

STATE OF IOWA
BEFORE THE IOWA UTILITIES BOARD

IN RE:)
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) **DOCKET NO. RPU-2018-0003**
MIDAMERICAN ENERGY COMPANY)
) **POST-HEARING BRIEF**
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The Environmental Law & Policy Center (ELPC) and Iowa Environmental Council (IEC) (collectively “Environmental Intervenors”) pursuant to the Iowa Utilities Board direction at the hearing on October 12, 2018 submit the following post-hearing brief.

I. Introduction

MidAmerican Energy Company (MidAmerican) filed an application for ratemaking principles for its proposed Wind XII project on May 30, 2018. When MidAmerican announced Wind XII, it emphasized in its testimony and in public relations efforts that this project would position the company to meet its 100 percent renewable energy goal. In a press release, MidAmerican CEO Adam Wright stated, “Wind XII is a clear demonstration of our commitment to and investment in the cleaner, more sustainable energy future our customers want and our environment deserves.”¹ The environmental benefits have been front and center in MidAmerican’s regulatory and public case for Wind XII. In fact, the environmental benefits have been an important part of many past advanced ratemaking dockets for wind as well.

¹ MidAmerican Energy News, Wind XII project positions MidAmerican Energy to hit 100 percent renewable goal (May 30, 2018) available at <https://www.midamericanenergy.com/news-article.aspx?story=858> (last visited Sept. 12, 2018).

However, the proposed ratemaking principles for Wind XII do not provide any assurance that many of the claimed environmental benefits of Wind XII will ever materialize. There is no guarantee that MidAmerican's fossil fuel generation will decrease over the long run as a result of Wind XII. Nor is there any indication of how Wind XII will assist in MidAmerican's transition away from coal generation. The record demonstrates that MidAmerican's coal generation may increase compared to past projections. Interestingly, MidAmerican could be undercutting one of the arguments for increased renewable generation as it notes that the load growth from luring companies to Iowa because of its renewable energy is part of the justification for continuing to run its coal fleet.

Without ratemaking principles that address coal capacity retirements and create opportunities to evaluate the cost-effectiveness of MidAmerican's coal generation, the environmental benefits of Wind XII may never be realized. In the past, the Board has approved ratemaking principles addressing MidAmerican's coal fleet to help protect MidAmerican from risk. The Board should set ratemaking principals and require analysis and transparency that serve to help balance the risk between MidAmerican and its customers. This can be accomplished through the addition of ratemaking principles that require the retirement of coal capacity before Wind XII is included in rate base and/or that require analysis of the cost-effectiveness of continued operation of MidAmerican's coal generators compared to renewables, storage, and demand side management.

II. The Statute and Board Precedent Allow Ratemaking Principles that Ensure Environmental Benefits from Wind XII Will Be Achieved.

The Board has broad authority to determine the applicable ratemaking principles in an advanced ratemaking docket: "the board *shall not be limited* to traditional ratemaking principles or traditional cost recovery mechanisms." Iowa Code § 476.53(3)(b) (emphasis added). The

Board is not required to approve or reject ratemaking principles as proposed by MidAmerican. The Board may modify or add ratemaking principles. *See e.g.* RPU-2014-0002, Order Approving Settlement with Modifications (issued Jan. 20, 2015) (modifying the settlement agreement by lowering the cost cap and adding a ratemaking principle). Once the Board issues an order on ratemaking principles, MidAmerican has the option to withdraw its application or proceed under the approved ratemaking principles. Iowa Code § 476.53(f) and (g). In addition, as the Board has noted in past advanced ratemaking dockets, MidAmerican also has the option of constructing the renewable energy facility without obtaining advanced ratemaking principles and using traditional ratemaking and cost recovery processes in a subsequent rate case. *See e.g.* RPU-2014-0002, Order on Rehearing, at 9 (issued February 6, 2015).

The Board's evaluation of ratemaking principles goes beyond simply determining whether the conditions precedent in Iowa Code section 476.53 have been met. The Board evaluates proposed ratemaking principles to determine if those principles appropriately balance risks and benefits between MidAmerican and its customers. *See* Hearing Transcript at 84 (“Q. Would you agree that ratemaking principles in a docket like this one are designed to equitably balance the risks of the project between customers and shareholders? A. That’s the intent.”); RPU-2014-0002, Order Approving Settlement with Modifications, p.8 (filed Jan. 20, 2015) (“While the two statutory conditions have been satisfied to justify awarding ratemaking principles, those principles may need to be modified for the risks and benefits of Wind XI to be better balanced between MidAmerican and its ratepayers.”).

The Board and MidAmerican have used the Board's authority to go beyond traditional ratemaking principles in previous wind dockets. MidAmerican has used advanced ratemaking dockets to settle a wide range of issues related to electric supply, coal plant emissions, general

rate cases, general revenue sharing, and issues beyond the advanced ratemaking principles it has proposed in those dockets. MidAmerican has requested approval of settlements regarding revenue freezes, the timing of future general rate cases, its advanced ratemaking principles for coal-fired generating units such as Council Bluffs 4, and its future investment in emissions controls for coal-fired generation.

In RPU-03-1, which was the first wind-related advanced ratemaking principles docket, MidAmerican filed a settlement in which the “terms and conditions of the proposed stipulation and agreement are *intertwined* with the terms and conditions of a settlement agreement approved by the Board ... in Docket No. RPU-02-10. 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.” RPU-03-1, Order Approving Stipulation and Agreement, at 4 (October 17, 2003). The Board noted that the “stipulation and agreement ... contains terms other than ratemaking principles for the proposed wind project.” *Id.* The settlement also included provisions related to MidAmerican’s projected \$260 million for costs of emissions controls at coal-fired units between 2003 and 2020 and how settlement signatories would respond if costs were higher. RPU-02-10, Order Suspending Hearing and Requiring Additional Information, at 18 (August 28, 2003); RPU-03-1, Exhibit 10, Stipulation and Agreement, at 3 (October 17, 2003).

In order to develop the record to approve the settlement, the Board required MidAmerican to provide information in response to 51 Board questions on the wide range of issues included in the settlement. In response to question 48, MidAmerican emphasized the importance of reducing its risk by tying the project to environmental compliance of its coal plants. RPU-03-1, MidAmerican Response to Order Suspending Hearing and Requiring

Additional Information, Question 48 (Sept. 5, 2003). The Board ultimately approved the settlement with this range of issues.

MidAmerican concedes that the current case is a continuation of the ratemaking principles of the past and that even though there have been changes in leadership, this docket represents a continuation of the approach of wind advanced ratemaking dockets:

- Q. So, Mr. Wright, I believe this is your first wind advance ratemaking principle docket as CEO; is that correct?
- A. That's correct.
- Q. And I'm assuming it doesn't represent a fundamental change in approach by MidAmerican? This is largely a continuation of what we've seen in past advance ratemaking dockets?
- A. That's correct.

(Hearing Transcript at 65.) MidAmerican frequently cites that the ratemaking principles are about following longstanding precedent. *See, e.g.*, Direct Testimony of Adam Wright at 39 (“MidAmerican is proposing ratemaking principles that are largely familiar to the Board and very consistent with recent approvals by the Board.”). This is particularly true when MidAmerican argues that additional ratemaking principles are not necessary. RPU-2018-0003, MidAmerican Energy, Motion to Strike at 15 (“MidAmerican has provided testimony and exhibits consistent with past ratemaking principles cases”). However, it appears that MidAmerican's approach to precedent is selective. It will use ratemaking principles to balance its risks when necessary from the Company's perspective then disavow that precedent when the precedent is no longer convenient. The following exchange is illustrative:

- Q. So would you agree that MidAmerican would include a ratemaking principle that addressed the costs and investments at existing coal-fired generating units if it helped address MidAmerican's risks?
- A. No, because we wouldn't need that to do so. We are, you know, the chief risk officers. We manage risks on behalf of our customers and our key stakeholders, and so we don't need a regulatory process that would require us to do that. Again, if it goes beyond what this is meant to be and start to

make it feel like a cost-effectiveness study for existing generation assets, it goes beyond the intent of the statute. So my short answer is no.

...

Q. So I'm showing you a document from RPU-03-1. This was one of the early wind dockets, and the –

A. Okay. I don't have that one.

Q. The front has the document title. This is not the full document, but the document is called "Response to Order Suspending Hearing and Requiring Additional Information".

...

Q. And just the procedure here or the context is that the Board had issued a series of questions based on a stipulated settlement. Could you read question 48 for me?

A. From 2003?

Q. From 2003, correct.

...

A. "Why did MidAmerican seek a principle that provides it a regulatory out on environmental compliance costs and investments at existing coal-fired generating plants as part of the application for the wind project?"

Q. And –

A. I'm sorry. Who was the CEO at the time?

Q. I believe the CEO might have been Greg Abel.

A. In 2003?

Q. Yes, I mean –

A. If he wasn't the CEO in 2003?

Q. I believe so. I would need to check I believe he's still with the company.

A. Who is the CEO today?

Q. My understanding is that you're the CEO today.

A. And today I would not accept this.

Q. And today you would not accept that. That is fine. But at the point – and what was the justification for this at the time? Will you read the last four lines?

A. "Reducing the uncertainty of environmental expenditures for coal-fired generating plants facilitates MidAmerican's ability to manage the risks of constructing renewable energy facilities and agreeing to restrictions upon its ability to seek a general increase in rates."

(Hearing Transcript at 84-88 and Hearing Exhibit 301.)

Precedent does not just apply to one CEO or one docket. It applies over time. MidAmerican helped create the precedent of looking to coal generating assets to balance the company's risks in a wind docket. MidAmerican cannot discard the precedent because it has a new CEO, or it does not suit them in this case. If it is within the scope of the statute to limit

MidAmerican's risk through a ratemaking principle related to environmental compliance at MidAmerican's coal plants, a ratemaking principle limiting customer risk related to MidAmerican's coal plants is also within the scope of the statute.

The advanced ratemaking statute provides the Board with authority to have ratemaking principles outside of traditional ratemaking principles. 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, and the Board often did so at MidAmerican's request. The statute and precedents make clear that the Board has the authority to adopt ratemaking principles that would ensure the environmental benefits of Wind XII are realized including ratemaking principles that would require retirement of coal capacity and evaluation of the long-term cost-effectiveness of continued operation of coal generation.

III. Environmental Benefits are a Key Component of the Advanced Ratemaking Statute and MidAmerican's Wind XII Project.

Environmental benefits such as emission reductions, positioning for environmental compliance, and avoidance of risks from fossil fuel use are a key part of MidAmerican's case that Wind XII is reasonable compared to other sources of supply. In fact, the environmental benefits have been a key component of the justification for and approval of past MidAmerican wind projects. This is because the advanced ratemaking statute intent focuses on managing carbon emissions to facilitate transition to a carbon-constrained environment. Iowa Code § 476.53(1).

Board Member Lozier and MidAmerican CEO Adam Wright addressed the importance of the statutory intent to have rate-regulated utilities reduce emissions:

Board Member Lozier: Okay. Well, the statute refers, generally, to the desirability, I think, of encouraging rate-regulated public utilities to manage carbon emissions to facilitate transition to a carbon-constrained environment. Do you agree that that's desirable?

The Witness [Wright]: I agree.

(Hearing Transcript at 90.) Despite this acknowledgment, MidAmerican repeatedly tries to downplay this component of the advanced ratemaking statute in its motions and in Mr. Wright's testimony. This is simply inconsistent with the statute.

MidAmerican explicitly addressed the benefit from emissions reductions in multiple places in testimony. For example, Adam Wright's testimony states:

Wind XII is also good for the environment in Iowa. Wind generation produces the clean, emission-free energy in demand by MidAmerican's customers. Since the construction of Wind I in 2004 and successive wind projects placed in operation through 2017, MidAmerican has reduced its annual carbon intensity approximately 47%, from 1,839 pounds of CO₂ per net megawatt-hour to 968 pounds of CO₂ per net megawatt-hour. Upon completion of Wind XI, MidAmerican expects its annual intensity to be reduced to 692 pounds of CO₂ per net megawatt hour, after Wind XI is in service, which is a further approximate 29% reduction from the amount in 2017. With Wind XII, MidAmerican anticipates the annual carbon intensity of its generation will be further reduced by approximately 7.8% to 638 pounds of CO₂ per net megawatt-hour, after Wind XII is in service, for a total reduction of 65% compared to 2003. In this respect, Wind XII continues the progress that MidAmerican has made to position itself and the State of Iowa for an energy future that will be based on renewable, non-emitting energy sources.

Wright Direct p. 22; *see also Id.* at p. 21 ("Wind XII will supply customers with emissions-free energy and capacity"). While carbon intensity provides some indication of environmental benefit, the more useful measure is total emissions and emission reductions. The emissions reductions potentially provide an environmental compliance benefit that MidAmerican emphasizes:

MidAmerican continues to believe that a move towards increased renewable generation is a good hedge for a future that is likely to require reduced CO₂ emissions. Wind XII will continue to reduce MidAmerican's CO₂ emissions and, while there is uncertainty as to the exact regulations that may exist in the future,

Wind XII positions MidAmerican to more easily comply with any future environmental regulations.

Id. at p. 36; *see also Id.* at 10 (“Wind XII also allows MidAmerican to continue to position itself for future environmental regulations.”). It is not possible to reduce CO2 emissions without reduction in fossil fuel generation or the use of carbon capture technology, which MidAmerican has not proposed. The benefit that MidAmerican discusses necessarily impacts MidAmerican’s fossil fuel fleet, because if that fossil fuel fleet is not running less and/or retired, there will not be a reduction in emissions and the benefits that come from that.

The environmental benefit and reduction of fossil fuel generation has factored into the Board’s past approval of wind projects. In approving the settlement of Wind XI, the Board specifically stated that “[t]he *Settlement as a whole will reduce MidAmerican’s reliance on fossil-fueled generation* and position MidAmerican to meet ongoing and future environmental mandates in a manner that is more likely to benefit its ratepayers.” RPU-2016-0001, Order Approving Settlement with Reporting Requirements, p.8 (issued Aug. 26, 2016) (emphasis added). The Board provided a similar rationale in approving other wind projects. RPU-2015-0002, Order Approving Settlement with Modification and Requiring Reports, p.17 and 18 (issued Aug. 21, 2015) (“The settlement agreement as a whole will reduce MidAmerican’s reliance on fossil-fueled generation . . .” and “It is reasonable to find that Wind X benefits ratepayers by . . . reducing MidAmerican’s reliance on carbon-based generation); RPU-2014-0002, Order Approving Settlement with Modifications, p.7 and p.16 (filed Jan. 20, 2015) (“MidAmerican demonstrated that Wind IX was part of its continuing strategy to reduce its carbon footprint.”) (“The Settlement Agreement as a whole will further the diversity of MidAmerican’s generation resources, reduce its reliance on fossil-fueled generation, and position MidAmerican to meet ongoing and future environmental mandates and potential renewable

mandates in a manner that is more likely to benefit its ratepayers.”); RPU-2013-0003, Order Approving Settlement and Requiring Reports, p.16 (issued Aug. 9, 2013) (“The Settlement Agreement as a whole will further the diversity of MidAmerican’s generation resources, reduce its reliance on fossil-fueled generation ...”); RPU-08-4, Order Approving Stipulation and Agreement, p.11 (issued Aug. 27, 2008) (“The Settlement will facilitate the building of additional renewable energy to help meet the Governor’s renewable energy goals and will further the diversity of Iowa’s generation resources, reducing reliance of fossil-fueled generation.”); RPU-08-2, Order Approving Stipulation and Agreement, p.6 (issued June 16, 2008) (“MidAmerican states that the Wind V project is a zero emission energy resource and, along with other MidAmerican wind projects, will reduce Iowa's carbon footprint and reduce MidAmerican's reliance on coal generation for its accredited capacity.”).

The environmental benefits of wind projects are central to the approval of those projects by the Board. It is essential that in balancing the risks of the project between MidAmerican and its customers that the environmental benefits are considered and adequately addressed.

IV. The Ratemaking Principles Should Ensure that Environmental Benefits Will Be Realized with the Completion of Wind XII.

MidAmerican touts environmental and emission reduction benefits of Wind XII. These benefits are addressed throughout testimony and feature prominently in MidAmerican’s public promotion of Wind XII and the company’s 100% renewable vision. These benefits are directly related to the amount of coal generation that MidAmerican has and whether or not Wind XII helps reduce that coal generation. Despite these facts “MidAmerican’s projections for future coal generation in Wind XII [REDACTED] in Wind XI, and that is despite the addition of nearly 600 MW of wind in Wind XII.” Sur-rebuttal Testimony of Kerri Johannsen, at 6 (filed Aug. 24, 2018).

his Rebuttal Testimony, Mr. Wright testified that “if the recommendations proposed by the Environmental Intervenors or the Sierra Club were adopted, it would inject a significant amount of uncertainty into MidAmerican’s future generation portfolio and our ability to serve customers reliability and at reasonable rates. With that uncertainty, I could not in good conscience authorize the construction of Wind XII.” Wright Rebuttal Testimony at 11. MidAmerican would not even be willing to agree to a ratemaking principle that would guarantee that its coal generation would hold the line or be less with the addition of Wind XII. (Hearing Transcript at 72.)

In order to ensure that environmental benefits will materialize, the Board should include ratemaking principles that ensure that environmental benefits will be realized.

A. The Board Should Require MidAmerican to Conduct a Cost-Effectiveness Analysis of its Coal Plants.

The Board should require MidAmerican to conduct a cost-effectiveness analysis of its existing coal units on a periodic basis and file that analysis with the Board for review. This analysis should examine the cost-effectiveness and the risks associated with operating existing coal units and should compare those costs and risks to other options, including renewable energy, storage, demand-side management, and other clean options. MidAmerican has stated that it is not doing this analysis internally and is unlikely to conduct such analysis in any other docket. As a result, near-term and long-term costs to customers from operating its coal units are unknown and potentially higher than meeting customer needs with a mix of other resources. In addition to the potential to lower costs and risks, a mix of clean resources will bring environmental benefits that MidAmerican’s coal units cannot.

MidAmerican has not conducted an analysis to date on the cost-effectiveness or risk associated with its coal units or on retiring coal units and has no plans to conduct this analysis

going forward. Two exchanges between Board Member Lozier and MidAmerican witnesses highlight this:

Board Member Lozier: How do you determine that coal units are not uneconomic?
The Witness (Specketer): Well, I think I noted we have not done a study on that.

(Hearing Transcript at 101.)

Board Member Lozier: Do you have any plans to analyze the risk involved in the retirement of coal generation facilities?
The Witness (Wright): . . . [W]e don't have any plans today to look at when are we going to retire our coal assets. It's something we haven't evaluated. We don't have any statutory requirements to do so, and we don't have any plans to do so.

(Hearing Transcript at 92-93.)

MidAmerican is also not clear about in what proceeding – if any – this type of analysis would occur. Under cross-examination with the Sierra Club, Witness Hammer ruled out an emissions plan and budget (EPB) docket and a siting certificate docket, but indicated a rate case could be used.

Ms. Williams: So are you saying here that one of these other types of dockets would be a more appropriate place, in your view, to consider the cost effectiveness of the coal plants?

Witness Hammer: What I'm saying is the reasonableness of expenditures are in the siting and the EPB dockets. Getting to the cost effectiveness really is in a rate case. That's where that would happen.

(Hearing Transcript at 118-119).

However, Witness Wright confirmed that MidAmerican's next rate case is at least 10 years away. (Hearing Transcript at 67.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(Hearing Transcript at 196) (Confidential).

MidAmerican did indicate a willingness to provide such information if the Board requests it:

[REDACTED]

(Hearing Transcript at 196-197) (Confidential).

In the vacuum of MidAmerican periodically conducting and filing this information with the Board, MidAmerican instead provides varying and even contradictory information on the long-term performance of its existing coal fleet. The information filed as part of the Wind XI docket is significantly different than information filed in the Wind XII docket, even though these dockets are two years apart and involve two similar wind projects seeking to fulfill MidAmerican's 100% renewable energy vision. As Witness Johannsen stated:

So part of the issue and part of what I looked at in my rebuttal testimony is an issue of accountability, so we reviewed data from - - and I was not with the Iowa Environmental Council at the time, but I looked back at the Wind XI docket and the projections that were made in that docket for carbon reductions over time, and I looked at what was filed in this docket, and the projections are not the same. It has changed between the two cases, and without some mechanism of at least looking into it and checking between the long distance times we have between rate cases, I am concerned that the issue of what is happening on the system is not being looked at in the meantime . . .

(Hearing Transcript at 186.)

Providing this information on a consistent and periodic basis supports greater transparency about costs and risks for existing coal units and resource options to replace them. The transparency itself is important, as are changes in the resource mix that could result from MidAmerican conducting and filing the analysis. As Witness Johannsen described at hearing:

Q. And would you agree, generally, that additional transparency is something that could help balance the risks, even if it doesn't require a specific action at the end of it?

A. Yes. I believe that transparency is one important piece of it, and the other important piece is that the utility is actually doing the analysis and looking at these issues internally as well.

Q. And would you agree that if there was greater transparency and that identified issues, you would not be opposed to further action, and in fact you would perhaps expect further action, but that is not required in the recommendation that you made?

A. Yes, I would agree with that.

(Hearing Transcript at 189-190.)

Finally, utilities in other jurisdictions are conducting comprehensive generation analyses on a periodic basis and finding that coal units are, in fact, less economic than a mix of clean resources, such as wind, solar, storage, and demand-side management. The analyses in other jurisdictions are leading to changes in resource mixes that lower costs for consumers, provides environmental benefits, and provides economic benefits. Witness Johannsen highlighted a number of utilities that have undertaken such analysis and proposed resource mix changes as a result, including Consumer's Energy, Xcel Energy (Colorado), NV Energy, and PacifiCorp. Johannsen Direct Testimony at p. 5-7. Since Witness Johannsen filed direct testimony in August, another Midwest-based utility, NIPSCO, provided long-term planning results demonstrating that retiring its existing coal units by 2028 and replacing them with a mix of wind, solar, storage, and

demand-side management was less expensive for customers than maintaining the existing coal units.²

MidAmerican is not conducting this type of analysis on its own, and MidAmerican does not plan to file this analysis in any future Board proceeding. To the extent MidAmerican provides any resource planning information in Board dockets, it is incomplete and inconsistent from docket to docket, such as the widely varying long-term projections of coal generation between the Wind XI and Wind XII dockets. The Board should require MidAmerican to conduct coal unit cost-effectiveness analysis periodically as a new ratemaking principle in this docket. The analysis, and actions that follow from it, can lower customer costs and provide real environmental and economic benefits.

B. The Rate Mitigation and Iowa Retail Energy Benefits Principles Should Be Revised to Provide Greater Flexibility in Future Coal Retirements.

The ratemaking principles could be slightly modified to facilitate future coal retirements and better meet the statutory intent to transition to a carbon constrained environment. The rate mitigation principle previously adopted in Wind XI docket and proposed by MidAmerican in this docket explicitly considers the impact on coal generating assets now. Wright Direct Testimony, at p.8 (“the rate mitigation principle adopted in Wind XI protects customers in later years of the applicable project from a rate increase by advancing depreciation on MidAmerican’s existing rate base to mitigate the need for future rate increases.”) This ratemaking principle is a carry-over from the Wind XI docket. In that docket, then-MidAmerican CEO Bill Fehrman testified that “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

² NIPSCO Integrated Resource Plan – 2018 Update (October 18 2018) at <https://www.nipsco.com/docs/default-source/about-nipsco-docs/nipsco-irp-public-advisory-meeting-october-18-2018-presentation.pdf>.

associated with these resources more quickly).” RPU-2016-0001, Direct Testimony of William J. Fehrman, at 19 (filed April 14, 2016). Adam Wright agreed with that vision and purpose. (Hearing Transcript at 69.)

Despite having a purpose to help facilitate coal retirements and get coal assets out of rate base, the rate mitigation and retail energy benefits principles are not currently structured in the most effective way to accomplish this goal. The current ratemaking principles accelerate the depreciation on the newest and most economic coal unit, Walter Scott 4, first. It is unlikely that Walter Scott 4 will be the first coal generating unit that MidAmerican chooses to retire since that unit has barely been in service a decade while MidAmerican still operates some units that are over 40 years old.

In order to help facilitate the retirement of old, uneconomic coal units, we support Sierra Club’s proposed reordering to place George Neal North Unit 3 first in both principles, then George Neal South Unit 4 next, and then Walter Scott 4. *See* Sierra Club Comments on Stipulation and Settlement at 2. We agree with Sierra Club that “[r]e-ordering would accelerate depreciation of at least two of MidAmerican’s coal units that are losing money, facilitating their removal from the rate base at an earlier date.” *Id.* Mr. Chernick’s Direct Testimony provides compelling evidence that MidAmerican’s coal units are losing money. *Id.* at 7-9. In the absence of comprehensive cost-effectiveness analysis from MidAmerican, the Board should rely on Mr. Chernick’s assessment and require MidAmerican to re-order the rate mitigation and retail energy benefit principles to get older, uneconomic coal units depreciated faster and facilitate future coal retirements.

C. Requirement of Just and Reasonable Rates

The Board has an explicit responsibility for ensuring electric rates are reasonable and just. Iowa Code § 476.8 requires:

The charge made by any public utility for any heat, light, gas, energy efficiency and renewable energy programs, water or power produced, transmitted, delivered or furnished, sanitary sewage or storm water collected and treated, or communications services, or for any service rendered or to be rendered in connection therewith shall be reasonable and just, and every unjust or unreasonable charge for such service is prohibited and declared unlawful.

Costs related to generation have a clear connection to rates. The record has established that at least one MidAmerican witness (Hammer) believes that coal plant cost-effectiveness could be considered in a rate case while another witness (Specketer) stated that MidAmerican would not file such information with the Board in its typical rate case process. This conflict aside, it has also been established that it will be more than 10 years until MidAmerican comes before the Board for a review of its rates.

With these limitations, the Board is left with the responsibility for ensuring just and reasonable rates without any regular oversight mechanism for current generation that the utilities agree is reasonable. In fact, MidAmerican CEO Wright in his testimony stated that the Board's inclusion of the ratemaking principles proposed by the Environmental Intervenors to bring about such accountability would increase risk and cause the company to abandon Wind XII.

Q. So I'll start with the second recommendation there where Ms. Johannsen recommends that "Every-other year, MidAmerican must undertake and submit to the Board an analysis of the costs-effectiveness and risks to customers of continuing to operate its coal generators compared to replacing this capacity with renewables, storage, demand-side management, and other clean resources." First, to be clear, you agree that the only requirement in this proposal is that the analysis be conducted and submitted to the Board?

A. I agree.

Q. And would adoption of this principle cause MidAmerican to walk away from what you've characterized as a very compelling opportunity, assuming that

it was just this principle added to the stipulation and agreement that has previously been filed?

A. That's correct.

(Hearing Transcript at 79.)

Q. So would MidAmerican cancel the project and walk away from meeting the 100 percent renewable vision by 2020 if the Board required the company to retire any amount of coal between now and the next rate case, which you previously said was not going to be for at least another decade, or currently anticipated to be for another decade?

A. Correct.

(Hearing Transcript at 80.) MidAmerican's statements indicate that the Board's expression of a willingness to pursue the required statutory oversight would cause MidAmerican to withdraw from its 100% renewable vision.

Despite this ultimatum, MidAmerican Witness Specketer acknowledged that "[REDACTED]

[REDACTED]

[REDACTED] (Hearing Transcript at 198.) The Board has the authority to require a cost-effectiveness analysis or planning process. The Board would have the ability to approve the ratemaking principles here and then require an analysis similar to what parties have requested here. MidAmerican has acknowledged that it will comply with such a request. The threat to walk away from a project that MidAmerican otherwise acknowledges is good for the company and customers if the two are linked does not make sense. Requiring MidAmerican to undertake a regular analysis of the cost-effectiveness of its coal generation compared to alternatives would supply the Board with the information needed to execute its regulatory responsibility. That should happen as part of the ratemaking principles in this docket, or in the alternative, as a separate proceeding initiated by the Board.

D. Failure to Address MidAmerican's Coal Generation Could Undermine the Economic Development Benefits of Iowa's Clean Energy Leadership.

One of the unique benefits that MidAmerican touts for its wind projects is that it helps attract companies looking for renewable energy generation to the state. Adam Wright's Direct Testimony explicitly makes that argument noting that, "when discussing the state as a prime location for renewables, Governor Reynolds noted that Iowa's policy of encouraging wind energy has helped to attract companies like Apple, Facebook, Microsoft, and Google to Iowa." Wright Direct at 14. If Iowa is to maintain this competitive advantage, it is necessary to ensure that wind development leads to environmental benefits that come from less coal generation and coal retirements.

Kerri Johannsen explained how simply adding wind without addressing coal generation emissions could limit economic competitiveness and opportunity:

MidAmerican still operates a significant coal fleet in the state. That has not changed since the 2016 announcement. While other utilities are announcing innovative generation portfolios that rely on a mix of renewables, demand-side resources, and storage to retire risky coal plants and avoid new fossil generation, MidAmerican's current trajectory is toward a static system dominated by wind and coal. This approach exposes its customers to unnecessary fossil fuel risks and creates an inflexible system that does not maximize the benefits from renewable energy. Limiting their renewable energy vision and stalling out after 2020 with so much coal still on the system will also result in MidAmerican and the state of Iowa being less competitive with other, more innovative utilities and states in attracting businesses with clean energy goals and retaining clean energy jobs over the next decades.

(Johannsen Direct Testimony at 4.)

The emphasis on emission reductions and not just renewable generation in sustainability goals for major companies is clearly developing. Since the filing of Wind XII in May, both Facebook and Google have emphasized their emission reduction goals. Google released a report earlier this month: *Moving toward 24 x 7 Carbon-Free Energy at Google Data Centers:*

Progress and Insights.³ Google laid out a long-term vision that MidAmerican would do well to emulate if it wants to maintain its leadership in the transition to renewable energy:

Reaching our 100% renewable energy purchasing goal was an important milestone, and we will continue to increase our purchases of renewable energy as our operations grow. However, it is also just the beginning. It represents a head start toward achieving a much greater, longer-term challenge: **sourcing carbon-free energy for our operations on a 24 x 7 basis**.⁴

The Iowa section of Google's report is even more telling that MidAmerican's approach in this docket will be insufficient in the future:

The data above reveals a key insight: heavy development of a single source of variable renewable energy (e.g. multiple wind farms in Iowa can be effective in increasing a data center's hourly match with carbon-free energy *when* the wind blows, but it is *not sufficient to achieve a 100% match with carbon-free energy in every hour of the year*. Even though in some hours our Iowa wind PPAs produce far more than enough energy to match the local data center's hourly consumption – and on an annual basis produce roughly 20% more than the data center's total annual consumption – the data center is still falling short on 24 x 7 carbon-free energy. A heat map of our Iowa data center's hourly energy profile shows that despite many hours of 100% carbon-free energy matching (from windy periods), there is also a recurring reliance on carbon-based power (from low-wind times).

...
To attain a 24x7, 100% match with carbon-free energy, it will be necessary to create a diverse portfolio of technologies in each region that collectively provide a steady stream of carbon-free electricity around the clock.⁵

Facebook also has both renewable energy and emission reduction goals. Facebook's sustainability page on its website states that “[b]y 2020, Facebook is committed to both reducing our greenhouse gas emissions by 75% from a 2017 baseline – a science-based target – and to supporting our operations with 100% renewable energy.”⁶

³ Google, *Moving toward 24 x 7 Carbon-Free Energy at Google Data Centers: Progress and Insights* (Oct. 2018) available at <https://storage.googleapis.com/gweb-sustainability.appspot.com/pdf/24x7-carbon-free-energy-data-centers.pdf>.

⁴ *Id.* at 1 (emphasis in original).

⁵ *Id.* at 14-15 (emphasis in original and internal references omitted).

⁶ Facebook, <https://sustainability.fb.com/> (last visited Oct. 25, 2018); *see also* Business Insider, *Facebook says it will be powered by 100% renewable energy by 2020* (Aug. 28, 2018) available

The tension between MidAmerican's position and the state's desire to use clean energy leadership to attract development will only be exacerbated by the record in this docket. During his cross examination, MidAmerican witness (Hammer) explained that using wind to attract additional load growth is part of what justifies MidAmerican continuing to run its coal units:

Q. So in saying that it is your position that MidAmerican's existing generation continues to be used and useful, the evidence you're relying on is the load and capability forecast; is that right?

A. That's one of the components. There are other things. . . . We know that renewable energy is adding new environmentally friendly resources to the grid. That is bringing new business to the state, and so there are potentially higher load growths than we see that Mr. Stevens used in his testimony.

(Hearing transcript at 131-33.) He repeated that explanation later in his cross-examination:

Q. In the discussion about the mix of generation and whether or not it was used and useful, I thought I heard you say that the addition of wind generation is helping to attract new load growth, and the potential for that new load growth is part of what maintains the existing generation mix as used and useful; is that correct?

A. It helps address uncertainties, I would say. I would not that, you know, we have that mix, and that's what it looks like at this time. As that load grows, you have that energy that can provide energy for that potential load growth.

(Hearing Transcript at 155.) The aggressive and public renewable energy and emissions reduction goals of companies like Facebook and Google is unlikely to be compatible with MidAmerican's plan to continue operation of an aging coal fleet, and such a plan could very well give other companies with clean energy goals pause before making a decision to locate in Iowa.

If Iowa is to maintain this competitive advantage, it is necessary to ensure that wind development leads to environmental benefits that come from less coal generation and coal retirements. The Board should provide that assurance by modifying the ratemaking principles in this docket.

at <https://www.businessinsider.com/facebook-sets-2020-renewable-energy-and-greenhouse-gas-targets-2018-8?r=UK&IR=T>.

V. Conclusion

MidAmerican has presented Wind XII as the culmination of its 100% Renewable Vision and an important step towards a cleaner, more sustainable energy future for customers. While emission reductions, preparation for compliance with future environmental regulations, fuel diversity, and avoiding the risks of fossil fuel generation can be important benefits of additional wind generation, those benefits only materialize if there is less fossil-fuel generation. MidAmerican has failed to demonstrate that the ratemaking principles for Wind XII will lead to less fossil-fuel generation, and therefore, the proposed ratemaking principles provide an insufficient guarantee that the benefits of Wind XII will materialize. The Board should add ratemaking principles that will guarantee Wind XII will reduce MidAmerican's reliance on fossil fuel generation and ensure customers the full range of benefits Wind XII can provide.

Respectfully submitted this 29th day of October 2018.

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