Utilities 101 – Retail Load, Market Sales, and MidAmerican's 100% Pledge
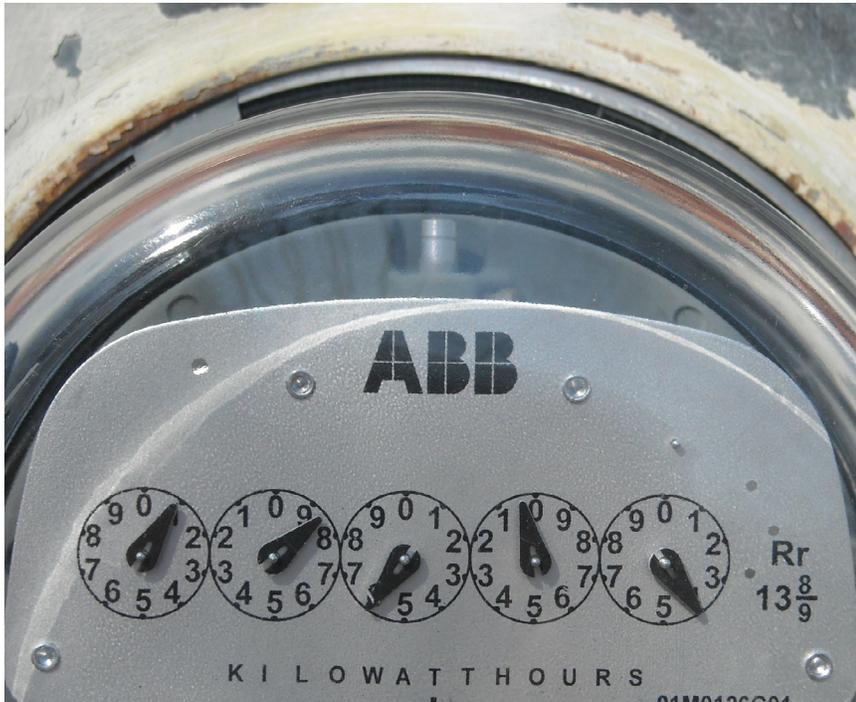
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This is the second in a series of policy briefs breaking down the findings of the recent IEC publication _Iowa Electric Generation: Condition of the State_, October 2020. In this piece, we will cover MidAmerican and Alliant Energy's two types of customers, how profit motive drives continued coal plant operations, and the truth about MidAmerican's 100% renewable vision.

There are three types of electric utilities in Iowa: investor-owned utilities (MidAmerican Energy and Alliant Energy), municipal utilities which are owned and operated by the cities they serve, and rural electric cooperatives. MidAmerican and Alliant serve the vast majority of customers in Iowa – about 73%.[1] These two utilities are fully regulated by the Iowa Utilities Board (IUB) for rates, safety, and service. They are responsible for providing electricity to all customers within their service territory and both utilities own generating plants that are ultimately paid for through the electricity fees paid by their customers.

Scientists are clear that we must reach net zero carbon emissions by 2050 to avoid the worst impacts of climate change.[2] MidAmerican Energy has pledged to deliver 100% renewable energy **_to its Iowa customers_** by 2021.[3][4][5] So what is an Iowa customer? An Iowa customer has a utility meter at a location in Iowa and receives electricity from the utility. The electricity is used by the customer and becomes a part of the utility retail load. However, MidAmerican and Alliant also sell electricity to other utilities for additional profit. The sales of electricity to other utilities are classified as "sales for resale", and are not considered sales to customers.[6]

For 2019, MidAmerican sold 26.2 million MWh (megawatt hours) to their Iowa customers and Alliant sold 14.2 million MWh to their Iowa customers. However, for both MidAmerican and Alliant, the portion of the electricity they generate in Iowa being sold to other utilities is substantial—31% of MidAmerican's 2019 generation was sold to utilities and 35% of Alliant 2019 generation was sold to utilities. MidAmerican sold nearly 10 million MWh to utilities in 2019 for $218.4 million, while Alliant sold almost 4.5 million MWh to utilities for $147.8 million with the vast majority of the profits benefitting the companies' shareholders – not ratepayers.[7]

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Chart 9: MidAmerican & Alliant Electricity (MWh) Sold

To meet a 100% renewable goal, most people would expect a utility to use renewable generation to provide electricity in every hour of the day, year-round. Additionally, you would expect that a utility is no longer generating electricity using coal and natural, or fossil, gas. But this is not how MidAmerican is defining their goal to deliver 100% renewable energy to Iowa customers by 2021.

Instead, MidAmerican is pledging to generate renewable energy equivalent to 100% of the load of their retail customers, not to deliver 100% renewable energy to their customers. They have no plans to shutter their coal plants – including their 5 plants currently operating in Iowa – or to reduce fossil fuel production. With this type of pledge, MidAmerican may never truly reach 100% clean energy and could, in fact, increase emissions by increasing sales to other utilities even while covering 100% of Iowa retail load with renewable energy. This pledge to customers intentionally lacks transparency and is deceptive.

Next up in the series: *Excess Coal Generation in Iowa.*

[1] Iowa's Electric Profile | Iowa Utilities Board

[2] Summary for Policymakers of IPCC Special Report on Global Warming of 1.5 degrees Celsius, October 8, 2018, https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/

[3] https://www.midamericanenergy.com/nr-fiftypercentrenewable

[4] https://www.midamericanenergy.com/nr-100percentrenewable

[5] Id.

[6] 2016, 2017, 2018 and 2019 Q4 FERC Form 1, Alliant and MidAmerican

[7] 2019 Q4 FERC Form 1, Alliant and MidAmerican

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