

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

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<b>IN RE:</b>	)	
	)	<b>DOCKET NO. SPU-2021-0003</b>
	)	
<b>MIDAMERICAN ENERGY</b>	)	<b>RESPONSE TO MIDAMERICAN’S</b>
<b>COMPANY</b>	)	<b>INITIAL FILING</b>
	)	

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The Environmental Law & Policy Center (ELPC), Iowa Environmental Council (IEC), and Sierra Club (collectively Environmental Organizations) provide the following response to the initial filing of MidAmerican Energy Company (MidAmerican).

The Board created this docket in May 2021 to comprehensively examine MidAmerican’s long-term resource needs, including the potential retirement of coal plants. (Order Opening Docket at 1 (May 13, 2021)). The Board started the process with an order for information addressing MidAmerican’s anticipated resource needs followed by an opportunity for stakeholders to respond. MidAmerican’s initial response filed on August 12, 2021 was incomplete, did not provide important information required by the Board, and triggered disputes over access to confidential information that has already delayed this docket by several months.

Environmental Organizations file these comments<sup>1</sup> to share an independent analysis by Synapse Energy Economics, Inc. (“Synapse”) that shows Iowa ratepayers could *save \$1.2 billion* if MidAmerican retires all of its coal generation by 2030 compared to its current plan of operating

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<sup>1</sup> Environmental Organizations acknowledge MidAmerican’s appeal of the presiding officer’s ruling on the motions to compel and will respond to that separately. Environmental Organizations reserve the right to provide additional comment on MidAmerican’s initial filing consistent with any future deadlines in this docket.

those plants indefinitely (“business-as-usual”). We file this analysis in response to MidAmerican’s Initial Filing in order to fill the void left by MidAmerican’s failure to present the analysis required by the Board in its Order opening the docket. The findings from this new analysis are consistent with previous analyses in Iowa dockets and national trends demonstrating coal generation is increasingly costly and uneconomic for businesses and consumers. MidAmerican never provided evidence demonstrating that its coal plants are reasonable and prudent sources of electricity.

The Synapse analysis documenting over \$1.2 billion in potential customer savings over the next two decades from retirement of MidAmerican’s coal generation highlights the urgency of Board investigation and the stakes of inaction. The Board should require that MidAmerican provide complete responses to the information ordered, and docket this proceeding as a contested case to facilitate Board and stakeholder oversight in this matter. Synapse’s analysis offers sufficient evidence for the Board to ultimately find that MidAmerican’s uneconomic coal plants should be retired in an expeditious fashion that facilitates a transition to clean energy that will benefit consumers, businesses, communities, and workers.

## **I. Background**

On May 13, 2021, the Board issued an “Order Opening Docket and Proposal to Take Official Notice,” requiring that MidAmerican file with the Board certain information relating to MidAmerican’s generating plants and forecasts. The Board filed this order concurrently with its “Order Denying Motion for Reconsideration” in MidAmerican’s most recent Emission Plan and Budget (EPB) docket. EPB-2020-0156, Order Denying Motion for Reconsideration (filed May 13, 2021).

In the EPB docket, ELPC, IEC, and Sierra Club challenged the cost-effectiveness of MidAmerican’s coal generation and pointed to the availability of more effective generation options

for environmental compliance and the potential for greater economic development in moving away from coal generation. The Board summarized those issues in its Order Approving Emission Plan and Budget Update. EPB-2020-0156, Order Approving Emission Plan and Budget Update, Denying Joint Motion and Non-unanimous Settlement Agreement, and Cancelling Hearing, at 5 (filed March 24, 2021).

In approving the EPB, the Board determined that it would be “appropriate” to evaluate MidAmerican’s long-term resource needs and stated its intent to open a new docket “to evaluate the reasonableness and prudence” of MidAmerican’s acquisition of fuel for electricity generation.

The Board stated:

the Board does agree that an analysis of a utility’s long-term resource needs, including consideration of least-cost options for generation, environmental requirements, reliability, and economic development potential, is appropriate. The February 2021 polar vortex has raised numerous concerns about reliability and baseload generation — especially taking into account the rapid changes occurring to the national generation fleet — that appear to be directly related to portions of MidAmerican and OCA’s proposed settlement and the Environmental Intervenors’ remaining issues.

As such, the Board will be opening a new docket, Docket No. SPU-2021-0003, pursuant to Iowa Code § 476.6(12) to evaluate the reasonableness and prudence of MidAmerican’s procurement and contracting practices related to the acquisition of fuel for use in generating electricity, and pursuant to Iowa Code § 476.6(16) to address a forecast of future gas requirements or electric generating needs.

*Id.* at 12.

In the order opening this investigatory docket, the Board described its purpose to “review MidAmerican’s generating fleet, *including the potential retirement of coal plants*, and to consider the matters identified in the joint statement of issues and any other issues as provided in Iowa Code §§ 476.6(12) and 476.6(16).” (Order Opening Docket and Proposal to Take Official Notice, at 1 (filed May 13, 2021) (emphasis added).) The Board required MidAmerican file the following information as part of its initial filing in this docket:

- a. Any current documents that provide details about its long-term resource requirements;
- b. An overview of its current generating fleet and how it meets the needs of MidAmerican's customers;
- c. A least-cost analysis addressing options considered to meet its long-term resource needs, including the potential effects on reliability and economic development potential; and
- d. An analysis of the issues identified in Docket No. EPB-2020-0156 that have been deferred to this docket. The analysis should include consideration of fuel switching, generating unit retirement, modified dispatch, addition of new generation sources, wholesale market transactions, and the costs of alternative compliance options, as well as any economic development potential for those options. (*Id.* at 3.)

The Board Order provided that “any interested person may file comments, provide additional information, or address the information filed by MidAmerican.” (*Id.*)

MidAmerican made its initial filing on August 12, 2021. MidAmerican's filing included a document titled “MidAmerican Energy Company's Response to Board Order and Request for Clarification” as well as 32 other documents, many filed confidentially, addressing battery storage, solar, wind, carbon capture, plant purchases/swap, and more. Notably, MidAmerican's filing failed to respond to key requirements by the Board, such as an overview of the current generating fleet and how it meets the needs of MidAmerican's customers, a least cost analysis for meeting generation needs, and an analysis of the issues identified in Docket No. EPB-2020-0156 including but not limited to information about “the potential retirement of coal plants,” as explicitly required by the Board's May 13, 2021 Order.

## **II. Analysis by Synapse Energy Economics Shows Customers Would Save \$1.2 Billion from Retirement of All of MidAmerican's Coal Generation by 2030.**

The Board ordered that MidAmerican provide a “least-cost analysis addressing options considered to meet its long-term resource needs, including the potential effects on reliability and economic development potential.” (Order Opening Docket and Proposal to Take Official Notice at 3 (filed May 13, 2021).) While MidAmerican has all of the information necessary to conduct

such an analysis, MidAmerican chose not to conduct or provide such an analysis in its August 12, 2021 filing.

In the absence of MidAmerican providing such an analysis, Environmental Organizations engaged Synapse Energy Economics, Inc. (Synapse) to conduct an independent modeling analysis to evaluate the economics of MidAmerican's coal fleet. This analysis, attached as Exhibit 1, employed the type of resource expansion modeling that is routinely used by utilities nationwide in order to evaluate whether MidAmerican's customers would benefit from retiring MidAmerican's coal plants by 2030. Using publicly available information<sup>2</sup> as inputs, Synapse conducted capacity expansion and production cost modeling of MidAmerican's electricity generation portfolio. Capacity expansion and production cost modeling is a detailed modeling tool that is widely used by utilities nationwide to appropriately evaluate generation economics, and offers a deeper look into MidAmerican's coal unit economics than has been undertaken in any other docket to date. Synapse reached the following conclusion: MidAmerican can save \$1.2 billion of Iowa customers' money by retiring its coal plants, all while satisfying reliability requirements.

The Synapse modeling evaluated all of MISO with a focus on Load Resource Zone 3, covering Iowa. It modeled MidAmerican's generation fleet from 2021 through 2040. The model optimized the retirement dates for MidAmerican coal assets, with a final coal retirement date of 2030. "Optimization" means the model selected the optimal year in which to retire each generating unit. Under this optimal-retirement scenario, the model retired five coal plants before 2030 because they are uneconomic: Neal 3 (2025), Neal 4 (2025), Louisa (2026), Ottumwa (2024), and Walter Scott 3 (2024). Walter Scott 4 retires at the set date in 2030. The analysis demonstrates that MidAmerican can meet its needs at significantly lower cost (and still reliably) by pursuing other

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<sup>2</sup> The public information represents the best information available to all of the parties. Environmental Organizations will address relevant information shared by MidAmerican, if any, in future comments as this docket progresses.

generation resources. The model selected a replacement portfolio of approximately 2,000 MW of wind, 2,000 MW of solar, 740 MW of battery storage, and energy efficiency.

The modeling—which takes into account applicable requirements for capacity reserves and reliability—showed that retiring all MidAmerican coal units by 2030 and replacing them with clean alternatives can be expected to save Iowa ratepayers \$1.2 *billion* compared to a business-as-usual scenario under which the plants continue to operate. The shift would also provide a reduction in CO<sub>2</sub> emissions of 318 million tons. Given these findings, it is not prudent for MidAmerican to continue operating its coal plants indefinitely.

MidAmerican’s decision to continue operating its coal plants indefinitely exposes ratepayers to additional cost and risk going forward. Fuel price volatility presents a significant risk because fuel costs are one of the largest cost categories for the existing fleet; under a high gas price scenario, modeling shows customers could save \$5 billion from retirement of MidAmerican’s coal units. *See* Exhibit 1 at 20. If the coal plants instead continue to operate for decades, MidAmerican would also incur substantial sustaining capital costs to maintain and operate its aging coal plants, and to comply with future environmental regulations. The costs may be incurred before MidAmerican’s next rate case, given MidAmerican’s anticipated timeline. Those expenditures would not be prudent, and MidAmerican is therefore putting at risk its recovery of costs for continuing to operate these plants.<sup>3</sup>

The findings from the Synapse modeling have important implications for contracting, gas and electric generating needs, and business management at MidAmerican. Continuing to operate

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<sup>3</sup> In a recent case in Arizona, for example, the Arizona Corporation Commission disallowed utility investments in coal plant pollution controls, finding that the utility knew—or should have known—that its assumptions regarding the economics of keeping the coal plant online were inaccurate and that the utility “intentionally manipulated” its resource analysis to withhold information from parties. The Commission found that the utility was able to do this because of its “overwhelming asymmetry of information” it held over other parties in the case. Arizona Corporation Commission, Docket No. E-01345A-19-0236, “Opinion and Order” at 113 (filed Nov. 9, 2021), available at <https://docket.images.azcc.gov/0000205236.pdf?i=1639450066717>.

the coal units would harm customers and requires further investigation into the company's business management. If MidAmerican continues to operate its coal units due to obligations under long-term contracts or outdated evaluations, the Board should review those in detail. The Board created this docket in part to explore "the potential retirement of coal plants." To date, the Synapse report is the only substantive evidence in the record as to the coal units' economics, and strongly points to the imprudence of MidAmerican's failure to plan for coal retirements.

**III. The Conclusions of the Synapse Analysis Are Supported by Previous Analysis Conducted in Other Dockets That Demonstrated MidAmerican Continues to Run Uneconomic Coal Plants.**

The Synapse Report's findings are consistent with analysis that the Environmental Organizations provided in other dockets over the last several years that called into question the economics and future viability of MidAmerican's coal fleet. In the course of these other dockets, MidAmerican has never defended the economics of its coal fleet and has refused to provide justification for its use of coal in any depth on the basis of cost or even reliability. The mounting and unrefuted evidence that MidAmerican operates uneconomic coal plants at the expense of its ratepayers illustrates the need for effective oversight in this docket.

*A. MidAmerican's 2020 Emissions Plan and Budget Update, EPB-2020-0156.*

In its 2020 Emissions Plan and Budget Update, MidAmerican sought approval for continued operating and maintenance (O&M) expenses for its coal fleet. *In Re: MidAmerican Energy Company*, Docket No. EPB-2020-0156, Electric Power Generation Facility Budget Update (filed April 1, 2020). MidAmerican did not attempt to defend its O&M cost estimates beyond a comparison to cost forecasts from prior Emissions Plan and Budget dockets. *Id.*

In response, Environmental Organizations filed testimony by David Posner evaluating the potential savings from early retirement of two units, Neal 3 and Neal 4. Mr. Posner found that

“Neal Unit 3 and Neal Unit 4 have been uneconomic to operate for several years.” *In Re: MidAmerican Energy Company*, Docket No. EPB-2020-0156, David Posner Direct Testimony (filed Dec. 17, 2020), at 2. This meant that the variable operating costs exceeded the “estimated all-in cost for a wind power purchase agreement adjusted to account for the market value of energy, capacity, and services of the Neal units.” *Id.* at 3. Because the facilities operated at a loss, retiring the facilities would save customers money. *Id.* Mr. Posner further concluded that by issuing a green bond, customers could save 9.7% of the cost for Neal Unit 3 and 22.6% of the cost for Neal Unit 4. *Id.* MidAmerican did not rebut the substance of Mr. Posner’s conclusions. Instead, it argued the Posner testimony was an attempt to inappropriately convert the EPB docket into a process for eliminating coal-fueled generation. *In Re: MidAmerican Energy Company*, Docket No. EPB-2020-0156, Reply Testimony of Michael Fehr (filed Jan. 7, 2021) at 2-3.

*B. Interstate Power and Light Company Rate Case, RPU-2019-0001.*

In 2019, IPL filed for a rate increase of \$203.6 million. *In re Interstate Power and Light Company*, Docket No. RPU-2019-0001, Application for Revision of Electric Rates (filed March 1, 2019). In response to the filing, Sierra Club filed testimony by Paul Chernick evaluating the economics of IPL’s coal fleet. *In re: Interstate Power & Light*, Docket No. RPU-2019-0001, Revised Direct Testimony of Paul Chernick (filed Sept. 26, 2019). ELPC and IEC filed testimony by Uday Varadarajan evaluating the potential benefits of replacement renewable energy. *In re: Interstate Power & Light*, Docket No. RPU-2019-0001, Direct Testimony of Uday Varadarajan (filed Aug. 1, 2019). Although the rate case addressed IPL, its coal fleet includes four units co-owned with MidAmerican: Louisa, Neal 3 and Neal 4, and Ottumwa.

Mr. Chernick’s analysis calculated the revenue for each unit using locational marginal price during each hour of generation, reflecting a market price. *In re: Interstate Power & Light*, Docket

No. RPU-2019-0001, Revised Direct Testimony of Paul Chernick (filed Sept. 26, 2019), at 1-3. He compared that revenue to the short-term costs of generation, which reflected the cost of running the unit. Mr. Chernick concluded that none of IPL's coal plants were economic compared to lower cost, clean alternatives. *Id.* at 7. Two units, Ottumwa and Neal 4, operated at a loss compared to market prices for all five years he reviewed (2014-2018). *Id.* at 5-6.

Specifically, the analysis showed Neal 3 and Neal 4 had the highest operating loss per MWh, at -\$10.3 and -\$10.1 per MWh, respectively. *Id.* at 6. These translated to annual losses for Neal 3 and Neal 4 of \$6.6 million and \$8.1 million, respectively. *Id.* Ottumwa lost \$6.2 per MWh, but had a larger annual loss of \$11.7 million due to its larger operating capacity. *Id.* Louisa was closer to break-even, but still lost money. *Id.*

Dr. Varadarajan's testimony used an analysis similar to Mr. Posner's in the 2020 EPB case to conclude that retirement of coal plants could reduce costs to ratepayers. *In re: Interstate Power & Light*, Docket No. RPU-2019-0001, Direct Testimony of Uday Varadarajan (filed Aug. 1, 2019) at 6-7. Dr. Varadarajan concluded that the operating costs of every coal unit exceeded the energy costs on the market or from PPAs. *Id.* at 9. Even accounting for other services, Neal 3, Neal 4, and Ottumwa costs exceeded the value of the total grid services provided for the prior five years. *Id.* at 12-13. He also found that immediate retirement of Neal 3 and Neal 4 could save customers \$16 million every year even with accelerated recovery of capital costs. *Id.* at 15.

Mr. Chernick and Dr. Varadarajan's conclusions about the uneconomic nature of coal generation were borne out in the subsequent resource planning process conducted by IPL. As a result of the resource planning evaluation,<sup>4</sup> which considered cost, capacity needs, and other

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<sup>4</sup> IPL did not model Neal 3, Neal 4, or Louisa, because it asserted MidAmerican controls when those units retire, and MidAmerican argued against consideration of coal units it operated.

factors, IPL decided to retire one coal unit and convert another. *See In re: Interstate Power and Light Company*, EPB-2020-0150, Kitchen Supplemental Direct, Exh. 1 (“Alliant Energy’s Iowa Clean Energy Blueprint: 2020 Resource Planning”) (filed Jan. 15, 2021). IPL’s analysis concluded that closing the Lansing coal plant in 2022 and converting the Burlington Generating Station to gas would save its ratepayers \$300 million. “Sun shines bright in Alliant Energy’s Iowa Clean Energy Blueprint,” Alliant Energy (Oct. 29, 2020) available at <https://www.alliantenergy.com/alliantenergynews/newsreleases/newsrelease102920>.

*C. MidAmerican Application for Advance Ratemaking Principles, RPU-2018-0003 (Wind XII).*

In 2018, independent analysis by Mr. Chernick showed that MidAmerican’s coal units were not economic and that MidAmerican should proceed toward retiring them. *In re: Application of MidAmerican Energy Company for Determining of Ratemaking Principles*, Docket No. RPU-2018-0003, Direct Testimony of Paul Chernick.

Mr. Chernick found that “The costs of fuel, operating and maintenance (O&M), overheads, and ongoing capital additions for most of the units, and particularly Ottumwa and Neal 3, appear to exceed the market value of their output.” *Id.* at 4-5. Mr. Chernick explained that “MidAmerican does not appear to have conducted any analysis of the economics of continued operation of its coal units.” *Id.* at 5.

Mr. Chernick also highlighted that the “flexibility” of coal units claimed by MidAmerican comes from switching to other fuels – which themselves might be flexible, because coal is not. *Id.* at 11, 35-37. Coal itself cannot closely follow shifts in load. *Id.* at 37. As a result, it is not the best resource for maintaining system reliability. *Id.* at 10.

MidAmerican did not defend the economics of its coal fleet in the advance ratemaking case, and did not provide its own economic analysis of the coal fleet. It relied instead on its position

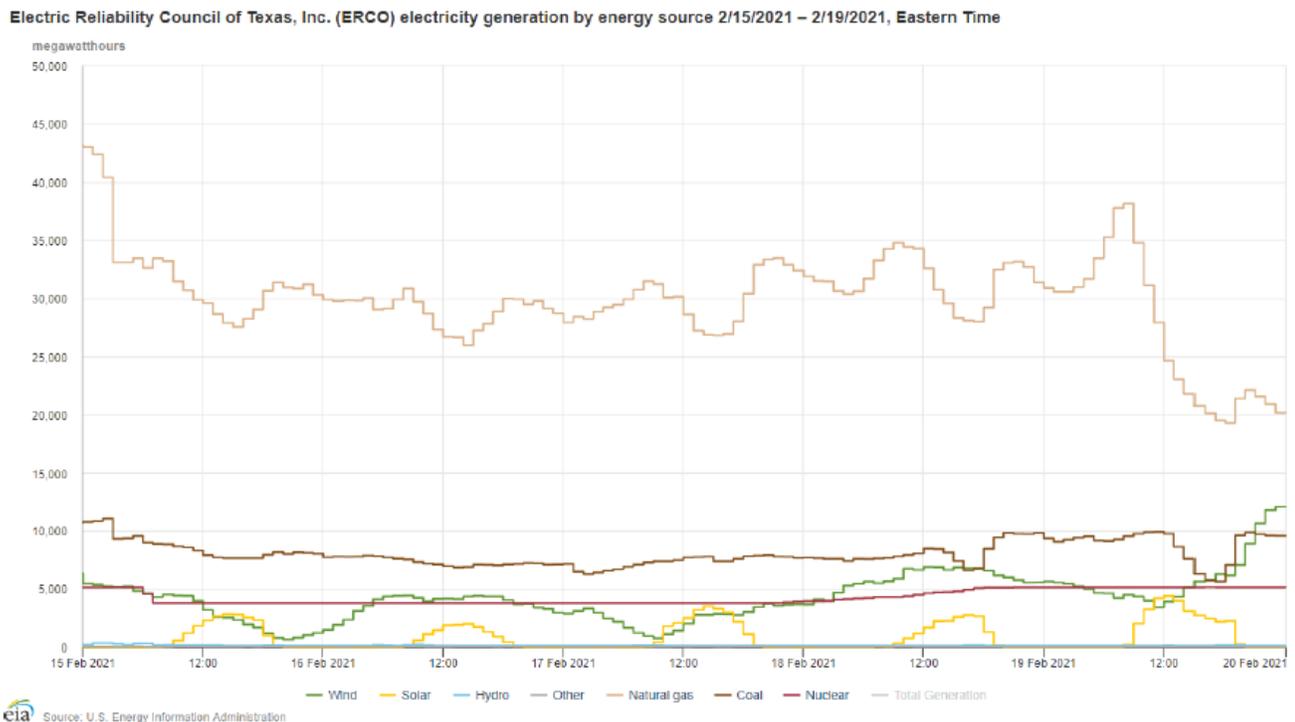
that the advance ratemaking principles case was not the appropriate venue to evaluate MidAmerican's existing generation fleet. *In Re: MidAmerican Energy Company*, Docket No. RPU-2018-0003, Reply Testimony of Neil D. Hammer (Aug. 10, 2018) at 11-12. Thus, Mr. Chernick's testimony that closing MidAmerican's coal units would save millions of dollars for ratepayers stands un rebutted.

#### **IV. MidAmerican Has Not Demonstrated the Coal Plants Are Needed for Reliability Purposes.**

In its order opening this docket, the Board raised questions about reliability in light of the February 2021 polar vortex. (Order at 2.) While the polar vortex presented a specific case, reliability of the electric system is highly important to the public health, safety, and welfare. 199 IAC 20.18(2). At the same time, utilities must "operate in an efficient manner." IOWA CODE § 476.52(1). Operating expensive generation resources that do not benefit customers is not efficient. MidAmerican has repeatedly failed to demonstrate that its uneconomic coal fleet is needed for reliability. The Synapse report provides further evidence that reliability needs can be satisfied by replacing coal plants with renewable resources.

Although some may assume coal plants are more reliable than renewable generation, the February 2021 polar vortex demonstrated that that is not the case. MidAmerican's service territory did not lose power, but areas in Iowa within the Southwest Power Pool (SPP) experienced rolling blackouts. Philip Joens and Donnelle Eller, "1,500 families experience rolling blackouts in north Iowa as record freeze grips the state," *Des Moines Register* (Feb. 15, 2021). Other areas of the country experienced more severe blackouts during the polar vortex. Contrary to some claims, the blackouts primarily resulted from fossil fuel generation. In comments presented to the Minnesota Public Utilities Commission, Sierra Club's expert Grid Strategies provided the following chart

(based on EIA and ERCOT data) showing the steep drop in gas- and coal-fired generation that precipitated the blackouts, while solar and wind generation remained stable. As noted in the comments, “a steep drop in gas and coal generation early on February 15 coincided with the start of the rolling outages in ERCOT, while wind output was relatively high. Solar output was high on each day of the event, as solar panels operate at a higher efficiency in lower temperatures.” Sierra Club Reply Comments (drafted with the assistance of the Applied Economics Clinic, Grid Strategies LLC, and Synapse Energy Economics, Inc.) (“Sierra Club Reply Comments”), Minnesota Public Utilities Commission docket E002/RP-19-368, filed June 25, 2021, at 19.



Source: Sierra Club Reply Comments at 20.

For example, one major Oklahoma utility’s coal-fired plant dropped down to an extremely low capacity factor, had to switch to burning fuel oil, went offline, and suffered structural damage, due to the plant’s coal piles freezing and plugging chutes. *See* Oklahoma Corporation Commission, Case No PUD 202100072, *In The Matter Of The Application Of Oklahoma Gas And Electric*

*Company For A Financing Order Pursuant To The February 2021 Regulated Utility Consumer Protection Act Approving Securitization Of Costs Arising From The Winter Weather Event Of February 2021*, Direct Testimony of Robert Doupe, at 10-11 (June 18, 2021) (discussing performance of OG&E's Sooner plant). In contrast, MidAmerican stated that none of the Company's wind turbines were down due to the cold weather. *See* KWWL News, "Are frozen wind turbines to blame for the rolling blackouts?" (Feb. 17, 2021).

The risks of severe weather on fossil fuel plants is a continuing issue. Just last week, Midcontinent Independent System Operator (MISO) – the independent operator of the grid in which MidAmerican operates – stated that one-fifth of MISO coal plants are at high risk of fuel supply issues this winter.<sup>5</sup> MISO noted particular concern about the price volatility of coal sourced in the Powder River Basin, which is the source of MidAmerican's coal. Synapse Report at 24.

As noted above, SPP had significant outages during the polar vortex. MidAmerican is connected to the SPP grid and acts as a market participant in that territory. "Members and Market Participants," SPP, *available at* <https://www.spp.org/about-us/members-market-participants/> (last visited Sept. 22, 2021). MidAmerican has committed only 60 megawatts of capacity to SPP. "2020 SPP Resource Adequacy Report," SPP (June 15, 2020) at 30, *available at* [https://spp.org/documents/64801/2021\\_spp\\_june\\_resource\\_adequacy\\_report.pdf](https://spp.org/documents/64801/2021_spp_june_resource_adequacy_report.pdf). This represents only 2% of MidAmerican's coal capacity in Iowa and cannot justify retaining the entire coal fleet. MidAmerican has not filed any evidence that its generation was needed to address reliability in SPP during the polar vortex or at any other time. In that vein, among other omissions, MidAmerican has not indicated whether its coal units that dispatch to some extent in SPP (an

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<sup>5</sup> Kate Winston et al., "MISO to seek weekly fuel data due to high risk of winter coal supply problems," S&P Global, December 10, 2021, <https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/121021-miso-to-seek-weekly-fuel-data-due-to-high-risk-of-winter-coal-supply-problems>

energy-only, non-capacity market) were committed as reliability units, versus being chosen by SPP to dispatch economically under Market commitment, versus being “self-committed” by MidAmerican to operate regardless of whether they were either economical or needed for reliability. (SPP’s own Market Monitoring Unit has been increasingly concerned about the incidence of self-commitment of coal units—a perverse practice that makes it seem superficially like coal units are needed, when in fact they may be operating at a loss for extended periods of time, to the detriment of retail ratepayers—and has been pushing utilities to minimize the practice. *See, e.g., SPP Market Monitoring Unit, Self-committing in SPP markets: Overview, impacts, and recommendations* (December 2019), available at <https://spp.org/documents/61118/spp%20mmu%20self-commit%20whitepaper.pdf>.

Pursuant to the order opening this docket and state law, MidAmerican has an obligation to show that its coal generation in its system is needed to ensure reliable electric service at reasonable cost. It has repeatedly refused to do so. In docket after docket, as described below, MidAmerican has refused to provide information or conduct its own analysis. This includes the issue of reliability. For example, in the 2020 EPB Update docket that precipitated this docket, MidAmerican provided no detailed evaluation of the reliability benefits that the coal fleet might provide. *See In re: MidAmerican Energy Company*, Docket No. EPB-2020-0156, “Electric Power Generation Facility Budget Update,” at 12 (filed Apr. 1, 2020). ELPC, IEC, and Sierra Club responded by presenting testimony from David Posner on reliability after coal plant retirement. Mr. Posner testified that MidAmerican had excess capacity, mitigating any concerns about reliability. *In re MidAmerican Energy Company*, Docket No. RPU-2020-0156, Direct Testimony of David Posner, at 16-18 (filed Dec. 10, 2021). He further testified that the savings from retiring Neal 3 and Neal 4 could be used to build extra renewable generation or to add battery storage. *Id.*

Either of these approaches would alleviate any reliability concerns. *Id.* MidAmerican responded by making a procedural argument rather than addressing the substance of Mr. Posner’s testimony.

Despite the directive in the Board’s Order, MidAmerican publicly filed no evidence in this docket addressing the reliability of its future fleet. The only documents even referencing reliability addressed wind turbine maintenance (“RHEC Air Inlet Replace Overview” at 2) and a possible future electrification scenario (“NIAC-Critical Infrastructure Emergency Power R3” at 7). These do not address “the potential effects on reliability” of long-term resource needs and the generating fleet. In contrast, the Synapse analysis attached as Exhibit 1 accounts for capacity requirements and some ancillary services such as spinning reserves and non-spinning reserves. It found that the load requirements could be satisfied at lower cost by retiring coal, as discussed in more detail above. By modeling all of MISO and generation needs, the report shows that maintaining reliability is not a legitimate basis for MidAmerican to continue operating its coal fleet.

**V. The Board Is Properly Exercising Its Authority to Review MidAmerican’s Generating Fleet as a Contested Case and Should Require MidAmerican to Fully Respond to Its Informational Request.**

The Board initiated this special investigatory docket “to review MidAmerican’s generating fleet, including the potential retirement of coal plants, and to consider the matters identified in the joint statement of issues and any other issues as provided in Iowa Code §§ 476.6(12) and 476.6(16).” (Order Opening Docket and Proposal to Take Official Notice, at 1 (filed May 13, 2021)). The Board explained that it had the authority to conduct such an inquiry in summarizing the relevant statutory provisions:

Iowa Code § 476.6(12) allows the Board to evaluate the reasonableness and prudence of MidAmerican’s procurement and contracting practices related to the acquisition of fuel for use in generating electricity. Iowa Code § 476.6(16) allows the Board to address a forecast of future gas requirements or electric generating needs. Iowa Code § 476.2(4) authorizes the Board to inquire into the management

of the business of all public utilities, requires the Board to keep itself informed as to the manner and method in which the same is conducted, and allows the Board to obtain from any public utility all necessary information to enable the Board to perform its duties. (*Id.* at 1-2.)

This docket takes place within the larger context of the Board’s regulatory and oversight responsibility.

The Board has the obligation and duty under Iowa law to “regulate the rates and services of public utilities” to protect the public. IOWA CODE § 476.1(1). Section 476.2 confirms that the Board has “broad general powers” to regulate Iowa’s public utilities. Indeed, these broad powers extend “to the full extent permitted by the Constitution and laws of the United States.” IOWA CODE § 476.15. Importantly, the law requires every public utility to “furnish reasonably adequate service and facilities” and “reasonable and just rates.” IOWA CODE § 476.8. “Every unjust or unreasonable charge for such service is prohibited and declared unlawful.” *Id.*

The law confirms that the Board “shall have authority to inquire into the management of the business of all public utilities, and shall keep itself informed as to the manner and method in which the same is conducted, *and may obtain from any public utility all necessary information to enable the board to perform its duties.*” IOWA CODE § 476.2(4) (emphasis added).

The law further requires the board to periodically conduct a contested case proceeding to evaluate “the reasonableness and prudence” of a public utility’s acquisition of fuel for use in generating electricity. IOWA CODE § 476.6(12). The law directs the Board to disallow recovery of costs if a utility “is not taking all reasonable actions to minimize its fuel and allowance transaction costs.” *Id.* This requirement is *supplemental* to the Board’s general duties and obligations to ensure just and reasonable rates under Iowa Code § 476.8.

Over the course of the last several years, MidAmerican has taken an increasingly aggressive position to avoid Board oversight and inquiry into its generation fleet and particularly

its uneconomic coal units. MidAmerican has repeatedly made arguments that various dockets do not allow review of MidAmerican's generation. In this docket, MidAmerican has again argued that the Board can only conduct an informational review and has limited authority to examine its generation and planning decisions. (MidAmerican Energy, "Response to Board Order and Request for Clarification," at 12 (filed Aug. 12, 2021).) MidAmerican has hindered this docket because it has not comprehensively and directly responded to all of the Board's requests for information. Instead it provided piecemeal documents and outdated analysis, and omitted outright critical information.

The new Synapse analysis demonstrating the potential for \$1.2 billion in savings to customers, in addition to the unrebutted testimony from prior dockets, creates an urgent need for the Board to thoroughly review MidAmerican's generation fleet. The Board must act decisively to ensure ratepayer interests are protected by conducting a thorough review of MidAmerican's generation fleet in a contested case proceeding in this docket. The Board should clarify that this is a contested case docket pursuant to Iowa Code section 476.6(12), require MidAmerican to fully respond to the Board's information inquiries, and reject MidAmerican's attempts to narrow this docket and the Board's oversight of MidAmerican's generating fleet.

*A. The Board Should Clarify that, by Exercising Its Authority Pursuant to 476.6(12), This Docket Is a Contested Case.*

MidAmerican's initial filing requested that the Board clarify that this docket is for informational purposes only. (MidAmerican Energy, "Response to Board Order and Request for Clarification," at 12 (filed Aug. 12, 2021).) MidAmerican's response to the Board's Order continues its approach of attempting to limit the Board's ability to provide oversight of MidAmerican's decisions relating to its generation fleet and particularly uneconomic coal assets. MidAmerican again argues that the Board only has authority to conduct an informational review

and cannot initiate a contested case review. (MidAmerican Energy, “Response to Board Order and Request for Clarification,” at 12 (filed Aug. 12, 2021).) MidAmerican has made the argument that the Board’s authority is limited to a procedural review in this docket central to its argument against disclosing confidential information filed in this docket. (MidAmerican, “Resistance to Motion to Compel,” at 1-2 (filed Sept. 14, 2021); MidAmerican, “Appeal of Proposed Order to the Iowa Utilities Board,” at 17 (filed Dec. 8, 2021).) Further, MidAmerican claims that Iowa Code §§ 476.6(12) and (16) are “intended to implement much narrower proceedings than the review contemplated in this docket.” (“Response to Board Order and Request for Clarification,” at 8.)

A “contested case proceeding” is defined in the Iowa Administrative Procedure Act as “a proceeding . . . in which the legal rights, duties or privileges of a party are required by Constitution or statute to be determined . . . after an opportunity for an evidentiary hearing.” IOWA CODE § 17A.2 (5). In a contested case, “opportunity shall be afforded *all* parties to respond and present evidence and argument on all issues.” *Id.* § 17A.12 (4) (emphasis added).

The Iowa Supreme Court has explained the unique public interest concerns protected by a contested case proceeding:

The importance of the distinction between [contested cases and informal hearings] lies in the due process afforded to parties involved in contested case proceedings. A contested case entitles parties affected by the agency action to an adversarial hearing with the presentation of evidence and arguments and the opportunity to cross-examine witnesses and introduce rebuttal evidence. . . . At most, other agency action entitles affected parties to an informal hearing.

*Greenwood Manor v. Iowa Dep't of Pub. Health, State Health Facilities Council*, 641 N.W.2d 823, 834 (Iowa 2002).

The contested case proceeding provides for public scrutiny and the ability to challenge utility assumptions and an analysis in order to ensure that monopoly utility action protects the public. The due-process features inherent in contested case proceedings, such as discovery, cross-

examination, and rebuttal, will also provide for a better process for interested parties and MidAmerican. In fact, MidAmerican has made similar arguments about the important procedural protections of a contested case in its continued resistance to disclosure of confidential information to other stakeholders in this docket. (MidAmerican Energy Company's Appeal of Proposed Order to the Iowa Utilities Board (filed Dec. 8, 2021).)

Iowa Code section 476.6(12) states that Board "shall periodically conduct a proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated public utility's procurement and contracting practices related to the acquisition of fuel for use in generating electricity." The section of statute also requires that "[t]he proceeding shall be conducted as a contested case pursuant to chapter 17A." IOWA CODE § 476.6(12). The plain meaning is clear. The Board is required to evaluate in a contested case proceeding whether MidAmerican's practices of obtaining and contracting for fuel to generate electricity is reasonable. This is broad authority given to the IUB. The "procurement and contracting practices" of acquiring fuel for electricity encompasses a wide array of conduct that is relevant to the operation of MidAmerican's generation fleet and the cost-effectiveness of continued operations of that fleet. Furthermore, the statute provides the Board with broad authority to obtain information to inform this inquiry requiring that "the utility shall file information as the Board deems appropriate." IOWA CODE § 476.6(12). This review necessarily includes reviewing the prudence of the underlying facilities. If it is not prudent to operate a coal facility, there is no way that the procurement of coal for that facility could be prudent. MidAmerican's argument that the statute limits the Board to a narrow review subverts that statute.

The Iowa District Court recently shared the same interpretation of Iowa Code § 476.6(12) and this particular proceeding in separate litigation addressing the scope the EPB statute:

Iowa Code section 476.6(12) does call for “periodic” proceedings, *that the proceeding be a contested case*, gives the IUB power to require the utility to provide any information the IUB deems appropriate, and if it is determined the utility is not taking “all reasonable actions to minimize its fuel and allowances transaction costs, the [IUB] shall not allow the utility to recover” such costs from its customers. As such, the Court believes this statute and new docket will satisfy OCA’s concerns with regard to the potential cost savings to customers and periodic reviews.

*Envtl. Law and Policy Ctr. et. al v. Iowa Utils. Bd.*, CVCV061992, Ruling on Petition for Judicial Review (filed Dec. 7, 2021) (emphasis added). MidAmerican’s assertion thus contradicts the Iowa District Court’s findings.

Iowa Administrative Rules section 199-20.13, which implements Iowa Code § 476.6(12), supports the proposition that procurement and contracting practices includes a variety of activities, and that the Board is empowered to request a broad amount of information in order to exercise its authority in a contested case proceeding. MidAmerican’s argument that the rule does not address the scope of the review in this proceeding is erroneous. (*See* “Response to Board Order and Request for Clarification,” at 9.) Under Rule 20.13, a public utility is required to provide detailed summaries of: all contracts and fuel supply arrangements for obtaining fuel; all contracts and arrangements for transporting fuel; multiutility transmission line interchange agreements; other contract offers; all studies or investigation reports which have been considered by the utility in deciding whether to enter into a contract, and more. Importantly, Rule 20.13(1)(j) states that “[e]ach utility shall file additional information as ordered by the board.” It is within the IUB’s authority to request any information it feels necessary to evaluate the reasonableness of MidAmerican’s energy supply and costs and that includes the scope of information the Board has requested in this docket.

MidAmerican references 199 IAC 20.9(4) as evidence that the Board’s authority is narrowed. (“Response to Board Order and Request for Clarification,” at 8-9.) This rule discusses

review of an energy clause if it is an electric energy sliding scale or automatic adjustment. This rule also implements 476.6(12), but it works in conjunction with Rule 20.13, not against it. The IUB is still authorized to obtain all of the information requested in the docket pursuant to 199 IAC 20.13.

Section 476.6(16) of the Iowa Code requires that the IUB “periodically require each rate-regulated gas or electric public utility to file a forecast of future gas requirements or electric generating needs and the board shall evaluate the forecast.” MidAmerican argues that this code section is limited to energy efficiency plans because it was initially enacted in conjunction with the energy efficiency statute. (*Id.* at 9.) MidAmerican states that this requirement of filing a forecast is limited to an EEP, but no such limitation is included in the statute itself. Subsection 16 does not limit filings of forecasts to any specific type of docket. It merely states that the IUB “periodically require” a public utility like MidAmerican to file a forecast. The broad language indicates a broad authority given to the Board to conduct this review.

MidAmerican argues that subsection 16 only applies to energy efficiency filings by way of 199 IAC Chapter 35. 199 IAC Chapter 35.1, “Authority and purpose,” states “[t]hese rules are intended to implement Iowa Code sections 476.6(13) and 476.6(15) relating to the energy efficiency and demand response plans,” and the titles of the subsections following 35.1 mirror the language in subsections 13 and 15, including assessment of potential energy savings, exemption from the five-year cycle, and modifying an approved plan. There is no mention of subsection 16.

Chapter 35.5 specifically states that utilities are to provide forecasting in their energy efficiency plans. While the forecasting requirement in rules can be read as a part of implementing 476.6(16), there is nothing in the statute that would make that exclusive. Forecasting electric generating needs and gas requirements is important to inform the development of an energy

efficiency plan, but it is not the exclusive purpose of those forecasts. Subsection 16 states the IUB will periodically require utilities to file forecasts. The energy efficiency filings occur every five years. There is nothing inconsistent with the statute in requiring additional forecast reviews outside of an energy efficiency docket. The accuracy of forecasting is important for public utilities to operate efficiently and provide reasonable rates to its customers. It makes sense, then, that the Board could and would require forecast filings more frequently than the five-year cycle EEP filings.

Recent legislative changes have created a greater need for forecasts outside of energy efficiency. Senate File 2311 (2018), in conjunction with Senate File 638 (2019), capped utility spending on energy efficiency programs under Iowa Code Section 476.6(15), in effect decoupling the Energy Efficiency Plan dockets from resource planning and turning them into simple utility program offerings unrelated to energy forecasts. Cost-effective energy efficiency is no less important a resource for the transformation of those specific dockets. In fact, it is now more important that energy efficiency be addressed in a planning context where it can be selected as a cost-effective resource that will reduce the overall cost for customers.

MidAmerican attempts to narrow the interpretation of sections 476.6(12) and (16) to continue to avoid Board oversight. The Board should clarify that in exercising its authority pursuant to Iowa Code § 476.6(12), this is a contested case docket. The Board's clarification will also resolve the questions about access to confidential materials and allow this docket to focus on the substance of the docket, including the potential for \$1.2 billion in savings with the retirement of MidAmerican's coal units.

*B. The Board Should Require MidAmerican to Fully Respond to its Request for Information in This Docket.*

The plain meaning of subsections 12 and 16 gives the IUB broad authority into acquiring information from MidAmerican. All of the information requested by the IUB in this docket is squarely within its purview. The Board's authority including Iowa Code 476.2(4), 476.6(12) and (16) allows it to obtain information in this docket and use the examples of resource planning elsewhere to tailor a robust process to Iowa law and policy.

MidAmerican has not fully complied with the Board's request for information in the Board's order initiating this docket. MidAmerican's actions are directly impeding the Board's ability to conduct this docket and exercise appropriate oversight over MidAmerican, as well as stakeholders' ability to fully scrutinize and respond to MidAmerican's planning (or lack thereof).

MidAmerican continues to refuse to share the complete analysis that it has been conducting that addresses its long-term resource needs. MidAmerican filed a number of documents, many of them confidentially, but it did not include any documents examining coal plant retirements, nor did it provide any current comprehensive long-term planning documents. In fact, MidAmerican represented that such plans did not even exist:

In addition to the above points regarding cost standards, MidAmerican also points out that the Order seems to assume there is a single least-cost analysis of all long-term planning. Order at 2. The language of the Order seems to contemplate that MidAmerican maintains a single, integrated resource plan ("IRP") that contains all long-term planning processes for MidAmerican's generation fleet. *Id.* However, this assumption does not align with MidAmerican's generation evaluation practices.

MidAmerican does not produce or maintain a single IRP for all generation assets or fixed long-term plans for such assets. Instead, MidAmerican is constantly evaluating the current usefulness of its existing fleet and applying a consistent approach to analyzing potential additions to its fleet to serve MidAmerican customers. (MidAmerican Response at 5.)

MidAmerican is either disregarding the Board's request or playing semantic games to hide relevant documents from disclosure and oversight.

It stretches credulity to suggest that MidAmerican does not engage in any comprehensive long-range planning. At a minimum, any responsible utility would engage periodically in a holistic long-range planning exercise—one that considers all of the utilities’ future needs and prospective options together in the big picture—in order to ensure continued ability to meet customer demand and reliability, and to do so in a manner that is cost-effective and otherwise prudent. In that context, retirement of existing assets as well as new generation needs would definitely be identified and addressed. As discussed below, it is clear that MidAmerican has baseline planning documents that make future projections and that the Company has discussed the results of those planning documents internally and with shareholders. If MidAmerican considers those documents to be iterative, it should disclose multiple iterations of those documents and demonstrate what it describes as an approach that “maximizes both flexibility and market responsiveness” by transparently showing how assumptions have changed over time and how that has impacted MidAmerican’s resource decisions. (MidAmerican Energy Company’s Response to Board Order and Request for Clarification at 5 (filed Aug. 12, 2021).) This will enable the Board, stakeholders, and the public to understand and provide meaningful periodic input on MidAmerican’s trajectory into the future, which will benefit Iowa ratepayers as well as MidAmerican itself.

In some of the documents that MidAmerican filed in this docket, such long-range planning documents are referenced. For example, MidAmerican included a January 2020 PowerPoint presentation in its August 12, 2021 filing titled: “MEC/Alliant Generation Swap Review.” In that document, MidAmerican stated: “Overall economics for the transaction were reviewed via an overlay compared to the current 10-year plan.” (MEC/Alliant Generation Swap Review, January 2020 PowerPoint, at p. 3 (filed Aug. 12, 2021).) MidAmerican also explained how it calculated some of the impacts discussed in the PowerPoint, noting: “All O&M and capital data is based on

the current inputs for the *2020 plan*. The fuel and energy impacts are based on the production model (PROMOD) for the *2020 plan* compared against another PROMOD run that assumes the generation swap is made as of 1/1/2021.” (*Id.* at p. 5 (emphasis added).)

While MidAmerican did confidentially file a document titled 2020-2021 Plan Budget, it is not clear to Environmental Organizations if that is the 10-year plan referenced in the Generation Swap Review or some other filed documents. MidAmerican does not appear to have disclosed the plan referenced in various filed documents, the inputs and assumptions for the plan(s), the PROMOD model for the 2020 plan, or the additional PROMOD run conducted as part of the asset swap evaluation. These would clearly fall within the Board’s request for information.

In addition, MidAmerican has indicated in other forums that it does have long-term plans for its coal plants, at least in broad strokes. For example, at an investor presentation in May 2021, Berkshire Hathaway Energy<sup>6</sup> Chairman Greg Abel indicated that all of MidAmerican’s coal power plants in Iowa will retire by 2049, but none would retire before 2031. “Berkshire Hathaway 2021 Annual Meeting Livestream,” Yahoo Finance, at 1:56:30, *available at* <https://finance.yahoo.com/BRKlivestream/?guccounter=1> (last checked Sept. 21, 2021). At an October 26, 2021 Business Link Exchange webinar, MidAmerican CEO Kelcey Brown indicated that the company has current retirement dates for its plants in line with depreciation schedules of the plants.<sup>7</sup> The Board’s request for information in this docket would encompass this information and the assumptions and inputs used to arrive at these statements, but we have seen no evidence that MidAmerican filed this information in this docket. Instead, MidAmerican made general statements implying it does not do this type of planning.

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<sup>6</sup> MidAmerican Energy Company is a subsidiary of Berkshire Hathaway Energy.

<sup>7</sup> MidAmerican has not made the recording of this meeting public, but the Board should request it as part of this proceeding as well as the underlying analysis that formed the basis of statements made about the coal plant retirement timeline.

It is standard practice for utilities to engage in long-term resource planning and for public utility commissions to provide oversight. It is useful to look to examples of other states where robust integrated resource plan (IRP) review proceedings are routine and beneficial to ratepayers and regulators alike as the Board contemplates what the procedural schedule and process consistent with Iowa law in this docket will look like. As these examples are numerous—from Minnesota and Michigan to Arizona and South Carolina, to name just a few—suffice it to say here at a high level that the key features common to the most effective IRP systems include the following:

*Regular multi-year dockets.* Utilities submit an IRP at least every three years. *See, e.g.,* Ark. Admin. Code 126.03.22-6(6.1); 807 Ky. Admin. Regs. 5:058, Section 5(5). The planning environment—including energy costs, regulations, technological information, demand, and other factors—may change rapidly and significantly, so utilities must continuously evaluate the current and foreseeable landscape to respond and provide least-cost, least risk energy to customers. A transparent planning process is also important for the market and the development of alternatives in the region. A three-year planning period strikes a balance between the effort and resources needed for the IRP process and the need for continuous planning updates.

The Board should lay the groundwork for a similar review to take place again in the future based on updated information. This would fit with MidAmerican’s described approach to planning as noted in its response: “MidAmerican is constantly evaluating the current usefulness of its existing fleet and applying a consistent approach to analyzing potential additions to its fleet to serve MidAmerican customers.” (MidAmerican Energy Company’s Response to Board Order and Request for Clarification at 5 (filed Aug. 12, 2021).) A repeated process is also consistent with both the procurement review under 476.6(12) and forecasting under 476.6(16), which both require periodic Board action.

*Thorough documentation and reporting requirements.* Utilities submit a minimum of relevant substantive information and analyses in the IRP, including: planning environment; load forecast; existing resources assessment; needs assessment; new resource options; assumptions and forecasts; resource plan development; caveats and limitations; action plan; prior action plan implementation status update; and avoided cost calculation. *See, e.g.,* Ark. Admin. Code § 126.03.22-4; Ariz. Admin. Code § R14-2-703; 807 Ky. Admin. Regs. 5:058; S.C. Code § 58-37-40(B)(1). Utilities fully document their planning process; retain all documentation for submission with the IRP; and explain and justify all of their assumptions, modeling, and analysis, as well as provide all sources relied upon in its analysis with the IRP. *See, e.g.,* Ariz. Admin. Code § R14-2-703(C)(3); Colo. Code Regs. §§ 723-3:3604, 3606(e); Minn. R. 7843.0400(3)(A)-(D). Rules also require a utility publish its IRPs in its full and complete form on the utility’s website. *See, e.g.,* Mich. Comp. Laws Ann. 460.6t(h). Documentation is critical because without it the Board (and stakeholders) cannot provide oversight.

Here, the Board has started this process with the information it requested in the Order initiating this docket. The Board relied on its authority to “obtain from any public utility all necessary information to enable the board to perform its duties.” IOWA CODE § 476.2(4). MidAmerican failed to provide much of the information the Board requested. The only insight into MidAmerican’s analysis was the bare list of factors that MidAmerican claims to use. The documents MidAmerican filed did not apply the criteria to particular cases of planned or existing generation, making it impossible to evaluate how the criteria are used in practice. None of the claimed “constant evaluation” was filed in the docket. At a technical conference in INU-2021-0001 on August 30, 2021, the Board specifically requested these generation planning documents from MidAmerican, but MidAmerican did not agree to provide them. Such planning documents

would apply the criteria in a current action plan and should include past iterations. The Board should hold firm in requiring MidAmerican to provide that information and should also press for documents that detail underlying assumptions and inputs.

*Robust stakeholder involvement in plan development.* Utilities engage with stakeholders early and regularly, which is critical to the formation of a consensus plan and the public interest. Stakeholder/intervenor involvement is important because they provide expertise and information that the board would not otherwise have. Involvement of stakeholders and additional parties also takes the onus and responsibility off the Board to provide all oversight and transparency and to be an expert on all utility matters. At the close of the process, both regulators and the utilities need a plan to make productive investments. Rather than litigating an exclusively utility-driven plan after its submission—a process that may not result in a satisfactory outcome to any party—utilities gather and reflect input during the IRP’s formation. Utilities actively solicit and incorporate both stakeholder commentary and the regulator’s involvement throughout the IRP development process. *See, e.g.,* Ark. Admin. Code 126.03.22-2, -4(4.8). Utilities meet with stakeholders at regular intervals in the planning process, and establish a minimum number of technical conferences or public meetings. *See, e.g.,* Mich. Comp. Laws Ann. § 460.6t(i) (2017).

MidAmerican’s approach to date has been to shut out stakeholders from the process and to resist this type of involvement at every turn. The Board should make clear that it expects MidAmerican to engage with stakeholders in this process, including providing access to information necessary to evaluate MidAmerican’s resource planning.

The Board should use this docket to restore oversight with a robust and transparent review of MidAmerican’s generation planning consistent with the provisions of Iowa law that includes active participation from interested parties such as the Tech Customers, IBEC, and ELPC, IEC,

and Sierra Club. The Board should require MidAmerican to disclose relevant planning documents so that the Board and interested parties can effectively challenge assumptions/inputs and evaluate MidAmerican's resource decision-making process and this docket should provide a foundation for regular future reviews.

*C. The Board Should Reject MidAmerican's Argument that There Is No Appropriate Proceeding to Evaluate Prospective Planning Decisions for Its Coal Generation.*

MidAmerican's approach in this docket is no different than its approach in multiple previous dockets where issues related to its generation resources have been raised. MidAmerican consistently insists that the Board can only address its coal generation in a piecemeal way in the individual dockets. No docket can look at all aspects of the generation planning process, and therefore there is never a venue for oversight of MidAmerican's planning decisions. If the Board follows MidAmerican's suggested approach, it will eviscerate Board oversight over MidAmerican's generation fleet and leave no venue for the Board to properly protect Iowa ratepayers from the uneconomic decisions of a monopoly utility.

During Wind XII, the parties and the Board extensively explored the issue of when an analysis of the cost-effectiveness of coal plants would be reviewed by the Board. MidAmerican took the position that cost-effectiveness should be addressed in a rate case:

Ms. Williams [Sierra Club counsel]: 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.

RPU-2018-0003, Hearing Transcript, at 118-19 (filed Oct. 23, 2018); Hammer Reply Testimony at 8 (filed Aug. 10, 2018).

However, under questioning by the Board, MidAmerican did indicate a willingness to provide such information on the cost-effectiveness of its coal plants if the Board requested it. RPU-2018-0003, ELPC and IEC Post-Hearing Brief, at 14 (filed Oct. 19, 2018) (citing the Hearing Transcript at 196-97). The Board has now done so in this docket, and it should be firm in requiring MidAmerican to provide that information as it previously promised.

The issue came up again a year later, this time during Interstate Power and Light's (IPL) rate case. In that rate case docket, MidAmerican used the joint ownership of the coal unit to shield the Neal 3 and Neal 4 units from scrutiny. Neal 3 and Neal 4 are jointly owned by MidAmerican, IPL, and several municipal utilities and rural electric cooperatives. MidAmerican is the operator of the two Neal units. MidAmerican used that fact to argue "the appropriate vehicle to consider MidAmerican-operated facilities is in a MidAmerican rate case" even though the Board would be approving IPL expenditures for those plants in the IPL rate case. RPU-2019-0001, MidAmerican Reply Brief, at 3 (filed Nov. 18, 2019). While it is necessary to acknowledge the split in ownership, the effectiveness of a plant must be evaluated as an entire unit and cannot be done effectively looking at only a portion of the plant.

When IPL looked at addressing the jointly owned Neal units in a voluntary resource planning process as part of settlement, MidAmerican weighed in not to provide better information as the operator of the facility, but to avoid engagement and providing information altogether: "To the extent the Settlement or other comments would do so, MidAmerican asks the Board to reject requests to require MidAmerican or its stakeholders to participate in a collaborative resource planning process." RPU-2019-0001, MidAmerican Energy Company's Comments on the Proposed Non-unanimous Settlement Agreement, at 2 (filed Oct. 16, 2019). Thus, when it is convenient for avoiding scrutiny, MidAmerican argues coal plant owners should not be compelled

to participate in analysis of the plants. At other times, MidAmerican has argued that because those same owners have not been part of a process, analysis of a coal plant should not happen. *See e.g.* EPB-2020-0156, MidAmerican Reply to Comments on Proposed Settlement, at 10 (filed Feb. 25, 2021) (citing EPB-2020-0156, Iowa Association of Municipal Utilities, Letter Providing Public Comment (filed Jan. 7, 2021); EPB-2020-0156, Corn Belt Power Cooperative, Comments (filed Jan. 7, 2021); EPB-2020-0156, Northwest Iowa Power Cooperative, Comments (filed Jan. 7, 2021)).

In the most recent EPB docket, ELPC, IEC, and Sierra Club argued that management of emissions from coal plants included consideration of retirement, conversion, and other options that would impact the amount of emissions from those plants. MidAmerican argued that consideration of retirement in an EPB docket was outside of the scope of that docket despite using retirements as an emission management strategy in multiple instances. *See, e.g., In Re: MidAmerican Energy Company*, Docket No. EPB-2018-0156; *In Re: MidAmerican Energy Company*, Docket No. EPB-2014-0156; *In Re: MidAmerican Energy Company*, Docket No. EPB-2014-0156. While the interpretation of the EPB statute is subject to separate litigation, MidAmerican's testimony is noteworthy. In the EPB, MidAmerican argued:

To convert this proceeding into the kind of proceeding advocated by the OCA and the environmental intervenors would result in hugely consequential decisions about generation resources, cost recovery, transmission and distribution costs, and replacement capacity that are only appropriate in the context of other regulatory proceedings (e.g., a general rate case, advanced ratemaking principles proceeding, or a generating siting certificate proceeding) . . . .

EPB-2020-0156, Fehr Reply Testimony at 5 (filed Jan. 7, 2021). This comment is revealing about MidAmerican's strategy. No docket addresses *all* of these issues, therefore, under MidAmerican's faulty reasoning, no docket will ever be appropriate to address MidAmerican's coal plants from a planning perspective. MidAmerican contends that advanced ratemaking is only appropriate to

address new generation and cannot consider coal retirements. Meanwhile, in MidAmerican's view, an EPB docket is not appropriate for addressing retirements, because it only addresses emissions at an existing facility, not that facility's cost-effectiveness, prudence, or the ability to get emissions compliance from alternatives such as retirement or fuel switching. Lastly, it says, a rate case can only address the cost recovery for a coal plant, but the generation decisions are made elsewhere (e.g. advanced ratemaking or a siting certificate). MidAmerican has created a circular argument where there is never an appropriate venue to evaluate and make decisions about the continued operation of its coal plants, because no docket addresses every aspect of retiring and replacing generation. If accepted, MidAmerican's arguments would skirt regulatory oversight and create an imbalance in the regulatory relationship that the Board must address.

The Board should put an end to this game of whack-a-mole, which, as Synapse's analysis demonstrates, threatens to waste over a billion dollars in Iowa ratepayers' money if allowed to persist. The Board should clarify that this is a contested case proceeding pursuant to Iowa Code § 476.6(12) and require MidAmerican to fully respond to the Board's initial requests for information.

#### **VI. Prudent Long-Term Planning is Necessary for Coal Plant Communities.**

The Board's review in this docket is important not only to protect MidAmerican's ratepayers, but also to protect the communities in which MidAmerican's coal plants operate. The Iowa Environmental Council recently contracted with Iowa State University Extension to evaluate the economic impact of coal plants operated by investor-owned utilities in Iowa. The study concluded that coal plants can be economically significant for their local communities through jobs, local purchases, and tax base. *See Exhibit 2, The Economic, Fiscal, and Social Impacts of Utility-Owned Coal-Fired Power Plants in Iowa*, Iowa State University (2021). The Iowa State study evaluated the economic impact, utility replacement taxes, available replacement jobs,

resident attitudes, and insights from community leaders with respect to coal power plants operated by investor-owned utilities in Iowa. The study found that, due to the local economic impacts of coal plants, having advance notice of a coal plant retirement allows workers, local governments, and communities to plan for the transition and reduces negative impacts.

Retiring a coal plant most directly affects the plant's workers, who may transfer to other sites, find other jobs, or retire. The number of jobs at the coal plants already dropped by nearly 100 employees from 2016 to 2020. The study showed that if more workers were displaced from coal plant employment, replacement jobs were generally available, but paid substantially less. Exhibit 2 at 27. On average, replacement jobs would only pay 65 percent as much as the existing positions. *See* Exhibit 2 at 29-30. Depending on the timing of coal plant retirements, many employees may have another option: nearly half of the employees at Lansing Generating Station are eligible for retirement. "Generating station in Lansing to be shut down by the end of 2022 as part of Alliant Energy's Iowa Clean Energy Blueprint," Waukon Standard, Nov. 4, 2020, available at <https://www.waukonstandard.com/articles/2020/11/04/generating-station-lansing-be-shut-down-end-2022-part-alliant-energy%E2%80%99s-iowa>.

For local governments, the study found coal plants were important for county budgets (1.5 percent of revenue, on average) and local school districts (2.9 percent). In smaller communities, this impact can be larger: the Lansing Generating Station provided 2.74 percent of the county budget and accounted for 8.61 percent of the Eastern Allamakee School District budget. A smaller tax base may lead to tax increases on other residents to cover local government expenses.

The upcoming retirement of the Lansing Generating Station has shown that communities appreciate and benefit from advance notice of coal plant retirement. Allamakee County faces more risk than most other communities from the plant's retirement due to the larger share of taxes it

provides. But Alliant Energy’s planning process and advance warning to community leaders has allowed the county to begin planning for changes in its budget. As the mayor of Lansing said, “the only upside to it is the fact that the decision has been made to not close it down until 2022...we knew it was coming at some point in the near future.” *See Id.*

IEC invited local community leaders to discuss the findings and also presented to two MidAmerican vice presidents and other MidAmerican staff.<sup>8</sup> After hearing the findings, Kathryn Kunert, MidAmerican Vice President of Economic Connections and Integration, stated that “it’s great to have a conversation about it and a dialogue.” That communication and coordination is “what you should do to support your workforce.” *Id.* Having that conversation is important because “if you’re not very intentional and you’re doing things, the impact to, you know, workforce, community, tax base, revenue generators, all of that stuff comes into play.” *Id.*

Despite MidAmerican’s acknowledgement of the need for transparency and open dialogue about coal plant retirements, the community focus groups suggest that the utility is not engaging in that dialogue now. Other than Lansing, community leaders across the state were convinced that coal plants would continue operating. *See, e.g.*, Exhibit 2 at 129 (“I would expect that the power plant would stay for a very long time.”), 78 (“I’d imagine they would want to keep it there for another 30, 40, 50 years.”), 146 (“I see coal plants being a part of the foreseeable future, but maybe not in the same way that they have been in the past.”).

Economic development planning requires time, attention, and resources that are likely more readily available in a community before the coal plant closes. Communities can benefit from thinking about the long-term redevelopment plans, rather than having a closure sprung upon them. The effort in this proceeding to address long-term plans for electric generation in Iowa could

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<sup>8</sup> The MidAmerican representatives included Kathryn Kunert, Vice President of Economic Connections and Integration, and Tina Hoffman, MidAmerican Vice President of Corporate Communications and Public Affairs.

provide significant benefits to the workers and communities who would be most affected. Retired generation sites include local assets like transmission, which can attract new development – including renewable generation. *See* Erin Jordan, “Alliant Energy plans Iowa’s largest solar, battery facility at Palo site,” *The Gazette* (Nov. 2, 2021). MidAmerican has long touted the permanent jobs, payments to local landowners, and local property taxes resulting from renewable energy. *See In re MidAmerican Energy Company*, Docket No. EPB-2020-0156, “Guyer Reply Testimony,” Exhibit 2 (filed Jan. 21, 2021). The Synapse report noted that renewable energy yields more jobs than fossil fuels for the same quantity of spending. *See* Exhibit 1 at 24. Iowa already has an in-state supply chain for renewable energy resources that could expand with continued renewable energy growth. *Id.* MidAmerican’s attempts to obscure its plans will prevent this type of local planning and ultimately hurts its customers and local communities.

## **VII. Conclusion**

The Board created this docket to review MidAmerican’s generating fleet, including the potential retirement of coal plants. A new independent analysis by Synapse Energy Economics shows that Iowa ratepayers could *save \$1.2 billion* if MidAmerican retires all of its coal generation by 2030 compared to its current plan of operating those plants indefinitely. The findings from this new analysis are consistent with previous analyses in Iowa dockets and national trends demonstrating coal generation is increasingly costly and uneconomic for businesses and consumers.

The Synapse analysis and potential for \$1.2 billion in customer savings underscores the urgency and importance of the Board’s review in this proceeding. For the foregoing reasons and as discussed above, we respectfully request that the Board take the following actions:

1. Docket this proceeding as a contested case and develop a procedural schedule;

2. Order MidAmerican to supplement the record with information responsive to the Board's initial order opening this docket; and
3. Use the Synapse Report over the course of this proceeding as a basis for finding dates by which MidAmerican coal plants are uneconomic and after which continued procurement of coal for those facilities would be unreasonable and imprudent.

Respectfully submitted this 15th day of December 2021.

/s/ Joshua T. Mandelbaum  
Joshua T. Mandelbaum (AT0010151)  
Environmental Law & Policy Center  
505 5th Avenue, Suite 333  
Des Moines, IA 50309  
Ph: 515-244-0253  
Email: [jmandelbaum@elpc.org](mailto:jmandelbaum@elpc.org)  
**ATTORNEY FOR ELPC**

/s/ Michael Schmidt  
Michael Schmidt (AT0013962)  
Iowa Environmental Council  
505 5th Avenue, Suite 850  
Des Moines, IA 50309  
Ph: 515-244-1194 x211  
Email: [schmidt@iaenvironment.org](mailto:schmidt@iaenvironment.org)  
**ATTORNEY FOR IEC**

/s/ Gabe Rowberry  
M. Gabriel Rowberry, AT0012777  
Sodoro, Mooney, & Lenaghan, LLC  
13924 Gold Circle  
Omaha, NE 68144  
Phone: 402-504-9346  
[mrowberry@smlawoffice.com](mailto:mrowberry@smlawoffice.com)  
**LOCAL COUNSEL FOR SIERRA CLUB**