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STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

| IN RE:<br><br>INTERSTATE POWER AND LIGHT COMPANY | DOCKET NOS. TF-2016-0321,<br>TF-2020-0237 &<br>TF-2020-0238 |
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**RESPONSE**

The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, files its Response pursuant to Iowa Utilities Board's (Board) Order Requiring Additional Information issued on October 6, 2020. In support of its Response, OCA responds to the following items listed in the Board Order Attachment A:

1. IPL's proposed inflow-outflow tariff does not specifically address what ownership structures, such as facilities financed through third parties, will be allowed to participate in the inflow-outflow billing arrangement.

   Please clarify what ownership structures will be allowed to participate in the inflow-outflow billing arrangement.

**Response:**

OCA does not believe that Iowa law creates a barrier to customer participation in the inflow-outflow program through third party ownership structures for the distributed generation facility (DG). OCA supports customers having the option to finance DG facilities through a third party as this is consistent with Iowa policy encouraging renewable energy. Iowa Code § 476.41. IPL's current net metering tariff allows third party ownership and financing and should be continued for inflow-outflow participants.[1]

[1] *In re: Interstate Power and Light Co.*, Docket Nos. TF-2016-0321, TF-2016-0322, "Order Requiring Revised Tariff" at 5 (IUB, Feb. 3, 2017).

2. IPL's proposed inflow-outflow tariff does not specifically identify whether customers will be allowed to aggregate accounts at different geographic locations to "virtually" meter.

   Please clarify whether customers participating in the inflow-outflow billing arrangement will be allowed to "virtually" net meter.

**Response:**

OCA has no comments on this question at this time.

3. The opening paragraph on MidAmerican Energy Company's (MidAmerican) tariff Sheet No. 376 states: "In the context of the Rate IO tariff, the Customer's load is defined as the Customer's average annual energy usage based on recent billing data or estimated annual energy usage. The Company reserves the right to request from the Customer estimated annual energy usage if the Customer has less than one (1) year of billing data."

   Terms and Conditions #7 on IPL's tariff Sheet No. 42.4 states: "If, at minimum, twelve months of usage is not available for the property, Company shall use the Customer's class average annual kWh energy usage in the determination of a Customer's annual electricity usage."

   Winneshiek Energy District (Winneshiek), Iowa 80 Truckstop, and Iowa Environmental Council and the Environmental Law and Policy Center (IEC/ELPC) expressed concerns about IPL's method for determining the system size for customers that do not have 12 months of historical data. According to IEC/ELPC, MidAmerican develops such estimates based on a comparable customer. Iowa 80 Truckstop stated the industry sizes electrical equipment based on projected usage.

   Please comment on whether the method for determining a customer's average annual kWh energy usage, when 12 months of historical data is not available for the customer, should be the same for MidAmerican and IPL, and comment on the appropriate method for determining the system size for these customers.

**Response:**

Iowa Code § 476.49 imposes size limits on eligible DG facilities. An eligible facility must have an aggregate nameplate capacity less than or equal to one megawatt alternating current and a capability to produce no more than one hundred ten percent of the customer's annual electricity. Both tariffs allow DG customers to install larger systems than the size cap;

however, the inflow-outflow contract would be subject to the size cap. OCA believes the size limit terms proposed in the utilities' inflow-outflow tariffs are consistent with section 476.49.

Objectors contend that IPL's size limit, which is set based on average customer usage, would create an artificially low cap for customers without at least 12 months of history. OCA does not have a specific preference for determining a customer's average annual kWh energy usage when 12 months of historical data is not available for the customer. To address objectors' concerns about IPL's size limit, IPL should modify its proposed tariff language to allow DG customers to establish an updated size limit based on actual usage data or the most recent three-year average annual usage. It may be necessary for the customer to install a separate meter to measure the customer's actual and updated usage. While the metering equipment specified in MidAmerican's inflow-outflow tariff would appear to allow a measurement of actual usage, it is not clear that IPL's metering equipment specifications would be able to record actual usage independent of the DG generation. IPL's proposed meter specifications may need to be modified at least for new service locations to enable measurement of the customer's actual usage. OCA is not opposed to the differing approaches that IPL and MidAmerican take to estimate usage at new premises as each method presents differing strengths and weaknesses. However, OCA believes that both utilities should allow the DG customers to establish an updated size limit based on actual data or the most recent three-year average.

4. The first full paragraph on IPL's tariff Sheet No. 42.3 and the fifth paragraph on MidAmerican's tariff Sheet No. 383 state: "The Company shall own and have title to the renewable energy attributes, renewable energy credits, and greenhouse gas emission credits related to all outflow credits."

   IEC/ELPC and Winneshiek argue that the customer should retain all RECs produced when the outflow rate is set at the retail rate and notes that RECs will be specifically accounted for in a value of solar rate. Iowa 80 Truckstop believes RECs should remain with the customer.

Please respond to the comments raised by IEC/ELPC, Winneshiek, and Iowa 80 Truckstop.

**Response:**

Interstate and MidAmerican propose to retain ownership of renewable energy attributes related to outflow energy purchases for the benefit of all utility customers in the form of Renewable Energy Credits (RECs). OCA supports this treatment and believes it is fair to allocate RECs to all utility customers because utility customers are required to purchase all outflow energy within the net metering cap of 1 MW, up to 110 percent of the customer's load, at the DG customer's retail rate. The proposed net metering cap is more generous than the current net billing pilot tariffs impose a more restrictive 100 percent of customer load cap. The retail compensation rate for outflow purchases is much higher than utility avoided cost rates. Although the utilities' proposed inflow-outflow tariffs do not specify the treatment of RECs associated with renewable energy consumed on-site, MidAmerican's cover letter clarifies that renewable energy attributes associated with energy produced by the facility and consumed by the customer will retained by the DG customer.

Objectors argue that the DG customer should own all renewable energy attributes associated with the DG production. Winneshiek Energy District contends that utility retention of RECs associated with outflow purchases would overturn long standing Iowa precedent. OCA disagrees. As Winneshiek acknowledges (Objection at 2), the Board's first net metering rule, enacted in 1984 under PURPA, did not address the ownership or unbundling of renewable energy certificates. This is likely because the REC did not emerge as a commodity until many years later. In ruling on the ownership of RECs for a PURPA-mandated purchase in 2005, the Board determined that there is nothing in state or federal law that required the PURPA seller to convey its RECs to IPL in a PURPA avoided cost transaction and therefore declined to impose

this requirement.[2] This precedent was followed in IUB Docket Nos. AEP-05-2, AEP-05-3, and AEP-05-4, wherein the hearing examiner reasoned that since PURPA avoided cost rates are not intended to compensate the qualifying facility for anything other than energy and capacity the PURPA qualifying facility should not be required to sell the environmental attributes associated with its wind facilities to IPL as part of the PURPA-mandated transaction.[3] In contrast, the DG outflow purchase rate is the applicable kWh-billed retail rate, including applicable kWh-billed riders. IPL's retail rate, inclusive of kWh-billed riders, far exceeds its PURPA avoided cost rate and is thus distinguishable from the Board's decision on REC ownership made in conjunction with avoided cost rate determinations in previous AEP cases.[4]

Iowa Code § 476.49 imposes a mandate on the customers of IPL to purchase all outflow energy within the net metering cap of 1 MW, up to 110 percent of the customer's load, at the DG customer's retail rate, including applicable kWh-billed riders. The more generous size limits and compensation available to renewable energy generators under the new inflow-outflow legislation as compared to PURPA avoided cost rates warrants a different determination of REC ownership than was made in the *Midwest Renewable* cases. The utilities will recover outflow purchases from utility customers through the Energy Adjustment Clause. The outflow purchase at the utility's retail rate is significantly higher than the utility's avoided cost rates and as a matter of fairness this purchase obligation should include all associated environmental benefits including RECs.

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[2] *In re: Midwest Renewable Energy Projects LLC v. Interstate Power and Light Co.*, Docket No. AEP-2005-0001, "Final Order" at 14-15 (IUB, Dec. 28, 2005).
[3] *In re: Midwest Renewable Energy Projects LLC v. Interstate Power and Light Co.*, Docket No. AEP-2005-0002, AEP-2005-0003, AEP-2005-0004 "Proposed Decision" at 99-100 (IUB, Mar. 13, 2009).
[4] *In re: Interstate Power and Light Co.*, Docket Nos. TF-2016-0290, TF-2020-0167.

5. Terms and Conditions #1 on IPL's tariff Sheet No. 42.4 states: "Customer may be served from a distribution transformer which serves no other Customer."

   Please explain what the quoted language means and whether such language should be included in all net billing or inflow-outflow tariffs.

**Response:**

OCA has no comments on this question at this time.

6. Winneshiek states that size caps must be flexible enough to allow customers to grow their distributed generation systems concurrent with usage.

   Please comment on Winneshiek's concern and provide alternative language if applicable.

**Response:**

*See* Response to Question 3. OCA believes that size limits should allow for expansion and growth of DG systems as long as they abide by the size limit criteria established in the Iowa Code § 476.49.

7. Winneshiek Energy District, Iowa 80 Truckstop, and IEC/ELPC argue that the language of Terms and Conditions #5 on IPL's Sheet No. 42.4 could preclude inflow-outflow tariff participants from offering paid electric vehicle charging to customers or employees. Winneshiek Energy District, Iowa 80 Truckstop, and IEC/ELPC also argue that language contradicts 199 Iowa Administrative Code rule 20.20.

   Please respond to these comments.

**Response:**

OCA does not believe that IPL's proposed tariff language expressed an intent to preclude inflow-outflow tariff participants from offering paid electric vehicle charging to customers or employees. Such interpretation would conflict with the Board rule 199 IAC 20.20 and should not be approved. The Board should resolve any ambiguity in IPL's tariff language by including in its order in this docket an explicit statement that IPL's tariff language shall not be interpreted or construed to preclude or limit any EV charging customer from eligibility for the inflow-outflow tariff so long as that customer complies with the Board rule 20.20.

8. IPL's eligibility criteria include language that the facility's generating capacity and associated energy is intended to serve only the on-site electric requirements of the customer. On page 4 of its filed comment, IEC/ELPC states: "We consider on-site electric vehicle charging to be the customer's needs consistent with the eligibility requirements of the statute." Winneshiek's and Iowa 80 Truckstop's comments reiterate this position.

   Please respond to contentions raised by IEC/ELPC, Winneshiek, and Iowa 80 Truckstop.

**Response:**

OCA agrees with the position expressed by IEC/ELPC, Winneshiek and Iowa 80 Truckstop.

9. IEC/ELPC point out that Terms and Conditions #11 on IPL's tariff Sheet No. 42.5 provides that customers are eligible for the tariff for 20 years, but the tariff does not specify that the purchase rate will be in effect for the 20-year period.

   Please respond to IEC/ELPC's concern.

**Response:**

Iowa Code § 476.49 requires the both the program eligibility and purchase rates for participating inflow/outflow customers for 20 years. OCA interprets the language in the Terms and Conditions #11 on IPL's tariff Sheet No. 42.5 to also imply that both the rates and the eligibility for inflow and outflow will be in effect for 20 years. OCA would support clarifying language to avoid any confusion on this matter.

**CONCLUSION**

OCA appreciates the opportunity to provide the above responses to Attachment A of the Board's October 6, 2020 Order. OCA reserves the right to revise or expand upon the foregoing responses following its review of responses by other parties in this proceeding.

Respectfully submitted,

/s/ Jennifer C. Easler
Jennifer C. Easler
Consumer Advocate

1375 East Court Avenue
Des Moines, Iowa 50319-0063
Telephone: (515) 725-7200
E-mail: IowaOCA@oca.iowa.gov

OFFICE OF CONSUMER ADVOCATE