

**STATE OF IOWA**

**BEFORE THE IOWA UTILITIES BOARD**

<b>IN RE:</b>	
<b>INTERSTATE POWER AND LIGHT COMPANY</b>	<b>DOCKET NO. RPU-2019-0001</b>

**IPL RESPONSE TO ORDER REQUIRING ADDITIONAL INFORMATION**

**COMES NOW**, Interstate Power and Light Company (IPL) and provides its response to the Iowa Utilities Board (Board) Order Requiring Additional Information, dated November 1, 2019 (November 1 Order). In the November 1 Order, the Board required IPL to submit late-filed exhibits consisting of: (1) an updated class cost of service study (CCOS) based upon the Non-unanimous Partial Settlement Agreement (Settlement Agreement) filed on October 3, 2019; (2) a corresponding revenue allocation (with any proposed mitigation); (3) resulting rates; (4) revenue verification; and (5) the total overall change in revenues by customer class shown as a percentage of base rate revenue and as a percentage of total revenue. IPL is required to file these exhibits by November 7, 2019.

**LATE-FILED SETTLEMENT EXHIBITS**

**1. Class Cost of Service Study based upon the Settlement Agreement.**

IPL Settlement Exhibit 1 provides the updated CCOS and associated workpapers based upon the Settlement Agreement. The workpaper containing the data inputs has been updated to reflect the underlying data in Attachment A to the Settlement Agreement supporting Articles VI through VIII of the Settlement Agreement.

The cost allocation principles are those reflected in the direct and rebuttal testimony of IPL witness Vognsen. Consistent with the CCOSs IPL submitted in direct and rebuttal testimony, the study reflects the increase in final rates above the interim revenue requirement of \$89 million. The resulting final increase is \$37,108,000 above the interim revenue requirement for a total revenue requirement increase of \$127 million.

Table 1 below provides the CCOS results of the final increase.

**TABLE 1 CCOS Results (\$1,000)**

<b><u>Customer Class</u></b>	<b><u>Final Increase</u></b>
Residential	\$ 27,849
Residential Supplementary	\$ 1,710
Non-residential General Service	\$ (17,374)
Non-residential General Service Supplementary	\$ 964
Large General Service	\$ 18,721
Large General Service Supplementary	\$ (46)
High Load Factor-Large Volume / Bulk Power	\$ 9,938
Lighting	\$ (1,841)
Standby	\$ (2,814)
<b>Total</b>	<b>\$ 37,108</b>

**2. Revenue Allocation based the Settlement Agreement Class Cost of Service Study.**

IPL Settlement Exhibit 2 provides the revenue allocation to the customer classes based on the Settlement Agreement. The revenue allocation approach is consistent with that proposed by IPL in its rebuttal testimony of IPL witness Vognsen. IPL's mitigation first takes into account the allocation change in transmission expenses to derive a base rate increase. IPL then allocates the CCOS decrease of the lighting class on a pro-rata basis to those customer classes in which a CCOS increase was

indicated. IPL then reduces decreases indicated for the General Service and Standby classes to mitigate the increases for Large General Service, Large General Service Supplementary, and High Load Factor/Large Volume customer classes. There was no final increase for the lighting class and there was a reduction in rates for the Standby class under final rates, which received no increase in rate under interim. Table 2 below provides the revenue allocation of the final increase and reflects the proposed mitigation.

**TABLE 2 Revenue Allocation (\$1,000)**

<u>Customer Class</u>	<u>Final Increase</u>
Residential	\$ 15,309
Residential Supplementary	\$ 1,359
Non-residential General Service	\$ 0
Non-residential General Service Supplementary	\$ 757
Large General Service	\$ 17,160
Large General Service Supplementary	\$ 483
High Load Factor-Large Volume / Bulk Power	\$ 4,238
Lighting	\$ 0
<u>Standby</u>	<u>\$ (2,198)</u>
<b>Total</b>	<b>\$ 37,108</b>

**3. Revenue Verification and Resulting Rates.**

IPL Settlement Exhibit 3 provides the revenue verification and associated workpapers in the development of the resulting rates applicable to the customer classes. The revenue verification and rate design reflect the total increase in rates, for both the interim and final increases.

Article XII of the Settlement Agreement provides for a Renewable Energy Rider (RER) under final rates and IPL based its calculation on a \$40 million revenue

requirement for 2020 for the RER.<sup>1</sup> This revenue requirement divided by the forecasted sales volumes for 2020 resulted in a 2020 RER factor of \$0.00272 per kilowatt-hour (kWh). The RER reduces the amount of revenue that would have otherwise been collected through base kilowatt (kW) demand and kWh energy charges.

The rate design for all the customer classes reflects a four-month summer season consistent with IPL's initial proposal. In addition, consistent with the Article XVI of the Settlement Agreement, the summer residential rate design does not reflect declining energy blocks. The customer charges for the Residential and General Service customer classes were capped at the results that were generated by the class cost of service study referenced in IPL Settlement Exhibit 1. As a result, the Residential customer charge is \$13.00 per month and the General Service customer charge is \$19.00 per month.<sup>2</sup> The reservation demands for standby distribution service have also been differentiated between primary and secondary service although there are currently no standby customers receiving standby service at a voltage less than transmission.

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<sup>1</sup> On November 7, 2019, IPL separately filed an update to IPL Hearing Exhibit 11. The RER factor shown herein reflects the updated IPL Hearing Exhibit 11.

<sup>2</sup> IPL initially proposed a General Service Customer Charge of \$20.00 per month. In IPL Vognsen Rebuttal Testimony, IPL clarified that it would provide an updated CCOS study along with a calculation of a cost-based customer charge reflective of the final revenue requirement as part of IPL compliance filing in this docket. As shown in IPL Settlement Exhibit 1, the resulting General Service customer charge is \$19.00 per month.

**4. Total Overall Change in Revenues by Customer Class Shown as a Percentage of Base Rate Revenue and as a Percentage of Total Revenue.**

IPL Settlement Exhibit 4 provides both the change in revenue by customer class as well as the resulting percentage change. The revenue verification supports that IPL's total revenue increase does not exceed \$127 million, as referenced in Article VI of the Settlement Agreement. Table 3 below summarizes the total revenue increase (both final and interim) for each customer class and the resulting percentage increase to each class as a percentage of the total bill. The calculations supporting Table 3 are shown on Schedule A of IPL Settlement Exhibit 4.

Table 4 below summarizes the total revenue increase (both interim and final) and resulting percentage to each class as a percentage of only base revenues. The calculations supporting Table 4 are shown on Schedule B of IPL Settlement Exhibit 4. The increases below reflect the consolidation of the Residential Supplementary class into the Residential class and the General Service Supplementary class into the General Service class.

**TABLE 3 Total Bill Increase by Class (\$1,000)**

<u>Customer Class</u>	<u>Revenue Increase</u>	<u>Total Bill Percentage Increase</u>
Residential (includes supplementary)	\$56,314	10.00%
Non-residential General Service (includes supplementary)	\$19,140	6.89%
Large General Service	\$42,669	7.71%
Large General Service Supplementary	\$953	6.37%
High Load Factor-Large Volume / Bulk Power	\$8,352	7.22%
Standby	(\$2,198)	-11.30%
Lighting	\$1,511	8.10%
<b>Total</b>	<b>\$126,741</b>	<b>8.11%</b>

**TABLE 4 Total Base Rate Increase by Class (\$1,000)**

<u>Customer Class</u>	<u>Revenue Increase</u>	<u>Base Rate Percentage Increase</u>
Residential (includes supplementary)	\$56,314	15.44%
Non-residential General Service (includes supplementary)	\$19,140	10.69%
Large General Service	\$42,669	15.38%
Large General Service Supplementary	\$953	12.66%
High Load Factor-Large Volume / Bulk Power	\$8,352	21.23%
Standby	(\$2,198)	-39.07%
Lighting	\$1,511	9.70%
<b>Total</b>	<b>\$126,741</b>	<b>14.25%</b>

Final rates in 2020 will also reflect a one-time credit consisting of the \$27.4 million retail share of unprotected excess deferred income taxes (EDIT) plus a \$7.5 million interim rate refund pursuant to Articles XIII and XIV of the Settlement Agreement.<sup>3</sup> This one-time credit will flow back to customers via IPL’s Tax Benefit Rider (TBR). The TBR provides a credit per kWh by customer class. IPL allocated the credit on pro-rata basis according to the interim increase by customer class to the overall interim increase of \$89 million. The TBR tariff reflecting this one-time credit will be filed contemporaneously with final rates and there will be a final reconciliation of the refund amounts by customer class at the end of 2020. The computation of the TBR credit and factors for 2020 can be found in IPL Settlement Exhibit 4, Schedule

<sup>3</sup> IPL will file a final reconciliation of the TBR at the same time it files its compliance filings in this proceeding. This reconciliation will include the final unprotected EDIT to be returned to customers through the TBR as agreed to in the Settlement Agreement, as well as the reconciliation of previous tax refunds described in Docket No. TF-2018-0021.

C. Table 5 below reflects the overall final bill increase inclusive of the interim and final increases by customer class, including the TBR credit.

**TABLE 5 Total Bill Increase in 2020 by Class, Including TBR Credit (\$1,000)**

<u>Customer Class</u>	<u>Revenue Increase</u>	<u>Total Bill Percentage Increase</u>
Residential (includes supplementary)	\$40,862	7.25%
Non-residential General Service (includes supplementary)	\$11,975	4.31%
Large General Service	\$32,726	5.91%
Large General Service Supplementary	\$769	5.15%
High Load Factor-Large Volume / Bulk Power	\$6,748	5.83%
Standby	(\$2,198)	-11.30%
Lighting	\$922	4.95%
<b>Total</b>	<b>\$91,805</b>	<b>5.87%</b>

**WHEREFORE**, IPL requests that the Iowa Utilities Board accept this response to the Board's November 1 Order, and grant the relief requested in the Non-unanimous Partial Settlement Agreement and Joint Motion for Approval of Agreement, filed on October 3, 2019, by approving the Settlement Agreement in its entirety without condition or modification.

Dated this 7<sup>th</sup> day of November, 2019.

Respectfully submitted,

**INTERSTATE POWER AND LIGHT  
COMPANY**

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