MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE

20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

November 8, 2023

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

Re: Docket No. NOI-2023-0001, Post-Comments for Policy Charrette #3

Dear Chair Helland,

The Midwest Energy Efficiency Alliance (MEEA) would like to thank the Board once again for the opportunity to contribute as stakeholders in this investigation. We hope that the information and resources offered through the policy charrettes will provide a deeper understanding of how ratemaking in Iowa could be reformed to better serve the future energy needs of the state's residential, commercial and industrial energy customers while also ensuring the safety and reliability of the utility system.

The charrettes facilitated extensive discussions on both ideas for new policies and adjustments to existing policies that the participating stakeholders believe will build a ratemaking framework that is fair, flexible and future-ready. With this final set of comments, we offer our specific recommendations for changes to ratemaking policy that will promote demand-side management in Iowa. Changes to ratemaking policy can help bring more of the multiple benefits of energy efficiency to Iowa, including energy and cost savings, local clean energy jobs, and increased resilience of the electric grid.

(Continued on Next Page)

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

Summary of Recommendations

Ratemaking Component	Stakeholder's understanding of how the component currently works	Keep as is, adjust, or replace this component? Please explain.	Recommended adjustment or replacement	How recommended/ adjusted/replaced component would work with current Iowa procedures and laws
EE & DR	EE programs need to pass the most restrictive and discredited of the traditional cost-effectiveness tests so an all-customer opt-out is not triggered. The EE rate cap limits available funding for utilities to implement robust efficiency portfolios.	Adjust – modify the cost effectiveness test requirements and the rate cap.	Replace the Ratepayer Impact Measure (RIM) test with a Jurisdiction-Specific Test (JST). Repeal the EE rate cap entirely.	The replacement process would require amendment of (among possible amendments): • Section 476.6, subsection 15, subparagraph a.(1)(b). • Section 476.6, subsection 15, subparagraph c. (2).
Resource Planning & Procurement	Resource planning is done internally at the utility and/or when ordered by the Board. There is no practice of periodic, public-facing resource planning. There are limited requirements for filing load forecasts.	Replace – the current process is not comprehensive or consistent.	Establish a stakeholder-facing integrated resource planning process.	The replacement process would require amendment of (among other relevant amendments): • Section 476.6, subsection 15, subparagraph (3)b. • Section 476.6, subsection 16.

Discussion of Recommendations

In our discussion, we will focus on our proposed adjustments to the section of the Iowa Code governing energy efficiency programs, which are highlighted below in red. These recommended adjustments would take the form of legislative amendments. The proposed amendments include changing the requirements for the cost-effectiveness test, using integrated resource planning (IRP) results to guide the size and makeup of energy efficiency portfolios and removing the rate caps.

Cost-Effectiveness & Opt-Out. The RIM-triggered opt-out makes the ineffective RIM test the *de facto* cost-effectiveness screen in Iowa. Below, we suggest language that would

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

give the Board the authority to develop a primary cost-effectiveness test, referred to as a jurisdiction-specific test (JST) that is guided by Iowa's specific policy goals through a stakeholder process, rather than specifying a defined test in the legislation. The JST, as proposed in this section, would apply to energy efficiency programs – but ideally, similar language within a newly developed IRP authorization statute would expand the use of an Iowa JST to include all supply- and demand-side distributed energy resources (DERs) under the same benefit-cost analysis framework. These proposed changes would align Iowa with industry-recognized best practices.

Additionally, we recommend that the all-customer opt-out provision be repealed. All customers should contribute to – and have the opportunity to participate in – demand-side programs. Just as there is no opt-out for investing in distribution infrastructure or utility-scale generation, there should be no opt-out for investment in energy efficiency resources.

Rate Caps. To meet Iowa's future energy needs, a diverse set of energy resources from both the supply and demand sides is essential. The current rate caps on energy efficiency undermine utilities' abilities to choose resources that provide the most value to the energy system and their customers. If energy efficiency resources can cost-effectively meet the identified needs at a lower cost than through supplied energy, then they should be allowed without artificial constraints that tip the scale away from the demand side. The limits to energy efficiency should be based on what is cost-effective and achievable in the utility territory at a lower cost than other resource options, rather than on an artificial cap on the amount of available funding for demand-side resources. A robust IRP process is more effective in ensuring affordability for customers than an energy efficiency rate cap.

Integrated Resource Planning. The development of an IRP process for electric utilities would make the limited forecast filing requirement in this section superfluous for electric utilities. Modifications would make the more limited forecast apply only to gas utilities, while requiring an IRP for the electric utilities. If a gas utility IRP process were developed, similar changes would be required here for that too.

Within an IRP, energy efficiency and demand response should be allowed to compete alongside utility generation and DERs as selectable resources in capacity expansion modeling rather than "baking" efficiency into load forecasts.

MEEA has observed that IRP results can lead to higher rates of energy efficiency adoption and guide the development of programs to meet identified resource options. While the IRP process and the EE program development process are very different, the results of each can guide the other. While the IRP cannot be totally prescriptive on which demand-side resources are developed and implemented, there should be consistency in the scope and scale between the two processes. For example, if an IRP selected a commercial building HVAC package as one of its preferred resources, then

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

program planners should develop commercial programs with a goal of providing the identified measures at the scale the IRP identified as cost-effective and achievable. Real-world results from implemented programs could then be used to update market potential studies that are used to establish parameters for IRP modeling of efficiency resources.

A reasonable schedule should align with EE planning cycles (i.e., every 5 years), but offset by one to two years – so IRPs are due a year or two prior to when the next cycle's EE plans are due, with sufficient time between processes to avoid becoming burdensome to utilities or regulators.

Suggested Amendments to Section 476.6, subsection 15

15. Energy efficiency implementation, cost review, and cost recovery.

a. (1) (a) Electric utilities required to be rate-regulated under this chapter shall file five-year energy efficiency plans and demand response plans with the board. Gas utilities required to be rate-regulated under this chapter shall file five-year energy efficiency plans with the board. An energy efficiency plan and budget or a demand response plan and budget shall include a range of energy efficiency or demand response programs, tailored to the needs of all customer classes, including residential, commercial, and industrial customers, for energy efficiency opportunities. The plans shall include programs for qualified low-income persons including a cooperative program with any community action agency within the utility's service area to implement countywide or communitywide energy efficiency programs for qualified low-income persons. Rate-regulated gas and electric utilities shall utilize Iowa agencies and Iowa contractors to the maximum extent cost-effective in their energy efficiency plans or demand response plans filed with the board.

[SUBPARAGRAPH 1.b: authorizing JST; repealing opt-out]

(b) ~~The board shall allow a customer of an electric utility that is required to be rate-regulated to request an exemption from participation in any five-year energy efficiency plan offered by an electric utility if the energy efficiency plan and demand response plan, at the time of approval by the board, have a cumulative rate-payer impact test result of less than one.~~ The board shall use the framework from the National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM) to develop a primary cost-effectiveness test for energy efficiency programs under this chapter. The jurisdiction-specific primary cost-effectiveness test will assess the value of plans towards reaching relevant state policy goals, and shall include impacts to the utility system, may

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

include impacts to program participants and to society, and may include relevant non-energy impacts. ~~*Upon receipt of a request for exemption submitted by a customer, the electric utility shall grant the exemption and, beginning January 1 of the following year, the customer shall no longer be assessed the costs of the plan and shall be prohibited from participating in any program included in such plan until the exemption no longer applies, as determined by the board.*~~

(2) Gas and electric utilities required to be rate-regulated under this chapter may request an energy efficiency plan or demand response plan modification during the course of a five-year plan. A modification may be requested due to changes in funding as a result of public utility customers requesting exemptions from the plan or for any other reason identified by the gas or electric utility. The board shall take action on a modification request made by a gas or electric utility within ninety days after the modification request is filed. If the board fails to take action within ninety days after a modification request is filed, the modification request shall be deemed approved.

(3) The board shall adopt rules pursuant to chapter 17A establishing reasonable processes and procedures for utility customers from any customer class to request exemptions from energy efficiency plans that meet the requirements of subparagraph (1), subparagraph division (b). The rules adopted by the board shall only apply to electric utilities that are required to be rate-regulated.

[SUBPARAGRAPH 3.b: Assessment should be consistent with IRP]

b. A gas and electric utility required to be rate-regulated under this chapter shall assess potential energy and capacity savings available from actual and projected customer usage by applying commercially available technology and improved operating practices to energy-using equipment and buildings. The electric energy and capacity savings resources and levels that are included in the assessment submitted by electric utilities required to be rate-regulated under this chapter shall be consistent with the preferred resource plan from the utility's most recent integrated resource plan under [SECTION & PARAGRAPH]. The utility shall submit the assessment to the board. Upon receipt of the assessment, the board shall consult with the economic development authority to develop specific capacity and energy savings performance standards for each utility. The utility shall submit an energy efficiency plan which shall include economically achievable programs designed to attain these energy and capacity performance standards. The board shall periodically report the energy efficiency results including energy savings of each utility to the general assembly.

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE
20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

c. (1) The board shall conduct contested case proceedings for review of energy efficiency plans, demand response plans, and budgets filed by gas and electric utilities required to be rate-regulated under this chapter.

[PARAGRAPH 2: Repeal in its entirety]

~~*(2) Notwithstanding the goals developed pursuant to paragraph "b", the board shall not require or allow a gas utility to adopt an energy efficiency plan that results in projected cumulative average annual costs that exceed one and one-half percent of the gas utility's expected annual Iowa retail rate revenue from retail customers in the state, shall not require or allow an electric utility to adopt an energy efficiency plan that results in projected cumulative average annual costs that exceed two percent of the electric utility's expected annual Iowa retail rate revenue from retail customers in the state, and shall not require or allow an electric utility to adopt a demand response plan that results in projected cumulative average annual costs that exceed two percent of the electric utility's expected annual Iowa retail rate revenue from retail customers in the state. For purposes of determining the two percent threshold amount, the board shall exclude from an electric utility's expected annual Iowa retail rate revenue the revenues expected from customers that have received exemptions from energy efficiency plans pursuant to paragraph "a". This subparagraph shall apply to energy efficiency plans and demand response plans that are effective on or after January 1, 2019.*~~

…

Suggested Amendments to Section 476.6, subsection 16

16. Filing of forecasts. The board shall periodically require each rate-regulated gas ~~*or electric*~~ *public utility to file a forecast of future gas requirements* ~~*or electric generating needs*~~ *and the board shall evaluate the forecast. The forecast shall include but is not limited to a forecast of the requirements of its customers, its anticipated sources of supply, and its anticipated means of addressing the forecasted gas requirements* ~~*or electric generating needs*~~*. The board shall periodically require each rate-regulated electric public utility to file an integrated resource plan that includes a forecast of future electric generating needs, its anticipated sources of supply and demand resources, and its anticipated means of addressing forecasted electricity needs, pursuant to [SECTION & PARAGRAPH].*

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE

20 N. Wacker Drive, Suite 1301
Chicago, Illinois 60606
312.587.8390 Main Line
312.587.8391 Fax
www.mwalliance.org

The Iowa Utilities Board is taking a crucial and necessary step forward with this investigation. We hope that our contributions, along with those of other energy efficiency supporters, provides the Board, its staff and its consultants with a more comprehensive understanding of how current ratemaking practices could be reformed to promote the growth of energy efficiency and demand-side resources in Iowa. This will help position the state as a leader in the region's pursuit of a more energy-efficient future and support the state's long-term economic competitiveness.

Sincerely,

Paige Knutsen, Executive Director

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization's members or individual entities represented on our board of directors.