposing a rate mitigation ratemaking principle that will reduce the rate base associated with these resources more quickly).”). We think that it is appropriate to use the benefits of emissions reductions to justify the reasonableness of new generation but, conversely, the process should not ignore the ongoing emissions from fossil fuel generation.

The statute specifically provides the Board is not limited to using “traditional” ratemaking principles. Iowa Code § 476.53(3)(b). The Board has approved advanced ratemaking settlements that include emissions controls. *See* RPU-03-1, Order Approving Stipulation and Agreement, at 4 (filed October 17, 2003) (“The settlement approved in Docket No. RPU-02-10 dealt with the ratemaking principles for another MidAmerican coal generating plant, Council Bluffs Unit 4 (CB 4), a coal facility.”). The Board has long-established precedent of addressing a wide range of issues both in the advanced ratemaking principles and beyond or in addition to those principles. The Board has frequently adopted ratemaking principles that have an impact beyond the advanced ratemaking project.

By requiring an analysis of the closure of a coal generation facility, the board could determine whether the proposed new generation fits in the utility’s resource portfolio, as it has in numerous past cases, while supporting the advancement of numerous other state policies.

IV. The Proposed Rules Provide Adequate Flexibility in Filing Requirements to Facilitate Renewable Energy Development.

ELPC and IEC also support the requirement to describe the purpose of the project as suggested by Facebook, Inc., and Google LLC (Tech Customers). We support the proposed rule requirement in the introductory language of section 41.3 that the application should include an analysis that the

proposed generation option is reasonable compared to the alternatives.

ELPC and IEC support the proposed language in section 41.3(1) regarding the site description requirements as applied to renewable energy projects. The Board has struck an appropriate balance between requiring information and justifying omissions. Consistent with the proposed rule, we do not believe any additional flexibility is needed for larger-scale thermal generation projects such as baseload generation projects or combined-cycle combustion turbines. IPL made a similar observation that the rule subsection on site descriptions is “well-suited for traditional generation.” Docket No. RMU-2017-0003, IPL Initial Comments at 5.

ELPC and IEC recommend the Board revise language in proposed section 41.3(1)“e” to specify that the emissions estimate must quantify the expected greenhouse gas emissions as defined in Iowa Code section 455B.131. This requirement would support the state policy to move toward a less carbon-intensive generation fleet. It would also alert the Department of Natural Resources to the potential emissions to be included in its annual greenhouse gas emission inventory required by Iowa Code section 455B.152.

The proposed language in 41.3(2) requiring an economic analysis that includes a reasonable range of assumptions, and for those to be disclosed, is necessary to protect Iowa customers and is essential for the Board to be able to conduct effective oversight. As noted in comments by the Tech Customers in this docket, the rule language implements the statutory requirements of section 476.53 to “provide economic benefits” and for development of electric power to be “cost-effective.” *See* Tech Customer Comments, May 13, 2019, at 5. We agree with the Board that the requirement to compare a proposal to other feasible sources is consistent with Iowa Code section 476.53(3)(c)(2). *See* “Order Commencing Rulemaking” (filed Dec. 26, 2019) at 6.

We further support the proposed requirement in 41.3(4) to compare “noncost factors” of the feasible alternatives, including “Environmental impact to the state and community where the facility

is proposed to be located.” The additional requirement to consider other feasible sources, such as conservation, will help ensure any new generation subject to advanced ratemaking principles ultimately benefits customers, meets the energy goals and state policy, and complies with environmental requirements.

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Respectfully submitted,

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