

COMMENTS ON POLICY OPTIONS UNDER CONSIDERATION FOR IOWA ENERGY INDEPENDENCE PLAN

Iowa Association of Electric Cooperatives

Monday, Sept. 22, 2008

ENERGY EFFICIENCY

Top Five Policy Options as Identified by Navigant

As stated in the accompanying cover letter, The Iowa Association of Electric Cooperatives' comments are directed toward the options Navigant identified as likely to have the most significant impact on new renewable energy and energy efficiency policies, and we offer comments on other options that also will have a financial impact on individual Iowans.

We believe any and all options must thoroughly examine the financial impact on individual Iowans and determine the overarching impact that would have on the state's economic health before those options are adopted.

GOAL:

Encourage energy efficiency and energy management within the industrial sector.

MECHANISM(S):

Participating organizations make pledges to implement energy measures and/or attain certain goals. Organizations that meet or exceed goals receive public recognition and awards.

IAEC COMMENTS:

Iowass rural electric cooperatives believe the efficient use of energy is positive for utility providers, member-consumer-owners and the environment. That's why programs that encourage energy efficiency in the industrial sector, as well as the residential and commercial sectors, are an integral part of our business. The cooperatives have initiated programs that encourage the efficient use of the members' resources, the cooperatives' resources and our nation's natural resources.

GOAL:

Maximize adoption of gas efficiency among transport customers.

MECHANISM(S):

Voluntary program to contribute to energy efficiency fund by non-retail sales of natural gas.

IAEC COMMENTS:

By and large, Iowa's cooperatives exclusively provide electricity and do not provide natural gas service. However, as stated above, we favor voluntary measures that encourage efficient uses of energy of any type.

GOAL:

Encourage municipal and cooperative utilities to meet voluntary energy efficiency targets.

MECHANISM(S):

Encourage participating utilities to set targets for efficiency, with publicity for both participation and successes.

IAEC COMMENTS:

Currently, the electric cooperatives and municipal utilities are conducting an energy efficiency assessment to determine each utility's potential for energy efficiency as per legislation this year that we supported. Once that determination has been made, goals at the local level will be established and progress toward those goals will be reported to the Iowa Utilities Board. Thus, this goal has been set and there is a mechanism in place to achieve that goal.

GOAL:

Encourage energy efficiency improvements in commercial buildings and multi-family housing buildings.

MECHANISM(S):

Target owners and operators of commercial and multi-family buildings.

IAEC COMMENTS:

We support and share this goal. In order to accomplish these goals the electric cooperatives have developed a partnership with their members. Through this partnership, the co-ops inform, encourage and assist their members on energy matters, on the following:

- ◆ Using energy wisely and efficiently
- ◆ Purchasing energy efficient appliances and equipment
- ◆ Building energy-efficient homes and buildings
- ◆ Improving the efficiency levels of existing homes and buildings
- ◆ Changing usage patterns
- ◆ Showing members' economic paybacks for many types of energy efficiency efforts
- ◆ Sharing information on new energy-efficient products and technologies

An example is the annual "*Momentum is Building*" Conference. This conference is held to bring trade allies together with electric cooperative personnel from across the state to exchange ideas and explore new technologies. The trade allies include those involved in the construction industry and other areas of providing service related to products that consume energy in rural Iowa.

GOAL:

Set energy efficiency targets for all utilities, usually as a percent of sales, set to encourage long-term programs and effort.

MECHANISM(S):

Often coupled with "white-tags" market mechanism to facilities ESCO involvement and develop EE throughout the state.

IAEC COMMENTS:

Iowa's electric cooperatives are committed to providing reliable, affordable and safe electric service in an environmentally responsible manner. Energy efficiency is a significant component of this commitment. Iowa's electric cooperatives have been dedicated to energy efficiency for

many years. This has been demonstrated with the devotion of resources and commitment to informing member-consumer-owners on the benefits of using energy in an efficient manner. The commitment to energy efficiency is often exemplified in the electric cooperative's day-to-day business practices with members.

The Iowa Association of Electric Cooperatives has, however, expressed concern about proposals that would impose strict energy savings goals/targets. As most are aware, Iowa is considered a national leader in delivering such programs. Depending on how those goals/targets would be structured, our concerns rest in the increased cost to our customers of the programs to reach those goals/targets, the implications for our state's economic growth as well as the overall cost-effectiveness of those programs when compared to other initiatives.

The implementation of this goal asserts that market mechanisms such as "white tags" and/or ESCO involvement would be used. Without further information it is difficult for us to comment. We would, however, caution that such mechanisms could dilute the resources currently being directed to energy efficiency programs by our cooperatives.

Selected Other Energy Efficiency Options as Identified by Navigant

GOAL:

Create a unified, state-wide marketing program to promote and educate on energy efficiency.

MECHANISM(S):

Sophisticated, coordinated marketing effort that cuts across IOU's and POU's, and leverages many existing local differences.

IAEC COMMENTS:

Without further detail, it would be difficult to comment on this option. However, the Iowa Energy Center would a good place to start to talk about this idea. The Iowa Energy Center has developed a great deal of energy efficiency content for homeowners already being used statewide. Perhaps the marketing efforts could be developed around promoting this material to end-use consumers.

See: <http://www.energy.iastate.edu/homeseries/index.htm>]

GOAL:

Enhance traditional utility regulation, programs and financing related to energy efficiency.

MECHANISM(S):

On-bill financing, performance incentives.

IAEC COMMENTS:

Without further detail, it would be difficult to comment on this option.

RENEWABLE ENERGY
Top Two Policy Options as Identified by Navigant

GOAL:

Ensure Iowa coordinates with others on transmission issues.

MECHANISM(S):

Add staffer(s) at the Governor's office; participate on regional planning committees (i.e. Midwest Governors Association)

IAEC COMMENTS:

More detail is required to comment on this option. However, there are many stakeholders involved in transmission issues and an approach that has a regional perspective is likely the most effective.

GOAL:

Make the permitting process easier for developers.

MECHANISM(S):

Provide a one-stop shop permitting process through coordination of agencies involved.

IAEC COMMENTS:

More detail is required to comment on this option.

Selected Other Renewable Energy Options as Identified by Navigant

GOAL:

Ensure support for wind at the federal level.

MECHANISM(S):

Lobby the federal government for the continuation of the production tax credit and a national electric cooperative trading market; opportunities to attract matching funds from federal sources.

IAEC COMMENTS:

At the state and federal level, Iowa Electric Cooperatives have long supported an incentive-based approach to renewable energy. Specifically, at the national level, Iowa's electric cooperatives, along with fellow electric cooperatives from across the country, support the extension of production tax credits. However, we focus on the Clean Renewable Energy Bonds because, as cooperatives, we cannot take advantage of the production tax credits directly. Clean Renewable Energy Bonds are designed to provide incentives to non-investor owned utilities to invest in renewable energy.

GOAL:

Ensure transmission needs are met within the state of Iowa.

MECHANISM(S):

Identify renewable energy zones; identify funding mechanisms.

IAEC COMMENTS:

This needs to be part of the discussion as we address the larger transmission issue facing the state and the nation.

GOAL:

Encourage small scale wind.

MECHANISM(S):

Streamline interconnection policies and net metering.

IAEC COMMENTS:

More information is required to comment on this policy option. State and federal policies currently provide direction on interconnection policy, and it is unclear from this goal whether or how the Office of Energy Independence has taken federal policy changes and pending state actions into account.

GOAL:

Develop New RPS.

MECHANISM(S):

Develop a new RPS that requires utilities to have a higher percentage of generation from renewable sources.

IAEC COMMENTS:

As stated above, we support an incentive-based approach to developing renewable energy. The utilities in Iowa are leaders in the nation in investing in renewable energy. This fact has little relation to the fact that there is already a renewable portfolio standard in place that has long since been achieved and exceeded. We believe that the current incentive based approach to renewable energy will continue to encourage increased investment in renewable energy, whereas a mandate will have the opposite effect. We also strongly support incentives directed at developing any non-carbon or low-carbon based generation.

We would oppose a policy option of a new, higher percentage renewable portfolio standard.