

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD

IN RE:  DISTRIBUTED GENERATION	DOCKET NO. NOI-2014-0001
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**RESPONSE TO MIDAMERICAN ENERGY COMPANY’S  
PRELIMINARY IMPLEMENTATION PLAN**

The Office of Consumer Advocate (“OCA”), a division of the Iowa Department of Justice, provides the following Response to MidAmerican Energy Company’s (“MidAmerican”) Preliminary Implementation Plan filed on March 28, 2016.

**FACTS**

On January 7, 2014, the Iowa Utilities Board (“Board”) issued an order commencing an inquiry into distributed generation (“DG”), inviting participants to comment on broad general questions related to the benefits and challenges of DG, both for utilities and their ratepayers, on policies that should be examined with respect to DG, and to identify the technical, financial, regulatory, and safety aspects of DG that participants would like to address in this inquiry docket. (Order Regarding Policy Statement, October 30, 2015, p. 1). Comments were received from over 170 participants, including utilities, utility associations, environmental groups, renewable energy advocates, and other organizations, businesses, and individuals. (Order Regarding Policy Statement, October 30, 2015, p. 1).

After considering the comments, the Board decided not to adopt a separate policy goal with respect to distributed renewable generation. (Order Regarding Policy Statement, October 30, 2015, p. 6). The Board determined that Iowa Code §§ 476.41 and 476.53A (2015)

sufficiently articulate the Legislature's intent to encourage renewable generation. (Order Regarding Policy Statement, October 30, 2015, p. 6).

Additionally, the Board determined that given the current status of DG development and net metering in Iowa, additional information would be required before any permanent policy or rule changes are made. (Order Regarding Policy Statement, October 30, 2015, p. 7). The Board discussed that one option would be to conduct a study on DG in Iowa, including quantification of costs and benefits but determined such a study would be premature because of the relatively low DG penetration levels in Iowa. (Order Regarding Policy Statement, October 30, 2015, p. 7). The Board ultimately concluded the best option would be for the utilities to conduct pilot projects exploring various aspects of net metering or other DG issues that could be used to inform future policy or rule changes. Pilot projects would provide information quicker without having to wait for higher DG penetration levels for a viable study. (Order Regarding Policy Statement, October 30, 2015, p. 7).

The Board determined a pilot approach creates an opportunity for innovation and the exploration of best practices outside the parameters of current net-metering policies. (Order Regarding Policy Statement, October 30, 2015, p. 7). It also provides an opportunity to make changes on a limited basis in order to determine the impacts that those changes might have on the utility and its customers prior to making these changes permanent. (Order Regarding Policy Statement, October 30, 2015, p. 7).

The Board also concluded pilot projects would avoid making significant changes to net-metering rules which may be premature since it is unclear whether the growth in DG will continue, given the uncertainty surrounding the future of the federal investment tax credits for solar projects. (Order Regarding Policy Statement, October 30, 2015, p. 8). Federal tax credits

set to expire at the end of 2016 and changes to Iowa Solar Energy System Tax Credits could impact solar's growth in Iowa. (Order Regarding Policy Statement, October 30, 2015, p. 8). The Board decided there was not sufficient information to change or expand the net-metering rules at this time. (Order Regarding Policy Statement, October 30, 2015, p. 9).

The Board suggested treatment of excess net-metering credits, such as diversion of any excess credits to a low-income fund, and whether the net-metering cap should be increased as two key topics that should be part of a net-metering pilot. (Order Regarding Policy Statement, October 30, 2015, p. 8). The Board encouraged all utilities (municipal, rural electric cooperatives, and investor-owned), but particularly the investor-owned utilities, Interstate Power and Light Company and MidAmerican, to consider implementing pilot projects that would expand renewable DG in Iowa, and to collaborate with the participants in this NOI while developing pilot program proposals. (Order Regarding Policy Statement, October 30, 2015, p. 9).

**I. MIDAMERICAN'S PRELIMINARY IMPLEMENTATION PLAN IS NOT CONSISTENT WITH THE BOARD'S OCTOBER 30, 2015, ORDER.**

The Board, after two years and reviews of hundreds of comments from stakeholders, issued reasoned decisions and recommendations. MidAmerican disregarded the decisions and recommendations in its Preliminary Implementation Plan.

First, the Board suggested treatment of excess net-metering credits, such as diversion of any excess credits to a low-income fund, and whether the net-metering cap should be increased to include more facilities as two key topics that should be included as part of a net-metering pilot. (Order Regarding Policy Statement, October 30, 2015, p. 8). MidAmerican's Preliminary Implementation Plan does neither.

Second, the Board recommended MidAmerican consider implementing pilot projects that would expand renewable DG in Iowa. (Order Regarding Policy Statement, October 30, 2015, p. 9). Expansion of renewable energy would align with Iowa Code §§ 476.41 and 476.53A which articulate the Legislature's intent to encourage renewable generation. (Order Regarding Policy Statement, October 30, 2015, p. 6). MidAmerican's Preliminary Implementation Plan does not promote renewable DG in Iowa but in fact discourages renewable DG through the pairing of a solar project with a proposed rate design that increases rates for a new rate class consisting of all customers who add renewable solar energy at their premises in the future.

Third, the Board recommended that MidAmerican collaborate with the participants in this NOI while developing pilot program proposals. (Order Regarding Policy Statement, October 30, 2015, p. 9). MidAmerican's Preliminary Implementation Plan is not the result of collaboration with participants in the NOI. MidAmerican's Preliminary Implementation Plan is a summary of the positions MidAmerican took in the NOI which the Board declined to adopt.

Fourth, the Board decided there was not sufficient information to change the net-metering rules at this time. (Order Regarding Policy Statement, October 30, 2015, p. 9). Yet, MidAmerican's Preliminary Implementation Plan would prospectively eliminate the net-metering rules and implement a new more costly rate class consisting of all customers who add renewable solar energy at their premises in the future.

MidAmerican's Preliminary Implementation Plan is not consistent with the Board's order. The pilots were not the result of collaboration with participants in the NOI. The Board should ask MidAmerican to initiate a collaborative effort with the participants of the NOI in developing pilot programs consistent with the Board's order.

## **II. MIDAMERICAN'S SOLAR ENERGY PILOT PROJECT IS NOT THE RESULT OF COLLABORATION WITH THE PARTICIPANTS IN THE NOI.**

The Board recommended MidAmerican collaborate with the participants in the NOI while developing pilot program proposals. (Order Regarding Policy Statement, October 30, 2015, p. 9). The Solar Energy Pilot Project was not developed with the collaboration of the participants in the NOI.

MidAmerican suggests the subscription price will be based on the capital, operation, and maintenance costs and administrative costs associated with the project. First, the pricing structure is not consistent with the legislature's intent to encourage renewable generation. Iowa Code §§ 476.41 and 476.53A. MidAmerican's Solar Energy Pilot Project does not promote renewable DG in Iowa but in fact discourages renewable DG through the pairing of the solar project with a proposed rate design that increases rates for a new rate class consisting of all customers who add renewable solar energy at their premises in the future. Second, the pricing structure allocates 100% of the risk to the subscribers and results in no incentive for MidAmerican to be prudent in the construction and operation of the program. There is no incentive for MidAmerican to create a successful project. Third, there is no information regarding ownership of the Solar Energy Project after the capital costs are recovered. Finally, the elimination of net-metering and application of the pricing structure of the Solar Energy Project to all future customers who develop solar generation at their premises indicates MidAmerican is using the solar project as a vehicle to increase rates on solar customers and discourage renewable generation.

MidAmerican's Solar Energy Pilot Project is not consistent with the Board's order. The pilot was not the result of collaboration with participants in the NOI. The Board should ask

MidAmerican to initiate a collaborative effort with the participants of the in NOI in developing the Solar Energy Pilot Project consistent with the Board's order.

### **CONCLUSION**

The Office of Consumer Advocate respectfully requests the Board find MidAmerican Preliminary Implementation Plan is not consistent with the Board order, the pilots were not the result of collaboration with participants in the NOI, and that MidAmerican should initiate a collaborative effort with the participants of the in NOI in developing pilot programs consistent with the Board's order.

Respectfully submitted,

/s/ Mark R. Schuling

Mark R. Schuling  
Consumer Advocate

1375 Court Avenue  
Des Moines, Iowa 50319-0063  
Telephone: (515) 725-7215  
E-mail: [IowaOCA@oca.iowa.gov](mailto:IowaOCA@oca.iowa.gov)

OFFICE OF CONSUMER ADVOCATE