

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

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<b>IN RE:</b>	)	
	)	<b>DOCKET NO. TF-2021-0065</b>
<b>INTERSTATE POWER AND LIGHT</b>	)	
<b>COMPANY</b>	)	
	)	

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**COMMENTS ON TARIFF**

Environmental Law & Policy Center (ELPC) and Iowa Environmental Council (IEC) provide these comments in response to the tariff filed by Interstate Power and Light Company (IPL) on June 9, 2021, in the above-captioned docket to implement a community solar program.

IPL’s community solar tariff was one of three renewable program proposals in its 2019 rate case (Docket No. RPU-2019-0001). ELPC and IEC intervened in the rate case and filed testimony addressing the community solar proposal. The community solar program was included in the settlement agreement, which ELPC and IEC joined.

The main change from the rate case to the proposed tariff is an increase in the purchase cost per 250-watt block to participate in the program. In direct testimony to support the community solar program, IPL witness Nielsen supported a proposed purchase price of \$275 for a single 250-watt block in a three megawatt project.<sup>1</sup> The \$360 per block proposed pricing for a 4.5 megawatt project in the proposed tariff represents an increase of over 30% from the pricing previewed in testimony in 2019.

While IPL’s proposed tariff is a good first step in creating a community solar program in Iowa, ELPC and IEC have concerns about the price per block. The proposed tariff will increase

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<sup>1</sup> RPU-2019-0001, Nielsen Direct Testimony, at Exhibit 1 and 2 (filed on March 1, 2019).

access to solar for some of IPL's customers and provides a foundation for future community solar programs. In advance of filing, IPL sought and considered input from stakeholders and lowered the proposed per-block price to the current \$360 which we appreciate. We believe the engagement has improved the program.

As we have expressed to IPL in its stakeholder outreach, we remain concerned that the upfront subscription cost is higher than necessary and does not reflect the residual value of the solar generation resources. In addition, the tax financing approach increases the upfront cost to customers. The resulting high subscription price will limit access for all customers and have a disparate impact on low-income customers who are most sensitive to and least likely to have the resources to afford a higher upfront cost.

In calculating the subscription cost, IPL assumed full cost recovery in 20 years with no residual value after the 20 years.<sup>2</sup> This assumption ignores the potential benefit of having panels still under warranty to generate 90% of their original production at the end of the term,<sup>3</sup> as well as the value of the site and infrastructure to support the generation. Other recent proposals for solar have assumed longer facility lifespans. IPL has publicly stated that it expects a 30- to 50-year lifespan for other solar projects.<sup>4</sup> A 30-year depreciable term could extend the time period over which capital is recovered and decrease upfront costs. In addition, assuming residual value at the end of program participation would also decrease the capital to be recovered from customers.

The tariff proposal specifies that IPL would use the investment tax credit (ITC) in 2030,

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<sup>2</sup> TF-2021-0065, IPL filing, Attachment A (filed June 9, 2021).

<sup>3</sup> Although IPL has not decided on a particular panel, 25-year warranties for panel production are standard in the industry. IPL assumed a degradation rate of 2% in the first year, followed by 0.4%/year. See Attachment A, "Annual Inputs" tab.

<sup>4</sup> Creston News Advertiser, How Alliant Energy's solar panels plan to power Union county (May 20, 2021) available at <https://www.crestonnews.com/news/local/2021/05/20/how-alliant-energys-solar-panels-plan-to-power-union-county/>.

eight years after commencement of operations.<sup>5</sup> This delay, using the discount rate IPL assumed,<sup>6</sup> means that the tax credit loses nearly half its value (44%) in terms of net present value. Other financing approaches might be able to use the tax credit sooner, which would increase its value and reduce the cost to subscribers. The delay in the tax credit also influences the residual value: if there were residual value, the ITC would need to be normalized over ten years, beginning in 2030 – further eroding the ITC value.

Requiring full upfront payment of the subscription price presents a barrier to many customers. Community solar programs in other places have used a “pay as you save” method of financing, which ensures access to lower-income customers who could not afford a large upfront payment. There would be net credits to the customer after factoring in the per kWh, 20-year purchase price even in year one – meaning low-income customers could pay the block off, over time, on their bill, and still see tangible economic benefits in the first year of participation. The high subscription cost – which we believe should be lower, as explained above – increases the payback period for customers to 13 years.<sup>7</sup> This makes “pay as you save” financing more difficult, because customers are not saving enough money to cover the financing costs.

IPL’s proposal to donate the upfront cost of blocks to low-income, Habitat for Humanity homeowners provides a new route for creating a more sustainable, long-term source of funding for low-income participation in the program. If IPL used the funds currently allocated for a one-time donation as a revolving, 0%-interest loan for the cost of the block, to be paid back over time on the customer’s bill, IPL would be able to provide low-income access not just to small subset of low-income customers, one-time, but to a growing set of low-income customers, that increases

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<sup>5</sup> TF-2021-0065, IPL filing, Attachment A, “Flexible Project Inputs” tab, cell E25 (filed June 9, 2021).

<sup>6</sup> *Id.* at cell L25.

<sup>7</sup> See Interpretation at 1.

over time.

Despite the issues of cost and access, the program overall will provide a new way for customers to support renewable energy in Iowa. It will expand access to solar to some renters and customers whose properties are not conducive to solar panels. We think that the proposed program would be better and have an even greater reach with modest additional changes that would lower the upfront subscription cost for participants and allow low-income customers an option to pay over the life of the program. Future community solar programs could use a similar approach to increase access in the state, particularly if they address the cost issues that reduce customer access.

Respectfully submitted,

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