PUBLIC

OFFICE OF CONSUMER ADVOCATE

DIRECT EXHIBITS

OF

CHARLES E. FUHRMAN

IN RE: Interstate Power and Light Company
Docket No. RPU-2009-0002

July 17, 2009

INTERSTATE POWER & LIGHT COMPANY
COST-BENEFIT ANALYSIS - ALTERNATIVE PROPOSAL
PROJECTED FINANCIAL IMPACT OF TRANSMISSION TRANSACTION
ON ALL USERS OF IPL's TRANSMISSION SYSTEM FOR THE FIRST EIGHT YEARS AFTER REORGANIZATION

		Total IPL									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
		In Thousands									
Line No.		**PV [1]**	2008	2009	2010	2011	2012	2013	2014	2015	
1	BLRR Paid by All Users	$648,622	$92,792	$97,388	$101,982	$106,767	$116,234	$128,282	$134,476	$140,582	$918,502
2	PTRR Paid by All Users	778,595	117,394	122,744	127,667	132,636	140,600	145,521	150,614	155,886	1,093,063
3	Difference - BLRR vs. PTRR	**(129,973)**	($24,602)	($25,356)	($25,685)	($25,869)	($24,366)	($17,240)	($16,139)	($15,304)	
4	Reduction to Cost of Capital	43,057				43,057					
5	IPL Refund over 8 Years	**77,675**									
6	ITC Midwest refund over 8 years	**24,569**									
7	8 Year Impact on Customer RR	$ 15,328									

Allocation of the Cash Refunds Between Jurisdictions [2]:

		Total	Retail	Wholesale
8	Iowa Portion	$ -	$ -	$ -
			TBD	
9	Minnesota Portion	-	-	-
10		$ -	$ -	$ -
11		100.000%	97.230%	2.770%

Notes:
[1] Discounted using IPL's after-tax WACC; see page 2, lines 11 through 18 for calculation.
[2] Amount on line 3 allocated based upon System Coincident Peak; amount on line 4 directly assigned based on Schedule J. See IPL WP-20.

Source: Exh___(CAH-2), Sch. K Docket No. SPU-07-11

IPL
Support for BLRR Escalation Factor
In Thousands of Dollars
FOR THE FIRST EIGHT YEARS AFTER REORGANIZATION
Determine Escalation rate for per-tax operating expenses:

Line No.		2008	2009	2010	2011	2012	
1	Operation expenses	20,573	21,125	21,711	22,315	22,949	
2	Maintenance	3,571	3,698	3,799	3,913	4,030	
3	Depreciaiton	16,133	17,038	17,972	18,931	20,242	
4	Property taxes	6,197	6,210	6,222	6,236	6,400	
5	Miscellaneous taxes	279	289	299	309	320	
6		46,753	48,360	50,003	51,704	53,941	
7	Change		1,607	1,643	1,701	2,237	
8	Percentage		3.4%	3.4%	3.4%	4.3%	3.6%
			2012	2013	2014	2015	
9	Pre-tax operating expenses		53,941	55,905	57,940	60,050	
10	Rate Base Additions	40,949	44,062	43,784	46,401	76,777	50,395

Determination of Estimated Rate Base:

Line No.		2012	2013	2014	2015
11	Rate Base, beginning balance		477,446	506,841	535,235
12	Additions		50,395	50,395	50,395
13	Depreciation		(21,000)	(22,000)	(23,000)
14	Rate Base, ending balance	477,446	506,841	535,235	562,630
15	Return	9.0%	9.71%	9.71%	9.71%
16	Operating Income	42,859	49,214	51,971	54,631
17	RR related to return	73,351	84,228	88,946	93,499
18	Change		10,877	4,719	4,552
19	Percentage		14.8%	5.6%	5.1%

Determination of composite increase to BLRR:

Line No.			2013	
20	Pre-tax operating expenses	55,905	3.6%	2,035
21	RR related to return	84,228	14.8%	12,489
22		140,133	10.4%	14,525
	Line 4: From Exhibit__(CAH-2) Sc		2014	
23	Pre-tax operating expenses	57,940	3.6%	2,109
24	RR related to return	88,946	5.6%	4,983
25		146,887	4.8%	7,092
			2015	
26	Pre-tax operating expenses	60,050	3.6%	2,186
27	RR related to return	93,499	5.1%	4,785
28		153,548	4.5%	6,972

Source: Exh___(CAH-2), Sch. K Docket No. SPU-07-11

INTERSTATE POWER & LIGHT COMPANY
COST-BENEFIT ANALYSIS SUPPORT
COSTS TO BE ABSORBED BY IPL NATIVE LOAD CUSTOMERS
IN THOUSANDS

Line No.	(a)	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) 2012	(g)
1	Gross Baseline RR (BLRR)	$92,792	$97,388	$101,982	$106,767	$116,234	$515,163
	Sources of Revenues from Non-IPL Customers:						
2	Wheeling Revenues -includes point-to-point revenues, OATT; excludes IPL amounts	(3,113)	(3,197)	(3,284)	(3,372)	(3,463)	
3	Transmission Rents	(400)	(400)	(400)	(400)	(400)	
4	Network System Revenues Collected from Non-IPL Customers	(7,089)	(7,281)	(7,478)	(7,681)	(7,889)	
5	Net BLRR Paid by IPL Customers	$ 82,190	$ 86,510	$ 90,820	$ 95,314	$ 104,481	$ 459,315
6	Gross RR After Proposed Transaction (PTRR)	$ 117,394	$ 122,744	$ 127,667	$ 132,636	$ 140,600	$ 641,041
7	Wheeling Revenues -includes point-to-point revenues, OATT; excludes IPL amounts	(4,342)	(4,431)	(4,507)	(4,578)	(4,539)	
8	Transmission Rents	(400)	(400)	(400)	(400)	(400)	
9	Network System Revenues Collected from Non-IPL Customers	(8,238)	(8,638)	(9,005)	(9,375)	(9,992)	
10	Net PTRR Paid by IPL Customers	$ 104,414	$ 109,275	$ 113,755	$ 118,283	$ 125,669	$ 571,396

Source: Exh___(CAH-2), Sch. K Docket No. SPU-07-11

File Name: Exhibit-Fuhrman CEF-1 Sch. A
Sheet Name: Sch K p4
Path: C:\IPL-RPU-09-2\Test & Exh\Exhibits\Final Exhibits\Pub Exh\Exhibit-Fuhrman CEF-1 Sch. A

INTERSTATE POWER & LIGHT COMPANY
Docket No. RPU-2009-0002
IPL Transmission Expense from ITC Midwest

Ln#	Description	Amounts 2008	2009	2010	Total
		(a)	(b)	(c)	(d)
1	ITC Midwest Transmission Charges to IPL	$104,414,341	$109,275,143	$113,754,593	$327,444,078
2	IPL Portion of ITC Rate Discount per ATA (92% of total)	$0	($3,795,000)	($3,795,000)	($7,590,000)
3	Net ITC Tranmission Charges to IPL	$104,414,341	$105,480,143	$109,959,593	$319,854,078
4	Allowable ITC Midwest Transmission Charges to IPL	$77,391,227	$104,414,341	$105,480,143	$287,285,711
5	Total Allowable Adjustment	$27,023,114	$1,065,802	$4,479,450	$32,568,366
6	Iowa Electric Amount (94.11%)	$25,431,453	$1,003,026	$4,215,611	$30,650,090
7	Annual Amount-2008 Recovered over Four-year Period	$6,357,863			$6,357,863
8	IPL Iowa Non-Network/Non-ITC		$93,319		$93,319
9	IPL Iowa MISO Network/Non-ITC		$1,695,573		$1,695,573
10	Total Iowa Adjustment	**$6,357,863**	**$2,791,919**	**$4,215,611**	**$13,365,393**

Sources: Line 1, col. (a), (b), (c) -- Exhibit___(CEF-1), Sch, A, page 3, col. (b)
: Line 2, col. (a) -- Testimony of Charles Fuhrman, pages 23,
: Line 2, col. (b) -- Testimony of Charles Fuhrman, pages 18,
: Line 2, col. (c) -- Testimony of Charles Fuhrman, pages 28,
: Line 3, col. (a), (b), (c) -- line 1 plus line 2.
: Line 4, col. (a) -- IPL witness Hampsher WP B-9 (a)
: Line 4, col. (b) -- col. (a), line 3
: Line 4, col. (c) -- col. (b), line 3
: Line 5, col. (a), (b), (c) -- line 3 minus line 4
: Line 6, col. (a), (b), (c) -- line 5 times 94.11%
: Line 7, col. (a) -- col. (a), line 6 times .25%
: Line 8, col. (b) -- Exhibit___(CEF-1), Sch. B, page 2
: Line 9, col. (b) -- Exhibit___(CEF-1), Sch. B, page 3
: Line 10, col. (a) -- col. (a), line 7
: Line 10, col. (b) -- col. (b), line 6 + line 7 + line 8
: Line 10, col. (c) -- col. (c), line 6 + line 7 + line 8
: Line 1 - 10, col. (d) -- Total of col. (a), (b), (c)

INTERSTATE POWER & LIGHT COMPANY
Docket No. RPU-2009-0002
IPL Transmission Expense -- Non-network/non-ITC

Ln#		2009
		(a)
1	Estimated Non-Network/non ITC	$3,110,884
2	Reference Non-Network/non-ITC	$3,011,724
3	Total Estimated Non-Network/Non ITC	$99,160
4	Iowa Allocation (94.1%)	**$93,319**

Sources: Line 1, col. (a) -- IPL witness Hampsher WP B-9 (b)
: Line 2, col. (a) -- IPL witness Hampsher WP B-9 (a)
: Line 3, col. (a) -- Line 1 minus line 2
: Line 4, col. (a) -- Line 3 times 94.11%

INTERSTATE POWER & LIGHT COMPANY
Docket No. RPU-2009-0002
IPL Transmission Expense -- MISO Network/non-ITC

Ln#		2009
1	Estimated MISO-Network/non ITC	$13,039,309
2	Reference MISO-Network/non-ITC	$11,237,616
3	Total Estimated MISO-Network/Non ITC	$1,801,693
4	Iowa Allocation (94.1%)	**$1,695,573**

Sources: Line 1, col. (a) -- IPL witness Hampsher WP B-9 (b) ($150,600,172 - $137,560,863)
: Line 2, col. (a) -- IPL witness Hampsher WP B-9 (a) ($88,628,843 - $77,391,227)
: Line 3, col. (a) -- Line 1 minus line 2
: Line 4, col. (a) -- Line 3 times 94.11%

☐ **Confidential/Trade Secret**

**Response of
Interstate Power and Light Company
to
OFFICE OF CONSUMER ADVOCATE
Data Request No. 113**

Docket Number:	RPU-2009-0002
Date of Request:	June 5, 2009
Response Due:	June 12, 2009
Information Requested By:	Jennifer Easler
Date Responded:	June 12, 2009
Author:	Chris Hampsher
Author's Title:	(319) 786 - 4851
Author's Telephone No.:	Mgr. II Fin. Planning & Analysis
Subject:	Transmission Sale Gain
Reference:	SPU-07-11 Workpaper of C. Hampsher

Data Request No. 113

a) The attached schedule showing the estimated gain from the sale of IPL's transmission system assets to ITC Midwest was provided by IPL with its electronic files submitted to the IUB as part of the Docket No. SPU-07-11 case. Please provide a revised version of this document showing the actual pre-tax and after-tax gain from the sale of IPL's transmission system assets.

b) Please provide a detailed narrative explanation describing the actual disposition of the gain referenced above.

Response

a) The referenced documents from Docket No. SPU-07-11 were not updated after the transmission asset sale (transmission transaction) to ITC-Midwest. However, IPL did file with the Federal Energy Regulatory Commission (FERC) on July 18, 2008, the final journal entries associated with the transmission transaction, which is what the referenced documents were attempting to summarize. The IUB was sent a courtesy copy of the filing with FERC. Attachment A is a copy of the FERC filing.

b) The actual gain was transferred to IPL's parent, Alliant Energy Corporation (AEC), through a dividend. However, IPL committed as part of the transmission transaction that any proceeds transferred to AEC would be made available back to IPL in a timely basis to fund its infrastructure investment projects. IPL also made commitments during the transmission transaction hearings that it would use the sale proceeds to fund major IPL capital initiatives and to make refunds to its customers. Moreover, IPL committed to use the entire $750 million sales proceeds to invest in the IPL utility infrastructure over a four-year period.

ALLIANT ENERGY

Interstate Power and Light Co.
An Alliant Energy Company

200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

Office: 1.800.822.4348
www.alliantenergy.com

July 18, 2008

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Via Electronic Filing

Re: ITC Holdings Corp., ITC Midwest LLC, Interstate Power and Light Company, and the Midwest Independent Transmission System Operator, Inc., Docket Nos. EC07-89-000 and ER07-887-000 Submission of Accounting Entries

Dear Ms. Bose:

Pursuant to Ordering Paragraph (G) of the Order Authorizing Disposition of Jurisdictional Facilities, Accepting Proposed Rates and Jurisdictional Agreements Subject to Conditions and Dismissing Complaint, issued on December 3, 2007 in the above-referenced dockets ("the Order"),[1] Interstate Power and Light Company (IPL) hereby submits its proposed accounting entries for the sale of IPL's electric transmission assets to ITC Midwest LLC ("ITC Midwest") authorized in the Order (the "Transaction"). The Transaction was consummated on December 20, 2007.

Ordering Paragraph (G) directed IPL to submit its proposed accounting entries showing all accounting entries related to the Transaction that were made to the books and records, along with appropriate narrative explanations describing the basis for the entries, within six months of the date that the transfer was consummated. Accordingly, the required entries and details are attached hereto. On June 12, 2008, IPL had to evacuate its corporate headquarters in Cedar Rapids, Iowa due to historic flooding on the Cedar River. As a consequence of that flooding, IPL asked for a four week extension to file its accounting entries.

[1] *ITC Holdings Corp., et al.*, 121 FERC ¶ 61,229 (2007).

If there are any questions regarding this submission, please contact the undersigned. Thank you for your assistance in this matter.

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

By:___/s/ Kent M. Ragsdale_____

Kent M. Ragsdale
Managing Attorney – Regulatory
Alliant Energy Corporate Services, Inc.
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351
(319) 786-7765 - telephone
(319) 786-4533 - fax
kentragsdale@alliantenergy.com - e-mail

cc: Parties of record
Iowa Utilities Board
Minnesota Public Utilities Commission
Illinois Commerce Commission
Missouri Public Service Commission

Interstate Power & Light Company
Journal Entries to Record Transmission Transaction
Entries for Transaction that was Executed on December 20, 2007

Transmission Sale Summary of Journal Entries	FERC Acct	Debit	Credit
Net Proceeds from Sale of Transmission Assets			
Cash	131	$ 783,112,887	
Electric Plant Purchased or Sold	102		$ 783,112,887
This journal entry records the cash proceeds from ITC Midwest for the transmission assets sold, to FERC Account 102, Electric Plant Purchased or Sold.			
Eliminate Transmission Plant and Associated Non ARO Accumulated Depreciation			
Electric Plant Purchased or Sold	102	$ 468,677,122	
Electric Plant in Service	101		$ 720,073,733
Completed Construction Not Classified	106		$ 2,571,700
Accumulated Provision for Depreciation of Utility Plant	108	$ 271,457,254	
Construction Work in Progress	107		$ 17,817,527
Electric Plant Held for Future Use	105		$ 26,340
Accounts Payable	232	$ 329,900	
Allowance for Other Funds Used During Construction	419.1	$ 2,581	
Allowance for Borrowed Funds Used During Construction	432	$ 22,443	
This journal entry transfers the plant in service, completed construction not classified, construction work in progress, plant held for future use and accumulated depreciation for transmission electric plant sold to ITC Midwest to FERC Account 102, Electric Plant Purchased or Sold.			
Elimination of Transmission Materials and Supplies Balances Sold			
Electric Plant Sold	102	$ 3,225,234	
Plant Materials and Operating Supplies	154		$ 3,225,234
This journal entry transfers the materials and supplies inventory sold to ITC Midwest to FERC Account 102, Electric Plant Purchased or Sold.			
To clear the amounts in Electric Plant Sold account to Gain on Disposition of Property			
Electric Plant Purchased or Sold	102	$ 231,876,462	
Gain on Disposition of Property	421.1		$ 231,876,462
This journal entry transfers the balance in FERC Account 102, Electric Plant Purchased or Sold to Account 421.1, Gain on Disposition of Property.			
Elimination of FAS 143 & FIN 47- Asset Retirement Obligation Balances			
Asset Retirement Obligations	230	$ 347,786	
Accumulated Provision for Depreciation of Utility Plant	108	$ 39,980	
Electric Plant in Service	101		$ 47,345
Other Regulatory Assets	182.3		$ 340,421
This journal entry removes the Asset Retirement Obligations associated with transmission assets sold to ITC Midwest as these obligations were assumed by ITC upon the asset sale.			
Eliminate Accumulated Deferred Investment Tax Credit Balances and related Tax Grossups			
Accumulated Deferred Investment Tax Credits	255	$ 2,205,496	
Investment Tax Credit Adjustments	411.5		$ 2,205,496
Accumulated Deferred Income Taxes	190	$ 1,556,223	
Other Regulatory Liabilities	254		$ 1,556,223
This journal entry removes unamortized investment tax credits related to transmission assets sold from the balance sheet. These were being amortized into book income over the transmission assets average book life. Related tax grossups on the unamortized ITC, which were required to allow full income impacts to ratepayers, is also removed.			
Eliminate Accumulated Deferred Income Tax Balances related to plant related items for which accelerated depreciation was taken			
Accumulated Deferred Income Taxes - Other Property	282	$ 66,519,107	
Provision for Deferred Income Taxes - Credit, Other Income and Deductions	411.2		$ 66,519,107
This journal entry reverses the deferred tax liability that was created in prior years due to accelerated tax depreciation taken in the earlier years of a transmission asset's life.			
Purchase Price Adjustments			
Other Accounts Receivable	143	$ 4,745,995	
Electric Plant Purchased or Sold	102		$ 4,770,737
Electric Plant in Service	101	$ 153,269	
Completed Construction Not Classified	106		$ 337,107
Accumulated Provision for Depreciation of Utility Plant	108		$ 106,407
Construction Work in Progress	107	$ 629,444	
Accounts Payable	232		$ 314,457
This journal entry adjusts electric plant in service balances for post closing adjustments made between IPL and ITC Midwest under the terms of the asset sale agreement.			
Transaction Closing Costs			
Miscellaneous Deferred Debits	186	$ 14,008,074	
Other Deferred Credits	253		$ 5,132,697
Accounts Payable	232		$ 265,082

Interstate Power & Light Company
Journal Entries to Record Transmission Transaction
Entries for Transaction that was Executed on December 20, 2007

Transmission Sale Summary of Journal Entries	FERC Acct	Debit	Credit
Accounts Payable	232		$ 142,500
Cash	131		$ 8,467,795
This journal entry records all the closing costs related to the transmission asset sale incurred by IPL. These costs were accumulated in FERC 186, Deferred Charges and subsequently transferred to FERC Account 102, Electric Plant Purchased or Sold upon completion of the sale transaction.			
Reverse FAS 109 accumulated deferred taxes and Tax Grossups			
Accumulated Deferred Income Taxes - Other Property	282	$ 34,261,317	
Other Regulatory Assets	182.3		$ 34,261,317
This journal entry provides the adjustment needed to remove FAS109 taxes from the books related to those plant deferred taxes that had not been previously recorded due to rate-making principles of the Iowa Utilities Board over the years.			
Reverse FAS 109 accumulated deferred taxes -Excess Deferred			
Accumulated Deferred Income Taxes - Other Property	282	$ 5,245,285	
Provision for Deferred Income Taxes - Credit, Other Income and Deductions	411.2		$ 5,245,285
This journal entry removes remaining unamortized excess deferred income taxes related to transmission assets, which were primarily created when federal income tax rates changed in the mid-1980's. The excess deferreds were being amortized over the average transmission assets book life.			
Record Transaction Adjustment - Regulatory Liability for portion of gain assigned to ratepayers			
Electric Plant Purchased or Sold	102	$ 88,717,520	
Other Regulatory Liabilities	254		$ 88,717,520
This journal entry transfers a portion of the gain on the transaction to a regulatory liability under conditions established by the Iowa Utilities Board's approval order. The regulatory liability represents the present value of IPL's obligation to refund to its customers payments of $13 million per year for eight years beginning in the year IPL's customers experience an increase in rates related to the transmission charges assessed by ITC.			
Record Deferred Taxes related to Regulatory Liability			
Accumulated Deferred Income Taxes	190	$ 35,833,894	
Provision for Deferred Income Taxes, Utility Operating Income	410.1		$ 36,678,485
Provision for Deferred Income Tax	410.2	$ 844,591	
This journal entry reflects the deferred tax asset created due to the difference in timing of recognition of the $88.7 million Regulatory Asset transaction above. As a result, current income taxes will be recognized on the $88.7 million gain, meaning in the future when books recognizes the gain, tax will not, thus creating a future deduction for tax returns.			
Record current taxes related to Gain on Sale - 1/8th			
Taxes Accrued	236		$ 26,180,604
Income Taxes, Other Income and Deductions	409.2	$ 26,180,604	
This journal entry reflects the current income taxes payable on the $500 million tax gain. The provisions of the tax law allow for a ratable recognition of Transmission asset sale gains over an eight year period. This entry reflects the 1/8th component payable in the 2007 tax return.			
Record Taxes related to Deferred Gain on sale - 7/8ths			
Accumulated Deferred Income Taxes - Other	283		$ 179,044,152
Provision for Deferred Income Taxes	410.2	$ 179,044,152	
This journal entry reflects the current income taxes payable on the $500 million tax gain. The provisions of the tax law allow for a ratable recognition of Transmission asset sale gains over an eight year period. This entry reflects the deferred taxes payable in years 2008-2014, or the remaining 7/8th's component.			
Dividend to Alliant Energy Corporation			
Dividends Declared - Common Stock	438	$ 500,000,000	
Cash	131		$ 500,000,000
This journal entry represents cash dividended to IPL's parent, Alliant Energy Corporation from the transmission asset sale proceeds.			
Accrued liabilities assumed at closing			
Accounts Payable	232	$ 2,138,130	
Taxes Accrued	236	$ 2,474,584	
Electric Plant Purchased or Sold	102		$ 4,612,714
This journal entry represents liabilities on IPL's books at the time of the sale that were related to the transmission assets sold to ITC Midwest and which were assumed by ITC Midwest, including liabilities related to property taxes and obligations for construction and expense projects.			
Translink Regulatory Asset write-down			
Miscellaneous Deferred Debits	186	$ 114,146	
Other Regulatory Assets	182.3		$ 114,146

Interstate Power & Light Company
Journal Entries to Record Transmission Transaction
Entries for Transaction that was Executed on December 20, 2007

Transmission Sale Summary of Journal Entries	FERC Acct	Debit	Credit
This journal entry represents the write off of the regulatory assets on IPL's balance sheet related to costs incurred to join a regional transmission operator (RTO) that were being recovered in retail rates in Iowa and Minnesota under prior rate rulings. These costs were charged to the closing costs deferred account.			
Transfer Closing Costs to Gain on Disposition of Assets			
Electric Plant Purchased or Sold	102	$ 14,122,220	
Miscellaneous Deferred Debits	186		$ 14,122,220
Gain on Disposition of Property	421.1	$ 14,122,220	
Electric Plant Purchased or Sold	102		$ 14,122,220
This journal entry represents the transfer of the transmission asset sale closing costs from FERC Account 186, Deferred Charges to FERC Account 102, Electric Plant Purchased or Sold. These costs were then transferred out of FERC Account 102 to offset the gain on the asset sale in FERC Account 421.1.			
Totals		**$ 2,752,007,920**	**$ 2,752,007,920**
Proof			**$ -**
NET GAIN ON SALE OF TRANSMISSION ASSETS			**$ 217,754,242**

SUMMARY BY FERC ACCOUNT:

FERC Acct	Amount
101	$ (719,967,809)
102	$ -
105	$ (26,340)
106	$ (2,908,807)
107	$ (17,188,083)
108	$ 271,390,827
131	$ 274,645,092
143	$ 4,745,995
154	$ (3,225,234)
182.3	$ (34,715,884)
186	$ -
190	$ 37,390,117
230	$ 347,786
232	$ 1,745,991
236	$ (23,706,020)
253	$ (5,132,697)
254	$ (90,273,743)
255	$ 2,205,496
282	$ 106,025,709
283	$ (179,044,152)
409.2	$ 26,180,604
410.1	$ (36,678,485)
410.2	$ 179,888,743
411.2	$ (71,764,392)
411.5	$ (2,205,496)
419.1	$ 2,581
421.1	$ (217,754,242)
432	$ 22,443
438	$ 500,000,000
	$ -

NARRATIVE EXPLANATION OF PROPOSED ACCOUNTING ENTRIES
SUMMARY:

The transaction resulted in IPL's sale of the electric transmission assets to ITC Midwest. The accounting is consistent with the accounting approved by the Iowa Utilities Board in Docket No. SPU-07-11, the Minnesota Public Utilities Commission in Docket No. E001/PA-07-540 and the Illinois Commerce Commission in Docket No. 07-0246. The Journal Entries included herein are based on accounting balances as of the December 20, 2007 closing date and adjusted for post-close adjustments made in 2008 in accordance with the asset sale agreement. Please refer to Footnote No. 16 in the IPL December 2007 FERC Form No. 1 for further details.

INTERSTATE POWER & LIGHT COMPANY
COST-BENEFIT ANALYSIS
PROJECTED FINANCIAL IMPACT OF TRANSMISSION TRANSACTION
ON IPL's CUSTOMERS FOR THE FIRST TWENTY YEARS AFTER REORGANIZATION

		Total IPL									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(e)	(e)
		In Thousands									
Line No.		**PV (1)**	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Net BLRR Paid by IPL Customers	**$1,159,065**	$82,190	$86,510	$90,820	$95,314	$104,481	$111,259	$114,148	$117,863	$121,626
2	Net PTRR Paid by IPL Customers	**1,417,573**	104,414	109,275	113,755	118,283	125,670	133,994	138,988	142,812	147,427
3	Difference - BLRR vs. PTRR	**(258,508)**	($22,224)	($22,765)	($22,935)	($22,969)	($21,189)	($22,735)	($24,840)	($24,949)	($25,801)
4	Reduction to Cost of Capital	**119,407**									
5	IPL Refund over 8 Years	**77,675**									
6	ITC Midwest refund over 8 years	**24,569**									
7	20 Year Impact on Customer RR	$ (36,857)									

Source: Interstate Power and Light Company response to IUB Request Additional Information. Docket No. RPU-07-11

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INTERSTATE POWER & LIGHT COMPANY
Docket No. RPU-2009-0002
IPL Capacity Demand Adjustment

Ln#	Description	Amount (a)
1	2009 DAEC Capacity Demand Cost	$139,656,000
2	Test Period DAEC Capacity Demand Cost	$134,364,000
3	Total IPL Adjustment	$5,292,000
4	Iowa Electric Amount (94.11%)	$4,980,301

Sources: Line 1, col. (a) -- IPL witness Hampsher WP B-7 (b)
: Line 2, col. (a) -- IPL witness Hampsher WP B-7 (a)
: Line 3, col. (a) -- Line 1 minus line 2
: Line 4, col. (a) -- Line 3 times 94.11%

☐ **Confidential/Trade Secret**

Response of
Interstate Power and Light Company
to
OFFICE OF CONSUMER ADVOCATE
Data Request No. 45

Docket Number:	RPU-2009-0002
Date of Request:	April 7, 2009
Response Due:	April 14, 2009
Information Requested By:	Ronald C. Polle
Date Responded:	April 14, 2009
Author:	Christopher A. Hampsher – Part (a)
	Rich Friedman – Part (b)
Author's Title:	Mgr II Fin Planning & Analysis/Term Bulk Power Marketer
Author's Telephone No.:	(319) 786-4851/(608) 458-8222
Subject:	Capacity Demand Adjustment
Reference:	Dir. Testimony, pg. 31 & Workpaper B-7

Data Request No. 45

(a) Please provide a schedule showing the derivation of the $5 million DAEC-related component of the proposed pro forma adjustment amount referred to on page 31, lines 13 and 14 of Mr. Hampsher's prepared direct testimony.

(b) With respect to the $1,661,000 "Unsourced Capacity to meet 18%" amount shown on Mr. Hampsher's WP B-7(b), please provide:

(1) A detailed narrative explanation describing the basis and/or justification for the amount's inclusion in the pro forma adjustment, including the nature of the "18%" requirement;

(2) Copies of contracts, agreements, and/or other documents supporting purchase terms and the underlying prices used to calculate the planned July and August 2009 capacity purchases;

(3) To the extent not shown by the material provided in response to item (b)(2) above, provide copies of schedules or workpapers showing how the underlying July and August 2009 capacity purchase amounts were calculated;

(4) A narrative explanation and/or supporting documentation such as contracts or purchase agreements demonstrating that the proposed 2009 capacity purchases will be recurring in years subsequent to 2009.

(5) On continuing basis for the duration of this proceeding, monthly information regarding all non-DAEC actual capacity purchases made during 2009 at such time as purchases are made and information is available.

Response

(a) The derivation of the $5 million DAEC component of the capacity demand adjustment referred to in my testimony can be found in the filing by referring to Workpapers B-7(a) and B-7(b). The amounts for the DAEC that appear on Workpapers B-7(a) and B-7(b) come directly from the DAEC PPA. For 2008, the DAEC capacity demand charges are $134.4 million as shown on the first line of Workpaper B-7(a). Similarly, for 2009 the DAEC capacity demand charges are $139.7 million as shown on Workpaper B-7(b). The difference is an increase of $5.3 million attributable to the DAEC, and the Iowa electric portion is $5.0 million allocated on the basis of System Coincident Peak.

(b) (1) At the time of filing of the application in this docket, IPL's capacity position, as detailed in its Load and Capability analysis, and incorporating an 18% planning reserve requirement, indicated that IPL would be deficient during July 2009 by 57 MW, and would be deficient during August 2009 by 94 MW. IPL's power marketing staff sought market quotations for the price for potential capacity purchases for that timeframe, and was quoted a rate of $11.00/kw-month, applicable to each of July and August 2009. The application of this rate to the monthly deficiencies resulted in an estimated cost of purchased capacity of $627,000 in July and $1,034,000 in August, for a total of $1,661,000.

The 18% planning reserve requirement derives from the requirement imposed on IPL's sister utility, Wisconsin Power and Light Company by the Public Service Commission of Wisconsin (PSCW), which has been 18% for the last several years. Both IPL's and WPL's goal has been to maintain the same degree of resource reliability, as measured by planning reserve percentage, across both utility systems, so IPL has planned to an 18% reserve "requirement."

During the Sutherland proceeding (RPU-08-1), IPL begin using a 15% planning reserve requirement for long-term planning, recognizing that the reserve requirement was in the process of change. For near-term operational needs (1-2 year horizon), the assessment was performed as had been done in the past. Planning reserve in the near-term was 18%. and used capacity test results without adjustment for forced outage rates. It was understood that the calculations would change in the spring of 2009, but without the benefit of any definition for the upcoming MISO process. It was assumed, for budgetary purposes, that the new process would ultimately yield a net capacity position that would be generally similar to prior year calculations. Therefore, IPL made the assumption for near-term reserve capacity factors in favor of historic continuity. The impact of the economy could not have been foreseen at that time, which significantly impacted IPL's capacity position for 2009/10.

Recently, (a) as MISO has implemented its new Module E resource adequacy requirements, (b) the PSCW has adopted MISO's planning requirements for use by WPL, and (c) given the reduced demand and energy sales expectations resulting from the declining economy, IPL's position is no longer expected to be deficient. Consequently, IPL would support the removal of the originally proposed $1,661,000 Unsourced Capacity from its projections in this proceeding.

(2) No such documents exist.

(3) See the response to item 1 above.

(4) Since IPL no longer plans to purchase any capacity in 2009, there is no basis to assume that capacity purchases will be a "recurring" event. However, since the overall economy is in a state of violent flux at present, IPL's load forecast is relatively unstable for the next several years. A recovery of the economy which could substantially change IPL's projected loads could result in IPL's need in future years to purchase capacity that is difficult to identify today.

(5) IPL will provide any such information as requested, but notes that it is unlikely that any purchases will occur.