

RPU-2009-0002

**FILED WITH
Executive Secretary**

July 17, 2009

IOWA UTILITIES BOARD

OFFICE OF CONSUMER ADVOCATE

DIRECT TESTIMONY

OF

JOYETTE D. HENRY

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

July 17, 2009

1 **Q: Please state your name and business address.**

2 A: Joyette D. Henry, 310 Maple Street, Des Moines, Iowa, 50319.

3 **Q: By whom are you employed and in what capacity?**

4 A: I am employed by the Office of Consumer Advocate (OCA), Iowa
5 Department of Justice as a utility analyst.

6 **Q: Please describe your education and experience.**

7 A: I received my Bachelor of Arts in Education degree from Wayne State
8 College in 1974. I have been employed by OCA since 1988. I have testified
9 in various gas and electric, fuel procurement, and energy efficiency
10 proceedings. I have attended a variety of conferences and seminars
11 sponsored by National Association of Regulatory Utility Commission
12 (NARUC), as well as other energy industry sponsored conferences.

13 **Q: What is the purpose of your testimony in this proceeding?**

14 A: The purpose of my testimony in this proceeding is to address the following
15 pro forma adjustments proposed by Interstate Power and Light Company
16 (IPL): 1) rate case expense, 2) postage rate increase, and 3) IDNR Title V
17 permit fees. I will also propose the use of 39.8 revenue-lag days to be
18 included in the cash working capital component of rate base.

19 **Rate Case Expense**

20 **Q: Do you agree with IPL witness Hampsher that an adjustment to include**
21 **additional rate case expenses should be made?**

1 A: Yes. However, until the Iowa Utilities Board (IUB) determines a reasonable
2 level of rate case expense incurred in this case at the conclusion of this
3 proceeding, I recommend no adjustment be made. After the IUB makes such
4 a determination, a pro-forma adjustment to include one-third of the rate case
5 expense in the revenue requirement should be made.

6 **Postage Increase Adjustment**

7 **Q: IPL witness Mr. Hampsher proposed a postage increase adjustment of**
8 **\$164,925 to reflect postage increases of \$.01 effective June 1, 2008 and**
9 **\$.02 for post test year effective May 1, 2009, as shown on Schedule B-14.**
10 **Do you agree with Mr. Hampsher's proposal?**

11 A: Yes, I agree that an adjustment for postage increases should be made.
12 However Mr. Hampsher erred in his calculation of the adjustment. He
13 incorrectly annualized the postage rate increase that went into effect on
14 June 1, 2008. His calculations reflected an adjustment to increase the rates
15 for the seven months (June through December) which were already reflected
16 in 2008 actual expenses. The correct Postage Increase Adjustment to
17 correctly annualize 2008 expenses to reflect the five months (January
18 through May) prior to the 2008 postal rate increase is a \$154,285 increase to
19 O&M expenses, as shown on OCA Exhibit____(JDH-1), Schedule A, which
20 is Company's response to OCA Data Request No. 122.

21

1 **IDNR Title V Permit Fees**

2 **Q: Mr. Hampsher proposes an adjustment to increase Iowa Department of**
3 **Natural Resources (IDNR) Title V Permit fees by \$618,837. Would you**
4 **explain Mr. Hampsher's proposed adjustment.**

5 A: The amount of Title V Permit fees included in the 2008 test year was
6 \$1,992,629. This was based on emissions during the prior year (2007) of
7 51,389 tons multiplied by a per ton fee of \$39. The product (\$2,004,171)
8 was adjusted for an error resulting in a credit by IDNR of \$11,527 to arrive
9 at \$1,992,629 actual 2008 fees paid.

10 Mr. Hampsher's adjustment essentially multiplies the 51,389 tons
11 emitted in 2007 by \$52 per ton based on an IDNR notice of a 33% fee
12 increase to be assessed in 2009 to arrive at \$2,650,196 as representative test
13 year permit fees, less \$1,992,629 actual costs to arrive at \$668,057 total
14 company pro forma adjustment and \$618,837 allocated to Iowa jurisdictional
15 electric operations.

16 **Q: Do you agree with Mr. Hampsher's proposed adjustment?**

17 A: No.

18 **Q: Please explain the basis for your disagreement.**

19 A: As I stated earlier, Mr. Hampsher's adjustment is based on 2007 emissions of
20 51,389 tons. Essentially, his adjustment assumes that permit fees assessed in
21 2009 will be based on the 2007 emission level. This assumption, however, is

1 incorrect. In fact, the 2009 permit fees are based on emissions during 2008,
2 which totaled only 42,468 tons. As shown on OCA Exhibit___(JDH-1),
3 Schedule B in Company's response to OCA Data Request Number 125,
4 IPL's actual 2009 IDNR Title V permit fees were \$2,208,357 based on 2008
5 emission tons of 42,468 at \$52 per ton. This amount differs from IPL's
6 filing of \$2,650,195 shown on Mr. Hampher's Schedule B-33 because 2008
7 emissions were much lower than 2007. Consequently, an adjustment using
8 2007 emissions will overstate the amount of Title V Permit fees that
9 Interstate actually incurred in 2009 while rates are in effect and will result in
10 a windfall to Interstate at the expense of its Iowa electric customers.

11 **Q: What adjustment do you recommend?**

12 A: I propose an adjustment to increase expenses for IDNR Title V Permit Fees
13 by \$162,686. This adjustment is reflected on my Schedule B, page 1, line 7.

14 **Q: Please explain how you calculated your adjustment.**

15 A: First, after subtracting \$42,860 (the costs related to the Sixth St. Station
16 Generating Station, which is no longer in service) from the actual 2009
17 expenses of \$2,208,357, I calculated an adjusted level of expense of
18 \$2,165,497. The difference between the adjusted \$2,165,497 test year cost
19 less the \$1,992,629 actual 2008 expenses amounts to \$172,868. Allocating
20 this to the Iowa electric jurisdiction, results in an adjustment to increase

1 O & M Expenses for IDNR Title V permit fees by \$162,686, shown on
2 Schedule B, Line 7.

3 **CASH WORKING CAPITAL**

4 **Q: IPL witness Douglas V. Brock, Exh__(DVB-1), Schedule D-15, has**
5 **calculated the Iowa-Electric Cash Working Capital Requirement**
6 **component of base to be a reduction of \$6,909,875. Do you accept**
7 **Mr. Brock's calculation?**

8 A: No. I propose the following changes be made in calculating the cash
9 working capital requirement:

- 10 1) The use of 38.15 revenue lag-days, and
- 11 2) Dividing annual expenses by 366 days to reflect the actual days
- 12 occurring in 2008.

13 **Q: Your OCA Exhibit__(JDH-1), Schedule C reflects total revenue lag-**
14 **days of 38.15 as opposed to Mr. Brock's proposal of 42.5. Please explain**
15 **why you disagree with the number of revenue lag-days proposed by Mr.**
16 **Brock.**

17 A: Mr. Brock's calculation used to determine his proposed 42.5 revenue lag
18 days consists of three components: 1) 15.25-day metering period, 2) 2.9-day
19 bill processing, period and 3) 24.3-day collection period. I accept IPL's
20 metering period days and bill processing days, but I do not agree with the
21 24.3-day collection period.

1 The use of 24.3 days for bill processing proposed by IPL implies that
2 on average all customer bills are paid an average of 4.3 days beyond the
3 customer due date (20 days after Company billing date). IPL is reimbursed
4 for customer bills paid beyond the due date through the collection of a late-
5 payment fee. To the extent Mr. Brock's collection period is partially the
6 result of the June 2008 flood, this is not likely to be the case in 2009 and
7 beyond. Rates should be set to reflect normal and representative conditions,
8 not aberrations such as the 2008 flood.

9 **Q: Please explain how you determined your proposed Revenue Lag Days.**

10 **A:** Absent a complete revenue-lag study performed by Company using actual
11 customer billings, I recommend using no more than a 20-day bill collection
12 period. It is important to note that IPL is compensated for payments made
13 beyond 20 days through the late payment fee mechanism. Also, included in
14 the account receivable amounts are unpaid accounts that are ultimately
15 expensed to Uncollectible accounts expenses that are already allowed and
16 included in base rates.

17 **Q: You said that you propose dividing annual expenses by 366 days instead**
18 **of the 365 days reflected in Mr. Brock's calculations on Schedule D-15,**
19 **Column (B). Please explain.**

20 **A:** Mr. Brock's calculations to determine the average daily expenses reflected
21 on Column (B) is based on the assumption there are 365 days in 2008 test

1 year. This is incorrect. The actual days in 2008 were 366. Therefore, the
2 actual average daily expenses during the 2008 test year should be derived at
3 by dividing annual expenses by 366 days to reflect the actual days occurring
4 in 2008 rather than 365 days as Mr. Brock has done. Dividing the annual
5 expenses by 365 days overstates the average daily expenses.

6 **Q: Did you determine the amount for the cash working capital component**
7 **of rate base?**

8 A: No, however my recommendations are reflected in the cash working capital
9 calculation proposed by OCA witness Brian Turner.

10 **Q: Does this conclude your testimony.**

11 A: Yes, it does.

STATE OF IOWA)
)
COUNTY OF POLK)

SS: AFFIDAVIT OF JOYETTE D. HENRY

I, Joyette D. Henry being first duly sworn on oath, depose and state that I am the same Joyette D. Henry identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof, and that the foregoing Direct Testimony as identified therein is true and correct to the best of my knowledge, information and belief as of the date of this Affidavit.

/s/ Joyette D. Henry
Joyette D. Henry

Subscribed and sworn to before me, A Notary Public, in and for said County and State, this 16th day of July, 2009.

/s/ Craig F. Graziano
Notary Public

My Commission Expires: June 14, 2011