

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

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2019-0001
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**DIRECT TESTIMONY
OF
WARREN B. MCKENNA**

1 **Q. Please state your name and your business address.**

2 A. My name is Warren McKenna. My business address is 1991 Angle Rd SW,
3 Kalona IA 52247.

4 **Q. Are you the same Warren McKenna who previously filed direct testimony in**
5 **this proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. I will address IPL witnesses' rebuttal to my Direct Testimony on the renewable
9 energy programs, including:

- 10 • Value of Renewable Energy Credits (RECs)
- 11 • Avoided Transmission Costs
- 12 • Inappropriate Net Metering Changes
- 13 • Value-of-Solar Study

Value of Renewable Energy Credits (RECs)

1 **Q. IPL witness Jason Nielsen states in his rebuttal testimony, at page 16, lines**
2 **14-15, that “the market value for RECs is currently very minimal.” Do you**
3 **agree with his assessment?**

4 A. No. IPL itself offers a Second Nature¹ program where customers can buy clean
5 energy, presumably through the purchase of RECs. The market value of a REC
6 through the IPL Second Nature program is \$0.01 per kWh for a combination of
7 wind and solar. One cent per kWh is not a minimal value. Adding \$0.01 per kWh
8 to IPL’s proposed buyback price would increase the value of energy produced by
9 18%, not an insignificant addition.

10 **Q. Mr. Nielsen also states at page 16, line 17 that “most customers have**
11 **indicated that they gain more intangible value from retirement of RECs**
12 **rather than receiving the financial proceeds from sale.” What is your**
13 **response?**

14 A. Some customers may feel that way and could elect to have IPL retire the RECs on
15 their behalf. However, other customers may feel that the monetary value of the
16 RECs is greater than the “intangible value” from retiring them. This is an option
17 that should be provided to the customer. The RECs belong to the customer, and
18 they should have options of what to do with them.

19 **Q. At page 16, line 19, Mr. Nielsen states that “monetization of RECs for the solar**
20 **facilities would undercut the renewable value of the resource for that participating**
21 **customer. Once the REC is sold, the customer may no longer claim that the**

¹ <https://www.alliantenergy.com/InnovativeEnergySolutions/SustainableEnergyChoices/SecondNature>

1 generation is renewable. If monetized, IPL would effectively have to notify those
2 customers that their energy from the community solar facility is grid energy.” Do
3 you agree with his assessment?

4 A. No. Monetizing the environmental attributes of distributed generation resources
5 (DGRs) would help the customer understand the value behind the environmental
6 benefits. The option would then fall to the customer to decide whether to
7 monetize those benefits, or to allow IPL to retire the RECs in their behalf.

8 **Avoided Transmission Costs**

9 **Q. IPL claims that the sizing of a distributed generation resource would not be**
10 **significant enough to cause a change in transmission system planning.² What**
11 **is your response?**

12 A. When load diversity is considered along with the aggregation of DGRs, DGRs
13 become significant enough to lower substation demand and IPL coincidental
14 demands that are used to determine wholesale energy transmission costs.
15 Customers should see the benefit from any potential reduction in these costs. A
16 value of solar study would show this to be true. This is why the Board should
17 order a value of solar study.

18 **Q. Please explain.**

19 A. One component that should be included in a value of solar study is to identify
20 avoided cost savings under the current ITC Transmission tariffs due to wholesale
21 billing demand reduction. Other components to consider would be savings from

² Nielsen Rebuttal Testimony. Page 9 line 12-23.

1 distribution line loss, capacity reductions, system performance, and increased
2 reliability.³

3 **Q. IPL also claims that it would be inappropriate for IPL to conduct such a**
4 **study because MISO is responsible for planning and operating the**
5 **transmission system.**

6 A. It would indeed be appropriate for IPL to evaluate the financial impact of demand
7 reductions and transmission costs avoided for the simple reason that energy
8 produced by DGRs does not have to travel on the transmission grid to provide
9 transmission services to the local grid and reduce transmission costs.

10 **Net Metering Changes**

11 **Q. IPL witness Vognsen proposes on pages 47-48 of his rebuttal testimony, to**
12 **adjust IPL's net-metering (NEM) tariff for Residential and General Service**
13 **DG customers to charge a transmission cost for all utility-delivered energy**
14 **(including net metering credit kWh), which is equivalent to stripping that**
15 **value from energy exported to the local grid within the NEM tariff. Is Mr.**
16 **Vognsen's proposal appropriate?**

17 A. Absolutely not. First, it is entirely inappropriate to change the net metering tariff
18 in this docket. That tariff is a product of over three years of testimony and with
19 clear Board orders establishing a pilot tariff terms and conditions to be in effect
20 for at least three years, until (presumably) modified in a successor tariff docket.

21 Second, as discussed above, there is clear value in avoiding transmission fees with
22 generation located on and utilizing only the distribution grid. These benefits must

³ See <https://www.sciencedirect.com/topics/engineering/diversity-factor>

1 be recognized in all customer-facing programs, whether NEM, community solar,
2 or otherwise. They should also be more clearly defined via a Value of Solar study,
3 discussed in the next section below.

4 **Value of Solar (VOS) Study**

5 **Q. PL Witness Nielsen contends that a Value of Solar Study would be a “rigid,**
6 **cumbersome, and unnecessary” step, and because the Board has not ordered**
7 **a VOS study in previous dockets, it should decline to do so yet again. What is**
8 **your response?**

9 A. Suggesting the Board must not order a VOS study now because it have not done
10 so in previous dockets is akin to saying a farmer shouldn't purchase needed
11 equipment because the need or cash wasn't there last year, or saying a local
12 government with growing population shouldn't adopt a building code or hire an
13 inspector because they deferred on the issue some time ago.

14 There is an appropriate time and place for tools of every trade, and now is the
15 time for a VOS study to join the Iowa regulatory toolbox. In the customer-side
16 renewable energy programs IPL proposes here, the company opens the door to
17 methodologies of identifying and stacking values of customer-side generation.
18 Yet as we and other intervenors have testified, their value stack is seriously
19 incomplete, and so is neither reasonable nor just.

20 It is widely recognized that customers have the right to generate and to do so
21 while connected, on fair terms, to the distribution grid⁴. The question of who

⁴ See, for example, Wellinghoff and Weissman, [The Right to Self-Generate as a Grid-Connected Customer](#), Berkeley Law Scholarship Repository, 11-1-2015; [Nevada's Renewable Energy Bill of Rights](#), which states “The Legislature hereby declares that each natural person who is a resident of

1 determines those fair terms is fundamental to this docket, and the broader
2 evolution of a participatory grid with steadily growing customer-side distributed
3 energy resources (DERs). Allowing an investor-owned utility to define values for
4 customer-side DERs such as owned or community solar – subject only to limited
5 critique in a rate case – is akin to the proverbial fox guarding the henhouse: the
6 proposed terms will always favor company shareholders over Iowa customers and
7 communities.

8 The question of how to arrive at reasonable and just valuation of small-scale,
9 customer-owned (or invested in/subscribed to, in the case of community solar)
10 generation has indeed arisen in previous dockets. The most relevant was the
11 “distributed generation docket” NOI-2014-0001. The decision point at which the
12 Board determined to continue net metering on a pilot basis came after nearly two
13 years of investigation, and clearly did not rule out the need for a VOS study in the
14 future⁵ (which would be equally relevant to behind-the-meter DG solar, or
15 community solar). The Board stated:

16 Given the current status of DG development and net metering in
17 Iowa, additional information is required before any permanent
18 policy or rule changes are made. One option would be to conduct a
19 study on DG in Iowa, including quantification of costs and
20 benefits. ***However, it appears such a study would be premature
21 because of the relatively low DG penetration levels in Iowa.***
22 Another option, and the best one for Iowa, is for the utilities to

this state has a right to (among other things) generate, consume and export renewable energy and reduce his or her use of electricity that is obtained from the grid and fair credit for any energy exported to the grid; DAG witness Johnson’s discussion in Direct Testimony in this docket of the natural “first monopoly” of customers and communities.

⁵ Page 7-8,
<https://efs.iowa.gov/cs/groups/external/documents/docket/mdax/mtqx/~edisp/1141884.pdf> , October 30, 2015 (emphasis added)

1 conduct pilot projects exploring various aspects of net metering or
2 other DG issues that could be used to inform future policy or rule
3 changes. Pilot projects would provide information quicker without
4 having to wait for higher DG penetration levels for a viable study.

5 It is clear that DG growth has continued and accelerated since that time, and will
6 continue to do so. Now is the time for a comprehensive, independent, VOS study
7 in Iowa.

8 **Q. Do you have any guidance to offer the Board in connection with your**
9 **proposed VOS study?**

10 A. Yes, we offer the following suggestions and considerations:

- 11 • A VOS study should be a process led by a neutral party (e.g., the Board, or
12 Office of Consumer Advocate), and ideally conducted by an independent
13 third party firm with experience in VOS processes and studies in other
14 states. If the VOS is left to an investor-owned utility to conduct (the fox
15 guarding the henhouse), the results will likely never be accepted by the
16 broader stakeholder community, and be challenged indefinitely.
- 17 • The process is critical, and should encourage and enable participation
18 from a wide range of stakeholders. The inclusive process should also be
19 designed for regular updates and adjustment, as the results of any study
20 will decline in relevance over time.
- 21 • It is our recommendation that the Board open a new docket, order the
22 conduct of the VOS study, define its general parameters and require that it
23 be applicable to both of Iowa's investor-owned utilities – IPL and
24 MidAmerican Energy.

- 1 • A VOS study may estimate a VOS, but that doesn't mean that the Board is
2 required to inflexibly use that VOS for all DG tariffs. A VOS study could
3 measure multiple values of various projects, like residential and small
4 business DG to large customer-sited DG to community solar. Indeed, a
5 VOS study would likely show that there is higher value to solar *the closer*
6 *it is situated to customer load.*
- 7 • A VOS does not need to be a precondition to allowing IPL's community
8 solar program to go forward on a pilot basis, but it should help inform the
9 Board's decision on solar in the future. We strongly suggest that;
- 10 ○ approval of IPL's proposed community solar program be
11 contingent upon improvements recommended by DAG and other
12 intervenors,
- 13 ○ the program be approved as a two-year pilot, subject to term/rate
14 revisions depending on the outcome of a VOS, and
- 15 ○ future adjustments to the community solar terms, to the degree
16 they're favorable to customer/subscribers, be applicable to ALL
17 subscribers, not only new subscribers. This will provide confidence
18 to participants that they need not worry about the "pilot" status of
19 the program, and losing out on better terms in the future.

20 **Q. Does this complete your surrebuttal testimony?**

21 A. Yes, it does.

