STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NO. TF-2020-0237**

Reply Comments

COMES NOW, Winneshiek Energy District ("***WED***") with reply comments. WED submitted initial comments and an objection in this docket on July 21, 2020, and response comments to the Board's question list on October 16th. Below we reply to IPL comments on the issue of meter aggregation, and IPL and OCA comments on the treatment of renewable energy credits (RECs).

Meter Aggregation

> **Board Question 2. IPL's proposed inflow-outflow tariff does not specifically identify whether customers will be allowed to aggregate accounts at different geographic locations to "virtually" meter.**
>
> **Please clarify whether customers participating in the inflow-outflow billing arrangement will be allowed to "virtually" net meter.**

IPL argues against meter aggregation first by noting that Iowa Code § 476.49 (1)(b) uses the singular when describing a distributed generation customer and an eligible distributed generation facility.

We suspect the Board has a clear understanding of the legal/legislative "singular includes the plural" principle, but for clarification, the *Iowa Bill Drafting And Style Guide*[1] states "Normally the singular does include the plural, in order to avoid the necessity of using both singular and plural words throughout the Code". The related point that the facility's generation capacity is intended to serve only the on-site electric requirements of the customer is equally applicable to aggregated meters, as in each case the assigned production would be serving the on-site needs of the facility, in other words, not intended for resale to others or for sale to a utility.

IPL goes on to argue that SF 583 defines "net metering" as "*a single meter* monitoring only net amount of electricity delivered to and exported by an eligible distributed generation facility …," adding emphasis to the italicized words. This language is entirely consistent with a single-customer aggregate net metering approach, whereby 1) a single eligible distributed generation facility installed by 2) a single customer, where the customer had adequate space, would 3) be connected behind a single meter that would monitor the net amount of exported electricity, and then 4) be applied sequentially to the monthly usage of the aggregated list of meters as determined by the customer.

We believe there is nothing in the code or rules that prohibit the Board from allowing single-customer meter aggregation, and noted in our initial comments that according to the National Council of State Legislatures[2], at least 17 states allow it. The comments submitted from many communities testify to the value and importance of single customer meter aggregation. The Cities of Cresco, Everly, Marquette, Central City, Oelwein, and Fairfield, as well as Johnson County and the Linn Clean Energy District, have all submitted comments emphasizing the

[1] P 43, http://publications.iowa.gov/28290/1/2018%20Iowa%20Bill%20Drafting%20Guide.pdf
[2] National Conference of State Legislatures (NCSL); web page on State Net Metering Policies (https://www.ncsl.org/research/energy/net-metering-policy-overview-and-state-legislative-updates.aspx); 11/20/2017.

importance and value of meter aggregation to local governments and institutions. For the benefit of Iowa communities and their citizenry, we encourage the board to allow single customer meter aggregation in any version of the new net metering tariffs.

Renewable Energy Credits (RECs)

> **Board Question 4. The first full paragraph on IPL's tariff Sheet No. 42.3 and the fifth paragraph on MidAmerican's tariff Sheet No. 383 state: "The Company shall own and have title to the renewable energy attributes, renewable energy credits, and greenhouse gas emission credits related to all outflow credits."**
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> **IEC/ELPC and Winneshiek argue that the customer should retain all RECs produced when the outflow rate is set at the retail rate and notes that RECs will be specifically accounted for in a value of solar rate. Iowa 80 Truckstop believes RECs should remain with the customer.**
>
> **Please respond to the comments raised by IEC/ELPC, Winneshiek, and Iowa 80 Truckstop.**

IPL claims that SF 583 "significantly changes the existing net metering structure by separating and separately accounting for the purchase of electricity from the utility and the sale of energy produced by an eligible distributed generation facility."

IPL also discusses the fact that net metering customers (whether prior net metering, or future net billing or inflow-outflow) receive a higher value for their outflow energy than avoided cost, and so "it is reasonable that if IPL is required to pay a higher rate for renewable energy that IPL receive the associated renewable attributes."

OCA appears to agree with both these premises, in stating that "the retail compensation rate for outflow purchases is much higher than utility avoided cost rates", and that "Iowa Code § 476.49 imposes a mandate on the customers of IPL to purchase all outflow energy" and so "as a

matter of fairness this purchase obligation should include all associated environmental benefits including RECs."

The claims that the SF 583 purchase mandate is a new mandate, and for some reason should be compared to a traditional PPA in which a utility pays avoided cost to large private generators, both rest upon the false premise that there is a fundamental difference between pre-SF 583 net metering and post-SF 583 net metering. There is not. One is a continuation of the other. The legal mandate on the utility to purchase outflow energy at essentially retail value is not fundamentally different than the mandate under current net metering or that which has existed in all prior versions of net metering.

SF 583 does not "change the existing net metering structure by separating and separately accounting" for purchase and sale, but simply creates two billing mechanisms through which the utility may offer a net metering tariff. The Net Billing (NB) mechanism measures outflow energy in kilowatt hours and allows the customer to "use the kilowatt-hour credits to offset kilowatt-hours in future billing periods", while the Inflow-Outflow (I/O) mechanism also measures the outflow energy in kilowatt hours, converts the energy to a dollar credit, and allows the customer to "use the dollar credits to offset any applicable volumetric charges, including applicable rider charges, billed on a kilowatt-hour basis." The NB mechanism is virtually identical to the net metering tariffs currently in effect, and the I/O mechanism is a modified version of the same principle. A utility is free to choose either, and not forced either way.

The process and effect of the two mechanisms are the same. Neither is a "sale" of energy to the utility any more than current or previous versions of net metering, but rather a bill credit that a customer may apply to offset utility purchases. Neither allows for cash payments to the customer, except for the NB mechanism which allows for an annual cash-out of surplus credits *at the utility's*

avoided cost rate, to be "divided evenly between the customer and the electric utility's low-income home energy assistance program." Under the I/O mechanism, annual surplus credits "shall be forfeited to the rider used by the electric utility pursuant to subsection 7." Neither functions as a classic PPA between a utility and a large energy provider any more than the current and previous net metering tariffs have, and it is no more appropriate to define the outflow energy value as "generous" and somehow allow the confiscation of customer-owned RECs than it would have been under the current or previous versions of net metering.

Clearly the Legislature intended both billing mechanisms as continuations of traditional net metering. Pre-SF 583 net metering, like most "retail based" net metering programs, was long considered a relatively fair, if imprecise, balance of trade between the solar owner and the utility. The net metered energy flows from solar owners have always included a "bundle of benefits" to the utility, just as utility provided energy flows include a "bundle of benefits" to the customer. Simply because a utility chooses the I/O billing mechanism does not infer a right to unilaterally unbundle and strip solar owners of certain benefits, in this case the RECs.

In fact, SF 583 did include a mechanism to unbundle and more precisely identify the value flows (both costs and benefits) involved in net metering, and that mechanism is the Value of Solar (VOS) process: a "value of solar rate shall be determined through the use of a methodology that calculates the benefits and costs an eligible distributed generation facility provides to, or imposes on, the electric system." The VOS methodology lists many costs and benefits to be considered, including "(7) Environmental compliance costs" which, in VOS methodologies, includes reduced or avoided greenhouse gas emissions. In SF 583, the Legislature created two parallel billing mechanisms to continue the current net metering "fair balance of trade" paradigm, and simultaneously created a mechanism to achieve a more fine-grained evaluation of cost and benefits

at a time many years in the future. That VOS methodology is the appropriate time and method to consider the true value of RECs, together with all the other costs and benefits of customer-owned solar, and to adjust the outflow purchase rate and terms and conditions accordingly, not now.

Both IPL and OCA claim that non-DG customers would somehow be harmed by not sharing in the potential benefit of the DG customer's outflow energy RECs, yet neither quantify that harm. We believe that customer ownership of RECs is a long-standing, fundamental principle that ought to be respected, until a VOS methodology allows for more fine-grained analysis and quantification of specific costs and benefits of customer generated outflow energy. If the Board agrees with IPL that the outflow purchase rate is so generous that it must include RECs, we also suggest a corollary principle: that those who invest in and own solar (or other forms of renewable energy generation), *almost always for a combination of environmental and economic reasons*, at least hold the right of first refusal to all RECs associated with their production.

This principle suggests that if the Board agrees that a "retail equivalent" outflow purchase rate includes the value of the RECs and so their transfer to the utility, then there exists an obligation to define that REC value and *offer the customer the option of retaining RECs* at a cost equivalent to the defined value. In practice, this would mean establishing two outflow purchase rates. A DG customer would then choose, at the time of signing the interconnection and tariff contract, the "full retail" outflow purchase rate (through which they forfeit RECs associated with outflow energy), or the slightly reduced outflow purchase rate (through which the customer retains ALL RECs associated with their outflow energy). (In both cases, the customer owns all RECs associated with behind-the-meter production and usage.) This scenario of two outflow purchase rates brings us back, of course to the VOS methodology, which is intended to go through just this type of exercise

for the environmental values (RECs) as well as a long list of additional values, at some future point in time.

IPL or another party may respond to the principle of a DG customer's right of first refusal to their RECs with the suggestion that customers losing RECs to utility confiscation may turn around and participate in the utility's green power purchase program, in IPL's case the Second Nature program.[3] There are two fundamental problems with this argument. The first is that most customers that invest in solar do so for a combination of environmental (climate stewardship) and economic reasons, as we discussed extensively in our initial objection. The moral and ethical benefits of one's own investment in renewable energy will always carry greater value to the owner and investor of that facility than to a third party, whether the utility or other ratepayers. The trojan horse represented by utility attempts to discourage customer-owned renewable energy investments through confiscation of environmental values (RECs) cannot be mitigated by a separate and unequal green power purchase program.

The second problem with comparison to the Second Nature (or similar) program is the false equivalence of REC destination and cost/value. Theoretically, customers buying into such programs are assured that their investment is applied towards additional renewable energy investments that are separate from a utility's rate-based and owned, or purchased, renewable energy generation portfolio. In this docket, IPL makes it clear that they intend to lump the RECs from customer-owned solar in with the RECs from all utility owned and PPA contracted generation, which are currently retired and used to establish an annual Board-verified renewable energy percentage figure. "For example," the company says in its comments, "in Docket No. SPU-2020-0011, IPL has requested that the Board verify that IPL delivered 26.5 percent of all

[3] https://www.alliantenergy.com/InnovativeEnergySolutions/SustainableEnergyChoices/SecondNature

generation from renewable sources in 2019 and IPL noted that this percentage will grow in the future as IPL has brought new wind generation online in 2020."[4]

Iowa does not have a renewable portfolio standard in effect that requires more utility owned renewables, nor is Iowa part of a compliance marketplace that establishes emissions offset or REC values. If the Board chooses to go through the exercise of determining the value of customer-owned DG RECs, in order to establish an optional (slightly lower) outflow purchase rate that would allow customers to retain all the RECs from their own facility (including outflow energy), such a value should be based solely upon the current value of RECs from utility-owned wind with which they will ultimately be aggregate, per IPL's comments.

What is the value of RECs associated with utility-owned wind in Iowa? There is no easy answer to this question, because there is no compliance market. Absent such a market, and very broadly speaking, the value of a REC should be related to the marginal cost of generating renewable power over that of generating from fossil fuels. The best approximation we have of this is IPL's recently approved Renewable Energy Rider[5] (RER). The RER is an additional per-kilowatt hour charge on customer's bills representing an aggregate of investment costs and benefits the company is incurring – theoretically over and above the value of other energy options – in building their New Wind I and New Wind II facilities.

The RER is a highly complicated formula, but it is important to note that the rider itself makes clear that it includes the renewable energy attributes and RECs associated with the wind energy projects. It also states that

[4] IPL comments from October 16th, p5; https://efs.iowa.gov/cs/idcplg?IdcService=GET_FILE&dDocName=2043015&allowInterrupt=1&noSaveAs=1&RevisionSelectionMethod=LatestReleased

[5] Rider RER, Renewable Energy Rider, sheet #91, accessible here: https://www.alliantenergy.com/CustomerService/AlliantEnergyService/RatesandTariffs/ElectricRatesIOWA#Riders

> Upon the written election by any Electing Customer, IPL shall retire, or retire on behalf of the Electing Customer (so long as retirement on behalf of such Customer does not jeopardize IPL's ability to comply with environment regulations or constitute transfer of the environmental and compliance benefits), through the Midwest Renewable Energy Tracking System ("M-RETS") or other comparable process acceptable to the Electing Customer, such Electing Customer's pro rata share of the environmental and compliance benefits of New Wind I and II that are not needed by IPL for environmental compliance.

The RER cost that customers pay on their bills for these IPL wind projects clearly includes the REC value, and it is these RECs to which IPL desires to bundle customer-owned solar RECs and retire on behalf of all customers. As stated on the rider sheet, the RER that all customers pay is $0.00272/kWh, or just over a quarter of a penny per kilowatt hour. If the Board agrees with IPL and determines that a full retail equivalent outflow purchase rate should include the transfer of outflow energy RECs to the utility, then we reiterate the importance of the Board establishing an optional "REC-retention" outflow purchase rate adjustment for DG owners. This adjustment should reduce the full outflow-purchase rate by not more than, and theoretically something less than, the roughly quarter-penny per kilowatt hour cost of the RER that all customers currently pay to IPL for wind.

We continue to believe, however, that the long-standing principle of net metering customers owning the RECs associated with all their generation should stand, and that the better part of wisdom suggests waiting for the VOS methodology before attempting to separate a single benefit (RECs) from the bundle of benefits represented by customer-owned DG.

Respectfully submitted,

/s/ Andrew Johnson
Executive Director
Winneshiek Energy District
October 21, 2020