



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 [Main Line](tel:312.587.8390)
312.587.8391 [Fax](tel:312.587.8391)
www.mwalliance.org

August 23, 2023

Erik Helland, Chair
Iowa Utilities Board
1375 E. Court Ave.
Des Moines, IA 503419-0069

Re: Docket No. NOI-2023-0001

Dear Chair Helland,

Thank you for the opportunity to provide comments on Iowa's ratemaking laws, procedures and administrative rules. For the first charrette, the Board has asked for comments focused on the advantages and disadvantages of the current Iowa ratemaking processes. The Midwest Energy Efficiency Alliance (MEEA) is pleased to provide input based on this initial call for feedback.

MEEA is a collaborative network focused on promoting energy efficiency to optimize energy generation, reduce consumption, create jobs and decrease carbon emissions in all Midwest communities. MEEA leverages its expertise to be the Midwest's leading resource for its members, allies, policymakers and the broader sector to promote energy efficiency as the essential pathway to achieve a clean, affordable, equitable and sustainable future.

MEEA does not intervene in utility ratemaking dockets. However, we acknowledge that energy efficiency and demand-side management, in general, are strongly impacted by utility rates and by the process of setting those rates. Utility rates are the avoided cost of energy for customers, and they are the lost revenues that utilities want to recover when they implement energy efficiency programs. Given that ratemaking is fundamental to the energy industry, we are glad the Board is holding this investigation.

In the past, rate cases were simpler, often centered on determining the need for a new baseload or peaker plant. Today, there are more issues at stake. Both utility-scale and customer-sited distributed energy resources feed into the distribution system and interact directly with energy markets. Customers from all sectors are looking not just for low rates, but also for cleaner energy sources. Utility ratemaking must balance more factors than ever.

Integral to this process is comprehensive long-term planning, an area where Iowa has an opportunity to make positive improvements through this investigation. In states without comprehensive planning processes, utilities often continue to operate existing

assets that might not be the most economical choice for long-term customers and system value – for example, assets that are not “used and useful” and therefore should no longer be part of customer rates. Without long-term resource planning, utilities frequently make resource acquisition choices based on short-term priorities and a siloed view of future needs, often obtaining pre-approval through advanced ratemaking processes. In these scenarios, riders and adjustment clauses may be added to pay for projects. Utilities generally go long periods between rate cases, primarily due to the complex, lengthy and costly nature of these processes. As a result, when these cases arise, utilities often request increased rates and fixed charges, prompting customers and advocates to view these increases as inequitable and unfair.

An integrated resource planning (IRP)¹ process changes this dynamic by encouraging utilities to assess their existing assets and their economic viability in a comprehensive way and as part of a predictable process and timeline. An IRP compares future needs to the cost of future asset options across probable future scenarios to optimize a long-term plan that minimizes risk, while maximizing reliability and resilience, at the most reasonable cost to their customers. Importantly, an IRP fosters transparency in the decision-making process through stakeholder engagement, including informational meetings, customer-driven scenarios in planning models, public comments and short-term action plans. These measures demonstrate to stakeholders that the utility is working towards a well-defined future goal.

For effective long-term planning, all resources, including demand-side resources like energy efficiency and demand response, need to be included as selectable resources in optimization models, along with distributed and utility-scale generation. This is essential to ensure system optimization and to keep up with rapidly changing markets and technologies. MEEA recommends implementing an IRP cycle to achieve this goal. Considering Iowa's current practice of 5-year energy efficiency plans, MEEA suggests that the ideal timing for an IRP would also follow a 5-year schedule, aligned with the year preceding the energy efficiency plan filing. This approach builds a positive feedback loop between the processes, so the demand-side resources that were selected in the IRP can feed into energy efficiency planning, and the evaluated results of energy efficiency programs can be used to update the values and assumptions that populate demand-side models for the next resource plan.

Through long-term planning and short-term action plans emerging from an IRP, utilities and stakeholders will better understand when there is a true need for a rate case. The IRP will provide transparency throughout the process, so that when the utility decides to acquire or retire a specific resource, stakeholders can turn to the most recent IRP to

¹See MEEA's fact sheet on integrated resource planning processes throughout the Midwest region: https://www.mwalliance.org/sites/default/files/meea-research/irp_factsheet.pdf



20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 [Main Line](tel:312.587.8390)
312.587.8391 [Fax](tel:312.587.8391)
www.mwalliance.org

understand the rationale. Participation in the IRP process by stakeholders is also more likely to yield their buy-in.

While the long-term planning discussed here is typically associated with vertically-integrated electric utilities, integrated resource planning for gas utilities is the next area of exploration, as renewable gases, hydrogen and other fuels become possible sources of energy. Integrated distribution planning that examines long-term infrastructure decisions and their impact on future rates is also a growing consideration for both integrated and non-integrated utilities.

For the second charrette, we plan to provide best practice examples from utility planning processes around the Midwest that demonstrate the strength and value of these approaches, which we recommend the Board adopt to guide the future of the utility industry in Iowa and ensure that rates remain fair and equitable.

We would like to thank the Board for the opportunity to provide comments on this important topic, and we look forward to the upcoming charrette meetings this month.

Sincerely,

William Angelos
Acting Executive Director
Midwest Energy Efficiency Alliance