COMES NOW, the Iowa Economic Alliance (IEA), and provides comments following Policy Charrette #1 held by the Iowa Utilities Board (Board) on August 30 and 31, 2023, as well as in response to the Board’s request for comment filed September 6, 2023. As an initial matter, IEA appreciates the robust discussion held during Charrette No. 1, thanks the Board and London Economics International (LEI) for the fruitful session, and especially thanks the legislature for ensuring that this important review take place.

Integrated Resource Planning

Where the bulk of the participants in the first charrette appeared to clearly support robust integrated resource planning – a process that used to exist in Iowa and currently is conducted in the vast majority of the states – MidAmerican Energy (MidAmerican) argued that a forward-looking, transparent resource planning process would limit its ability to conduct business as it desired.\(^1\) See also MidAmerican Energy Company Charrette 1 Policy Statement at p. 6 (arguing

---

\(^1\) MidAmerican’s position on integrated resource planning is directly contrary to the position taken by other Berkshire Hathaway Energy utilities. See e.g., [https://www.pacificorp.com/energy/integrated-resource-plan/public-input-process.html](https://www.pacificorp.com/energy/integrated-resource-plan/public-input-process.html) (“PacifiCorp has pursued an open and collaborative approach to involve state regulatory agencies, customers and other stakeholders in our Integrated Resource Plan development. Since resource decisions can have significant economic and environmental consequences, conducting this
that Iowa’s current piecemeal approach to regulating generation resources is better than an integrated approach). This is consistent with MidAmerican’s ongoing arguments that there is no docket where resource planning can be considered other than a rate case\(^2\); an argument made possible due to the continual erosion of the Board’s oversight of electric investor-owned utilities over the past decades. See Comments of the Iowa Economic Alliance in Advance of Charrette No. 1, at p. 2, Docket No. NOI-2023-0001. At the first charrette and in other proceedings before the Board, Interstate Power and Light Company (IPL) made clear that it conducts resource planning and understands that resource plans are a necessary part of prudent utility operations. In contrast, MidAmerican has refused to provide any information on resource planning, even when the Board has repeatedly ordered it to do so:

The Board has repeatedly requested additional information from MidAmerican regarding the integration of renewable resources into its existing portfolio, and explicitly requested information relating to the Board’s concern over MidAmerican’s wind-heavy generation mix.

The Board’s orders granting ratemaking principles in wind dockets IV, V, and VI required MidAmerican to file additional information in future dockets as well as, post-NextEra, in Docket No. RPU-2014-0002 (Wind IX), where the Board stated:

\[\text{...in any future ratemaking principle proceedings, MidAmerican is to provide in its prefiled testimony not only a comparison of the proposed generation facility with other feasible long-term sources of supply, but additional analysis regarding interaction of generating resources which might be added within reasonably short time frames. Also, MidAmerican is to address in any future ratemaking principles filings whether there is an upper limit to the amount of planning with transparency and full participation from the regulatory agencies and other interested and affected parties is essential.}^{2}\text{).}\]

\(^2\text{See e.g., In re: MidAmerican Energy Company Electric Power Generation Facility Emissions Plan, Pre-Hearing Brief on Remand, Docket No. EPB-2020-0156, at p. 13 (arguing that the emissions plan and budget planning process is not the appropriate docket to consider MidAmerican’s generation portfolio); In Re: MidAmerican Energy Company, Final Decision and Order, Docket No. RPU-2018-0003, at p. 32 (citing MidAmerican’s argument that the role of generation projects within MidAmerican’s portfolio is not appropriate to consider in an advance ratemaking principles case); In Re: MidAmerican Energy Company, Response to Environmental Organizations, Docket No. SPU-2021-0003, at pp. 1, 2, 7, 8 (arguing that the only appropriate venue for a review of its generation portfolio is within an electric rate case).}\]
wind needed in MidAmerican’s resource portfolio and how MidAmerican plans to meet any projected capacity shortfall.


As noted in IEA’s initial comments, it appears that Iowa Code 476.53, has outlived its initial purpose. The intent of the General Assembly at that time the law was enacted was to attract generation facilities in the state “in sufficient quantity to provide reliable electric service to Iowa consumers, and to provide economic benefits to the state…and shall be implemented in a manner that is cost-effective.” Today, there is no doubt that advance ratemaking principles are not needed to attract generation facilities to the state. For example, there are dozens of active projects in Iowa in the MISO queue. See Attachment 1 – MISO Generator Interconnection Queue Map (last visited Sept. 8, 2023). While not all of the projects will get built, it is certain that not all of the projects in the queue are being built by the electric investor-owned utilities, showing a clear willingness by entities who are not eligible for advance ratemaking principles to build generation assets in Iowa. Not only are non-utility entities willing to build generation without advance ratemaking principles, Iowa’s electric investor-owned utilities do not need advance ratemaking principles to provide adequate, reliable service, as shown by their participation in regional transmission organizations like SPP, PJM, and MISO and the requirement that the utilities provide safe, reliable, and adequate service. As stated recently in the rehearing of IPL’s most recent advance ratemaking proposal, generation across the United States is being built without advance ratemaking because utilities are required to provide safe and adequate service, including the capacity necessary to reliably serve
their customers.\textsuperscript{3} In re: Interstate Power and Light Company, Docket No. RPU-2021-0003, Rehearing Tr. at pp. 174-178. Continuing to incentivize the electric investor-owned utilities to provide adequate service to their customers makes no sense, particularly when that incentive has resulted in millions of dollars of excess profits due to higher returns on equity (ROEs) – an amount that comes directly at customer expense. See Comments of the Iowa Economic Alliance in Advance of Charrette No. 1, Attachment 1, Docket No. NOI-2023-0001. It defies logic that the electric investor-owned utilities insist that Iowans must incentivize them – at ever growing premiums\textsuperscript{4} – to meet the minimum requirement of providing safe, reliable, and adequate service.

Stability and Affordability

Rate stability was presented in the charrette discussions by some parties as the be-all and end-all of utility regulation. In fact, the very real concerns of existing excessive cross-class subsidization were shrugged off in favor of “rate stability” and avoiding increases in base rates. Yet, rates have been increasing in Iowa and have been far from stable.\textsuperscript{5} As noted earlier, MidAmerican’s energy adjustment clause (EAC) tripled within the same year – the very antithesis of rate stability. This caused large rate increases for all classes of MidAmerican customers. See Order Approving Energy Adjustment Clause Factor and Holding Docket Open for Additional Review, Docket No. EAC-2022-0156 (finding that a lower EAC rate than MidAmerican later indicated it actually needed would nonetheless “result in an 8 percent monthly bill increase for

\textsuperscript{3} IPL’s affiliate Wisconsin Power and Light Company built solar projects with an ROE that is determined in rate case. See Docket No. 6680-UR-124, Bulkley Direct Testimony, at p. 7 and Brummond Direct Testimony, at pp. 5-10.

\textsuperscript{4} Comments of the Iowa Economic Alliance in Advance of Charrette No. 1, at Attachment 2, Docket No. NOI-2023-0001.

\textsuperscript{5} Between 2013 and 2021, and when adjusted for inflation, MidAmerican’s residential rates have increased by 20.5\%, commercial rates by 20.4\%, and industrial rates by 32\%. 

residential and commercial customers, a 12 percent monthly bill increase for industrial customers, and an 11 percent monthly bill increase for industrial customers.”); see also generally filings in Docket No. EAC-2022-0156.

Measuring affordability, particularly for large energy users, is critically important. Affordability not of base rates but all-in energy costs is a critical concept that has been ignored in favor of focusing on base rates. Increasing total energy costs create competitive pressure for existing customers in Iowa and hamper efforts to have existing customers expand their presence in Iowa as well as to attract new customers to Iowa. Affordability within this context takes several forms. One is energy costs, discussed above. A well-planned generation portfolio can help mitigate fluctuations in energy costs yet, absent resource planning in Iowa, large – and more importantly unpredictable – changes in energy costs are more likely to continue to occur. Another measure of affordability is ROE. As discussed in IEA’s prior comments, because Iowa’s electric investor-owned utilities demand a premium ROE before they will build generation assets,⁶ it follows that Iowa’s average ROE is higher than the ROEs of utilities in several neighboring states. See Comments of the Iowa Economic Alliance in Advance of Charrette No. 1, Attachment 3, Docket No. NOI-2023-0001. This ROE differential is one metric that could be evaluated when evaluating affordability as it results in an unnecessary inflation of the rates that customers pay.

Another critical affordability consideration is whether the rates in place accurately reflect the actual cost to serve a customer or class of customers. To IEA’s knowledge, MidAmerican is the only utility in the country who utilizes the hourly cost model – an allocation model that is not

---

⁶ Docket No. RPU-2021-0003, Rehearing Transcript p. 95 (August 2, 2023).
recognized by the NARUC electric cost allocation manual.\textsuperscript{7} The subsidies that large users argued would occur have in fact been realized over the past decade and continue to increase in size each year.\textsuperscript{8} Moreover, MidAmerican’s customer mix and load profile has changed greatly over the past ten years\textsuperscript{9}, yet there have been no adjustments to cost allocation nor any willingness to explore whether the allocation model allows for just and reasonable rates for all customers because there has not been a rate case in a decade. Despite this issue, customers have no recourse to pursue either an evaluation or relief from the current state. \textit{See} Order Denying Request for Technical Conference, Denying Request to Terminate Triennial Reporting, and Requiring Revised Triennial Reporting Format, issued Nov. 20, 2020, and Order Denying Requests for Investigation, issued Sept. 19, 2017, Docket No. RPU-2013-0004 (collectively denying both a customer-requested technical conference and an investigation into cost allocation, noting concerns over the hundreds of millions of dollars of MidAmerican’s advance ratemaking assets that would be included in rates if cost allocation was revisited\textsuperscript{10}). The reluctance to even consider whether the current allocation method and results are appropriate ten years later presents very real and increasing harm to the state’s largest users and, with energy costs being one of the largest operational costs of these


\textsuperscript{8} \textit{See e.g.}, Docket No. RPU-2013-0004, Summary Schedules IA Electric 2022 TY, Schedules A and B (May 2, 2023), illustrating a subsidy of over $100 million.

\textsuperscript{9} Examples of the changes in MidAmerican’s system since cost allocation was last set in 2013 include: (1) system peak increasing from 4,942 MW in 2015 to 5,386 in 2022 (projected); (2) rate base increasing from $7.2 billion in 2016 to $13.98 billion in 2022; (3) retail sales increasing from 21 billion kWh in 2016 to 27 billion kWh in 2022; and (4) ICR class percentage of sales increasing from 22% in 2016 to 36% in 2022.

\textsuperscript{10} The concern over the potential rate impact has only grown since the Board’s orders and is a direct result of revenue sharing, which permits MidAmerican to continually and consistently earn above its authorized return while avoiding rate cases. If MidAmerican was regulated in a manner consistent with the other utilities in Iowa, this concern would be nonexistent because MidAmerican would have had to conduct regular rate cases, which would help ensure just and reasonable rates as well as avoiding the potential rate shock that has allowed the revenue sharing arrangement to continue.
businesses, a valid reason to table any expansion plans or to consider leaving the state in favor of a more equitable regulatory framework.

Another key affordability metric is how much more customers pay to their incumbent electric investor-owned utility compared to how much lower their rates would be if they had a choice in their energy provider or a proxy for that choice. IEA’s analysis indicates that large energy users’ rates would decrease by 20% if those customers could access energy directly from the market or energy costs that approximate market prices. With such options, not only would large users’ rates decrease, all users’ rates would decrease because when faced with a potential loss of their monopoly power, the electric investor-owned utilities would be forced to make efficient, prudent decisions in an effort to keep their energy costs more in line with the market.

CONCLUSION

As the participants’ written comments and discussion at the first charrette revealed, and as the legislature recognized, a comprehensive review of utility and energy regulation in Iowa is long overdue. Important changes are necessary to bring the regulatory compact into balance and to ensure Iowa’s customers are paying just and reasonable rates that reflect their actual cost of service. IEA looks forward to continued robust discussion with the interested stakeholders, LEI, and the Board in the remaining charrettes.

WHEREFORE, Iowa Economic Alliance requests that the Iowa Utilities Board accept IEA’s comments regarding the questions found in the Board’s September 6, 2023 list of questions following the first charrette.
Dated September 8, 2023.

Respectfully Submitted,

BROWN, WINICK, GRAVES, GROSS & BASKERVILLE, P.L.C.

By /s/ Samantha C. Norris

Samantha C. Norris
Matthew H. McKinney
666 Grand Avenue, Suite 2000
Des Moines, Iowa  50309-2510
Tel. (515) 242-2400
Fax: (515) 323-8518
samantha.norris@brownwinick.com
matt.mckinney@brownwinick.com

ATTORNEYS FOR THE
IOWA ECONOMIC ALLIANCE