

May 08, 2009

IOWA UTILITIES BOARD

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE:	WRU-2009-0019-0150
INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RFU-2009-<u>0002</u> WRU-2009-0150-_____ (RPU-2009-0002, SPU-07-11)

REFUND PLAN AND REQUEST FOR WAIVER – POST 2009

COMES NOW, Interstate Power and Light Company (IPL) and, pursuant to Iowa Code §17A.9A, files this request with the Iowa Utilities Board (Board) for a approval of a refund plan and a waiver of Iowa Administrative Code §20.9(2) and in support states:

1. On September 20, 2007, the Board issued, in Docket No. SPU-07-11, an Order Terminating Docket and Recommending Delineation of Transmission and Local Distribution Facilities (SPU-07-11 Order). The SPU-07-11 Order allowed IPL to complete the sale of its transmission assets to ITC Midwest, LLC (ITC-Midwest). The SPU-07-11 Order also authorized IPL to establish a regulatory liability account for the benefit of customers as necessary to implement the Alternative Transmission Adjustment (ATA). (SPU-07-11 Order, p. 84)

2. In the SPU-07-11 Order, the ATA offered by IPL and ITC-Midwest, as described on page 43 of the SPU-07-11 Order included the following provision:

"1. IPL customers would receive a direct refund of \$13,040,000 each of the first eight years after ITC Midwest transmission charges are included in IPL's rates (Tr. 67)."

On March 17, 2009, IPL filed an Application for an increase in Electric Rates, Docket No. RPU-2009-0002 (2009 Rate Case). Within this Application, costs are reflected to incorporate anticipated changes in ITC-Midwest's costs reflected in the MISO transmission tariff rate which covers their projected revenue requirement for network transmission service.

3. IPL believes any direct refund to customers from the ATA, that is intended to reduce costs for retail electric customers, should be applied in a manner that offsets the increased costs associated with the ITC-Midwest sale. This would ensure that the retail customers who experience the increased costs realize the benefit of the ATA refund.

4. On May 8, 2009, IPL filed an application to encompass IPL's proposed 2009 ATA Refund Plan. The 2009 ATA Refund Plan was separately filed to allow for approval of refunds in an expeditious manner and to avoid any delays due to issues related this docket and the 2009 Rate Case. This filing had a proposed refund plan for 2009 and an alternate plan to accelerate refunds to customers from the ATA regulatory liability account.

5. IPL described two different steps of the refund plan in the 2009 Rate Case. The instant proposed refund plan is referenced in the direct testimony of IPL witnesses Erik C. Madsen and Christopher A. Hampsher as mitigation steps to reduce the overall impact of IPL's revenue requirement.

6. In the 2009 Rate Case, IPL has proposed a Regional Transmission Service (RTS) rider mechanism. This proposed rider will provide for a direct flow through of all transmission charges to IPL's Iowa retail customers. If the proposed

rider is approved, any future refunds from the regulatory refund account, authorized in Docket No. SPU-07-11 as part of the ATA, could flow through this rider as an offset to transmission expenses. Specific details of the proposed RTS rider can be found on pages 16 to 22 of IPL witness David Vognsen's direct testimony filed in the 2009 Rate Case.

7. IPL proposes the refund plan in this docket incorporate two different refund steps, a 2010 ATA Refund Plan and a Post-2010 ATA Refund Plan. These steps are described in more detail below. IPL also proposes an alternate 2010 ATA Refund Plan, similar to the alternate plan proposed in its Refund Plan for 2009. Once again, IPL's goals for these refund plans are to benefit customers promptly, avoid erratic rate changes, and to do so with administrative ease.

8. Because the 2010 ATA Refund Plan and a Post-2010 ATA Refund Plan are dependent on the outcome of the 2009 Rate Case, IPL does not expect a Board ruling on the instant filing until the outcome of Board Docket No. RPU-2009-0002 has been determined. IPL believes it would be appropriate for the Board to consolidate this filing with Board Docket No. RPU-2009-0002.

2010 ATA Refund Plan

9. Pursuant to the SPU-07-11 Order, IPL will be obligated to provide a direct refund of \$13,040,000 (Annual ATA Refund Amount) to IPL customers annually for eight years. IPL determined, from work papers in Docket No. SPU-07-11, that the annual refund amount in the ATA should be \$13,041,246 (Annual ATA Refund Amount) and proposes to use \$13,041,246 to calculate for the annual refund

amount due to IPL's Iowa electric retail customers. The SPU-07-11 Order is silent on the method of refund to IPL customers.

10. The funds from the ATA regulatory liability account are to be refunded to all IPL customers in Iowa and Minnesota. The allocation for Iowa was determined from information in Docket SPU-07-11. This information resulted in a determination that 88.3% of the Annual ATA Refund Amount should be refunded to Iowa customers. The details of this allocation factor were provided in the filing for the Refund Plan for 2009.

11. Each year, after the fact, ITC-Midwest will compare its actual costs of providing network transmission service, based on its Federal Energy Regulatory Commission (FERC) Form 1 data, to the revenues it actually collected through its network service tariffs in order to quantify any over or under collection, or "true-up." IPL is expecting increased rates in 2010 from ITC-Midwest due to ITC-Midwest's true-up of its 2008 costs and revenues. IPL currently estimates that the amount of this true-up for its Iowa customers to be about \$50 million, although there will be more certainty regarding the total amount later this year. Based on ITC-Midwest rates, that true-up amount will be collected from IPL as part of ITC-Midwest's 2010 MISO transmission rates.

12. IPL's 2010 ATA Refund Plan proposal is to offset the specific dollar amount of the ITC-Midwest true up with dollars from the ATA regulatory liability account in 2010. These dollars would be applied as part of IPL's reconciliation of costs and revenues under IPL's proposed RTS rider. This would allow the refund to

be used to mitigate customer impacts as well as smooth out the level of overall rates.

13. IPL proposes an additional refund component for the 2010 refund plan to accelerate the refunds from the ATA regulatory liability account to IPL customers. In addition to the true-up offset described above, IPL proposes to refund the Iowa portion of the \$13,041,246 million Annual ATA Refund Amount in 2010 using the Energy Adjustment Clause (EAC) mechanism in addition to the offset of the ITC-Midwest true up. This refund component would begin in January 2010, if approved. IPL will calculate a refund factor using the total Iowa portion of the 2010 ATA Refund Amount divided by the forecasted Iowa retail sales for the Board-approved refund period. This refund factor will be subtracted from the EAC factor which would otherwise have been billed. Each month, the dollar amount withdrawn from the ATA regulatory liability account will be the refund factor times the kWh sales for that month. IPL will supply an update of this record each month in its EAC filing.

14. If the proposed RTS rider is approved and in place in January 2010, IPL proposes that the Iowa portion of the \$13,041,246 million Annual ATA Refund Amount would be applied as part of IPL's reconciliation of costs and revenues under the RTS rider.

15. This alternate refund proposal for 2010 integrates with the alternate refund proposal for 2009 to ensure that the refunds are applied without any delay between the refund plans for 2009 and 2010. IPL believes this proposal responds to the economic pressures being experienced by IPL's customers and provides funds to customers sooner instead of holding the funds for future refunds. This refund plan

would benefit customers promptly, avoid erratic rate changes and to do so with administrative ease. For these reasons, IPL prefers this refund plan for its customers.

Post-2010 ATA Refund Plan

16. In Docket No. RPU-2009-0002, IPL has proposed a RTS rider mechanism. This proposed rider will provide for a direct flow through of all transmission charges to IPL’s Iowa retail customers. If the proposed rider is approved, the remaining funds in the regulatory liability account from the ATA, up to the Iowa portion of the \$13,041,246 million Annual ATA Refund Amount in each year, could flow through this rider as an offset to transmission expenses.

17. The Iowa allocation of the ATA regulatory liability account funds in this proposed refund plan, including the Alternate Refund Plans IPL has proposed, are shown in the table below:

	Year	2009	2010	2011	2012
Original 2009 Proposal	ATA Refund Amount	\$11.5M	\$58.4M	\$11.5M	\$3.2M
Preferred Alternate 2009 Proposal*	ATA Refund Amount	\$23.0M	\$58.4M	\$2.2M	

*Proposed in separate filing

18. In 2011 and thereafter, the remaining funds in the ATA regulatory liability account would be refunded to customers each year. This annual refund process would continue until the funds in the SPU-07-11 regulatory liability account are exhausted. These annual refunds would flow through IPL’s proposed transmission rider mechanism in Docket RPU-2009-0002, assuming it is approved

by the Board. Otherwise, IPL would modify this alternate refund plan to flow the ATA refund back through IPL's EAC mechanism.

Waiver Request

19. If necessary, IPL requests a waiver to 199 IAC 20.9(2)2"a" to allow IPL to credit the monthly allocation of the 2010 ATA Refund Amount and Post-2010 ATA Refund Amount in the electric energy automatic adjustment mechanism instead of issuing direct refunds or bill credits to customers. Flowing the ATA Refunds through the retail fuel cost adjustment ensures that only IPL's Iowa retail customers whose rates currently reflect the increase in transmission expense benefit from the refund.

20. In granting a waiver from 199 Iowa Administrative Code §20.9(2)2"a", the Board must consider whether the waiver criteria in 199 Iowa Administrative Code §1.3 are met. These criteria are: 1) the application of the rule would pose an undue hardship, 2) the waiver would not prejudice the substantial legal rights of any person, 3) the provisions waived are not specifically mandated by statute, and 4) substantially equal protection of public health, safety, and welfare will be afforded after the waiver.

21. As previously noted, a strict application of electric energy automatic adjustment account balance and the requirement to provide direct refunds would pose undue hardships. A granting of the waiver request would not prejudice the substantial legal rights of any person and the equal protection of public health, safety, and welfare will be afforded after the waiver. Lastly, the provisions of the Board's rules, for which a waiver is sought, are not specifically mandated by statute

