

OFFICE OF CONSUMER ADVOCATE

DIRECT TESTIMONY

OF

SHEILA J. PARKER

**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: Sheila J. Parker, 310 Maple Street, Des Moines, Iowa.

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

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

6 **Q: Would you describe your education and work experience?**

7 A: I joined the OCA in June 1988, after receiving a Bachelor of Business
8 Administration degree in Finance with distinction from Iowa State
9 University. Since that time, I have attended several professional seminars
10 concerning utility regulation. My responsibilities include the review of
11 tariff, compliance, price plan, energy efficiency, and merger filings;
12 research; and analysis of public utility issues including the determination
13 of capital structure. I have filed testimony before the Iowa Utilities Board
14 (Board) in the cases listed in Appendix A. I have done the analysis
15 necessary to file testimony in numerous cases which were settled prior to
16 the testimony filing date, and have assisted in the preparation of other
17 witnesses' testimony.

18 **Q: What is the purpose of your testimony?**

19 A: I determine the appropriate capital structure and embedded cost rates for
20 senior securities which are used to calculate the weighted average cost of

1 capital for Interstate Power and Light Company (Interstate or IPL). This
2 weighted average cost of capital recognizes double leverage because
3 Alliant Energy Corporation (Alliant Energy or Alliant), the parent
4 company of IPL, has long-term debt outstanding. I rely upon the cost of
5 common equity determined by OCA witness Mr. Vitale in deriving
6 Interstate's weighted average cost of capital.

7 **Q: Have you prepared an exhibit for presentation in this proceeding?**

8 A: Yes. OCA Exhibit____(SJP-1), Schedules A through F was prepared by
9 me. Schedule A consists of the double leveraged weighted average cost of
10 capital. Schedule B shows the overcharge to ratepayers if double leverage
11 is not recognized. Schedule C contains the ten-year earnings, dividends,
12 and equity infusions for the subsidiaries of Alliant Energy. Schedule D
13 provides support for the rejection of a year-end capital structure. Schedule
14 E presents the details for the preferred equity adjustment, including the
15 amount of increased preferred dividends. Schedule F contains IPL's
16 responses to OCA Data Requests.

17 **WEIGHTED AVERAGE COST OF CAPITAL METHODOLOGY**

18 **Q: What is the cost of capital?**

19 A: The cost of capital is a firm's average cost of funds provided by investors.
20 Capital is provided by common equity investors and by senior securities

1 investors. Senior securities include long term debt and preferred equity
2 capital.

3 **Q: What method do you use to calculate the firm's overall cost of capital?**

4 A: I use the weighted average cost of capital method to calculate the overall
5 cost of capital.

6 **Q: Can you illustrate how the method works?**

7 A: Yes. I will use a typical company's capital structure as an example.

8 Assume a firm has \$100 million capitalization which consists of \$50
9 million of debt, \$10 million of preferred equity, and \$40 million of
10 common equity. Capital structure proportions of 50% debt, 10% preferred
11 equity, and 40% common equity result. Again, assume cost rates of 7.5%
12 on the debt, 6.0% on the preferred equity, and 10.0% on common equity.
13 Weighing each cost rate by its proportion of the capital structure yields a
14 8.35% weighted average cost of capital:

<u>Capital</u>	<u>Amount</u> <u>(millions)</u>	<u>Percent</u>	<u>Cost</u> <u>Rate</u>	<u>Weighted</u> <u>Rate</u>
Long Term Debt	\$50	50%	7.50%	3.75%
Preferred Equity	\$10	10%	6.00%	0.60%
Common Equity	<u>\$40</u>	<u>40%</u>	10.0%	<u>4.00%</u>
Total	\$100	100%		8.35%

23 **Q: What is the source of the data necessary to compute the cost of capital**
24 **for an actual company?**

1 A: All data except for the cost of common equity can be obtained from the
2 company's books and records.

3 **Q: How do senior securities differ from common equity?**

4 A: Senior securities have contractual rates that investors have agreed to
5 accept for the use of their capital. Common equity investors do not
6 receive a fixed return, but receive the residual income after expenses,
7 including senior securities' costs, have been paid.

8 **Q: What part does the cost of capital play in determining the rates
9 charged by a utility?**

10 A: The cost of capital is used to calculate the net operating income that
11 should be included in the revenue requirement. The rate base is multiplied
12 by the overall cost of capital to calculate the required net operating
13 income.

14 **Q: Why should rates be set based on the average cost of capital?**

15 A: The average cost of capital includes both senior securities and common
16 equity. A dollar contributed by a long term debt investor, a preferred
17 equity investor, or a common equity investor cannot be meaningfully
18 distinguished from one another, i.e., capital is fungible. Using the average
19 cost of capital gives a company the opportunity to earn revenues sufficient

1 to cover senior securities' costs and the return common equity investors
2 expect to receive.

3 **DOUBLE LEVERAGE**

4 **Q: What is leverage?**

5 A: Leverage simply recognizes that companies use senior securities, i.e., debt,
6 preferred equity, and preference equity, to finance their operation.

7 *Barron's Dictionary of Finance and Investment Terms* defines leverage as:

8 [d]ebt in relation to equity in a firm's capital
9 structure – its LONG TERM DEBT (usually bonds),
10 PREFERRED STOCK, and SHAREHOLDER'S
11 EQUITY – measured by the DEBT-TO-EQUITY
12 RATIO. The more long-term debt there is, the
13 greater the financial leverage. Shareholders benefit
14 from financial leverage to the extent that return on
15 the borrowed money exceeds the interest costs and
16 the market value of their shares rises.

17 **Q: Would you explain double leverage?**

18 A: Double leverage is a term used to describe the fact that a parent and
19 subsidiary both have debt and equity outstanding. Alliant Energy
20 Corporation, the parent company of Interstate Power and Light Company,
21 owns 100% of Interstate's common stock. Alliant Energy has debt and
22 common equity in its capital structure. Together, these funds support
23 Alliant's investment in Interstate's common equity, which in turn is used
24 to support Interstate's utility operations.

1 Interstate also uses leverage as it has long-term debt and preferred
2 equity outstanding. Thus, Interstate's capital is levered twice, once by its
3 own use of leverage and again by the leverage at Alliant Energy.
4 Leverage is being applied at both the parent and subsidiary levels.

5 **Q: Should the existence of "double leverage" be accounted for in setting**
6 **utility rates?**

7 A: Yes. When there is debt outstanding at both the parent and subsidiary
8 levels, double leverage exists as a matter of fact. The ratemaking process
9 in Iowa traditionally recognizes this fact. Recognizing double leverage in
10 the ratemaking process results in rates being set which allow the parent
11 company an opportunity to earn a return based on its actual cost of capital.
12 Conversely, if double leverage which exists as a factual matter is not
13 recognized in the ratemaking process, the rates set will tend to produce a
14 return in excess of the actual cost of capital. Schedule B shows that if
15 double leverage is not recognized, ratepayers would be overcharged
16 approximately \$15 million per year.

17 **Q: Some opponents of the recognition of double leverage in ratemaking**
18 **assert that double leverage is only applicable if an equity infusion**
19 **occurs. Do you agree?**

1 A: No. The existence of double leverage is an observable fact. The existence
2 of the fact does not depend on the timing of either debt issues or equity
3 infusions. The Iowa Supreme Court described the existence of double
4 leverage in its decision in *United Telephone Company*, 257 N.W. 2d 466,
5 479, and 482 (1977):

6 Because of this holding-company relationship, there
7 is a true 'double leverage' caused by the fact that the
8 Parent's ownership of United Telephone's common
9 equity is secured by additional debt not apparent if
10 one confines his examination to that Company's
11 individual balance sheet.

12
13 However, as above noted, the equity of United
14 Telephone is not secured solely by investor's equity.
15 Instead, it is secured by the capital structure of its
16 Parent,... Thus, the apparent common equity, as
17 derived strictly from United Telephone's individual
18 balance sheet, is actually composed of 72.97% actual
19 investor's equity, and 27.03% of its Parent
20 Company's debt.

21 * * *

22 The existence of a holding company relationship, as
23 here, produces a situation where the subsidiary's
24 capital structure is not truly reflective of the actual
25 debt-equity ratio therein. A double leverage
26 adjustment is an attempt to more accurately present
27 the capital structure of the subsidiary utility and,
28 consequently, an attempt to insure a fair rate of return
29 determination.

30 The Board's Final Decision and Order in Iowa-American Water Company,
31 RPU-90-10, at page 53 (Oct. 21, 1991) summarizes double leverage:

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Because funds are fungible, it is not evident what source of funds the parent uses to invest in the common equity of its subsidiaries. The double leverage methodology assumes that the exact proportions of the parent’s debt, preferred stock, and common equity were used. That is, the parent’s overall cost of capital rate is applied to the common equity of its subsidiary, the utility. The double leverage method also assumes all subsidiaries are of equal risk.

The recognition of and accounting for double leverage in ratemaking was affirmed by the Iowa Supreme Court in *United Tele. Co. of Iowa v. Iowa State Commerce Comm’n.*, 257 N.W. 2d 466 (Iowa 1977) and *General Telephone Company of the Midwest v. Iowa State Commerce Comm’n.*, 275 N.W. 2d 364 (Iowa 1979). The Iowa District Court for Polk County also affirmed the Board’s recognition of and accounting for double leverage in RPU-91-9, involving IPL predecessor Iowa Electric Light and Power (Iowa Electric), a case in which the Board declined to extend the narrow exceptions to the recognition of double leverage in Iowa Electric’s RPU-89-3 and RPU-89-9 cases. Apart from the narrow exceptions in RPU-89-3 and RPU-89-9, the Board has consistently accounted for double leverage when debt is outstanding at the parent level. The Board recognized double leverage in IPL’s predecessor case RPU-94-2, and most recently in *Interstate Power and Light Co.*, Docket Nos. RPU-02-3 and RPU-02-7.

1 **Q: Some opponents argue that double leverage is discriminatory. Do you**
2 **agree?**

3 A: No. Conversely, discrimination occurs when double leverage is *not*
4 recognized and accounted for in the determination of the revenue
5 requirement. The *United Tele Co.* case at page 482 presents the following
6 reasoning:

7 The Commission, on the other hand, maintains the
8 requirements of equal protection necessitate a double
9 leverage adjustment when a holding company is
10 involved in order to insure that utilities not so held
11 are treated equally with respect to a rate of return
12 determination.

13
14 The Commission's position is well founded and is
15 dispositive of the Company's contention. The
16 existence of a holding company relationship, as here,
17 produces a situation where the subsidiary's capital
18 structure is not truly reflective of the actual debt-
19 equity ratio therein. A double leverage adjustment is
20 an attempt to more accurately present the capital
21 structure of the subsidiary utility and, consequently
22 an attempt to insure a *fair* rate of return
23 determination. As pointed out by the Commission,
24 the Company's argument flies in the face of the very
25 purpose of such an adjustment. Clearly, the
26 Company's position is without merit and cannot be
27 sustained.

28 **Q: Please comment further on why double leverage does not discriminate**
29 **against the owners of a utility company.**

1 A: In general, the focus of accounting for double leverage is recognition of
2 the debt and equity used by a holding company to invest in its subsidiary.
3 Two arguments have been made concerning discrimination. One
4 argument states that discrimination is based on the type of ownership of a
5 utility company, and that ownership by a holding company is
6 discriminated against. This argument is laid to rest in *United Telephone*.
7 The second argument concerns the type of funding, whether from debt or
8 equity used by an owner to finance its investment in the utility company.
9 This argument is rejected in *Contel of Iowa, Inc.*, RPU-89-8, Final
10 Decision and Order (IUB, Sept. 20, 1990), page 22:

11 The Board has recognized that double leveraging is
12 appropriate to reflect the parent corporation's financing at
13 the utility level. If this were not done, the Board would not
14 be treating utilities comparably, giving an advantage to
15 utilities such as Contel, in a holding company structure with
16 debt at the parent level, over utilities in a holding company
17 structure with no debt at the parent level. The Board finds
18 Contel's argument that the parent should be viewed as any
19 other shareholder to be without merit, because the argument
20 ignores the institutional connections between parent and
21 subsidiary. The Board's rate making interest in such
22 institutional connections is clearly articulated in IOWA
23 CODE §§ 476.71 to 476.83 (Supp. 1989).

24 **Q: Explain why fungibility of capital is important in the consideration of**
25 **double leverage.**

1 A: The definition of fungibles from the *Dictionary of Finance and Investment*
2 *Terms* is “bearer instruments, securities, or goods that are equivalent,
3 substitutable, and interchangeable. Commodities such as soybeans or
4 wheat, common shares of the same company, and dollar bills are all
5 familiar examples of fungibles.”

6 Using the dollar bills as an example, it is evident that money is
7 interchangeable. Evidence of this fungibility is that banks commingle
8 their customer’s deposits. When multiple customers deposit dollars and
9 coins, one customer’s dollars and coins cannot be distinguished from those
10 of another customer. Collectively, these dollars and coins make up the
11 bank’s pool of deposits. It cannot be determined where a particular dollar
12 came from or how it was used.

13 Similarly, the capital funds of a parent company, whether from a
14 debt, preferred, or common equity issuance, cannot be distinguished from
15 one another. It is known, however, what proportions of debt, preferred, or
16 common equity funds were put into the corporate “pot”. The same
17 proportion of funds that went into the pot must come out. Accordingly, in
18 accounting for double leverage, it is assumed that the parent’s funds are
19 applied proportionately to its subsidiaries. Because the funds used by the
20 parent company are fungible, it is impossible, for example, for the parent

1 to invest different proportions of debt capital and equity capital in
2 different subsidiaries.

3 **Q: Please describe the long-term debt outstanding at Alliant Energy.**

4 A: Alliant Energy has \$402.5 million of long-term debt. In November 2008,
5 Alliant Energy formally assumed this debt from its subsidiary,
6 Alliant Energy Resources, Inc. (Alliant Resources or Resources), and now
7 records the debt on Alliant Energy's stand-alone balance sheet. This debt
8 was fully and unconditionally guaranteed by Alliant Energy when it was
9 issued by Resources in February 2000. Alliant's recent assumption of this
10 debt is more thoroughly examined later in this testimony.

11 **Q: If the debt outstanding at the parent company, Alliant Energy, was**
12 **originally issued by Alliant Resources, why are you including it in**
13 **Alliant Energy's capital structure as part of the double leverage**
14 **recognition?**

15 A: This debt is now the debt of Alliant Energy, not Alliant Resources. It is
16 helpful to look at the assets which support the debt of Alliant Energy.
17 Alliant Energy's major asset is its investment in its consolidated
18 companies. These assets, the revenue stream and net worth of the
19 common stock of its subsidiaries, are the sources of funds that will be used
20 to repay the debt. Alliant's investment in the common equity of these

1 consolidated companies, notably the utility subsidiaries, was effectively
2 used as collateral for the debt.

3 In other words, the assets, including the regulated utility
4 subsidiaries, and the corresponding income from the assets on the left
5 hand side of Alliant Energy's balance sheet support the assumed debt on
6 the right hand side of the balance sheet. In turn, the right hand side of the
7 balance sheet shows the sources of funds (from debt and common equity)
8 used to support assets on the left hand side of the balance sheet.

9 **Q: What are Alliant Energy's subsidiaries?**

10 A: Interstate and Wisconsin Power and Light (WPL) are Alliant Energy's
11 wholly owned utility subsidiaries. Alliant Energy Corporate Services, Inc.
12 supports Alliant Energy's subsidiaries with traditional administrative
13 functions. Alliant Energy Resources, Inc. is the parent company of Alliant
14 Energy's non-regulated businesses. Resources became a limited liability
15 company in November 2008, according to Alliant Energy's Securities and
16 Exchange Commission (SEC) Form 10-K for the year ended
17 December 31, 2008, page 3. (Response to OCA Data Request No. 5,
18 Schedule F.)

19 **Q: Please compare the financial profile of Alliant Energy's utility**
20 **operations with its other subsidiary companies.**

1 A: The ten-year history of subsidiary earnings, dividend payments to the
2 parent Alliant Energy, and equity infusions and/or capital contributions
3 from the parent are included in Schedule C. This Schedule demonstrates
4 that since 2000, IPL and WPL are the only two subsidiaries that pay
5 dividends to Alliant Energy. Schedule C also provides the dollar amount
6 of equity infusions received by IPL, WPL, and other subsidiaries.

7 **Q: Does Alliant Energy have stand-alone operating revenues?**

8 A: No. As stated at page F-86 of Alliant Energy's 2008 Annual Report,
9 "Alliant Energy is a holding company with no significant operations of its
10 own therefore Alliant Energy is dependent upon receiving dividends from
11 its subsidiaries to pay dividends to its shareowners."

12 **Q: Does double leverage exist even though no direct equity infusion to
13 IPL resulted from the December 2000 issuance of the Notes now
14 assumed by Alliant Energy?**

15 A: Yes. Double leverage is an observable fact which exists when a parent
16 company and a subsidiary company have debt outstanding. Proceeds from
17 any debt issue cannot be traced to an equity infusion to IPL. Capital is
18 fungible and it cannot be determined that a particular dollar from a bond
19 issuance is used to support the common equity of a specific subsidiary.

1 Issuing debt for one purpose increases the “corporate pot” of total funds
2 available to be used for other purposes. The size of the corporate pot
3 affects later financing decisions, such as the ability to increase the
4 common equity of a subsidiary by leaving retained earnings at the
5 subsidiary level.

6 **Q: In this docket, Alliant Energy has assumed the debt of Alliant**
7 **Resources and records it on its stand-alone balance sheet. What is**
8 **your recommendation in this docket?**

9 A: This debt is now the debt of Alliant Energy, not Alliant Resources and
10 therefore it is necessary to include this debt in the recognition of and
11 accounting for the existence of double leverage. I include the \$402.5
12 million of Alliant Resources’ former debt which has been assumed by
13 Alliant Energy in Alliant Energy’s capital structure for the entire thirteen
14 month capital structure.

15 **ALLIANT ENERGY’S ASSUMPTION OF DEBT**

16 **Q: Why was this debt assumed by Alliant Energy after it had been fully**
17 **and unconditionally guaranteed for nearly nine years?**

18 A: It appears that Alliant Energy directly assumed this debt as part of its
19 response to the Notice of Default dated September 4, 2008. The legal
20 proceeding is described beginning at page 27 of Alliant Energy’s SEC

1 Form 10-K for the year ended December 31, 2008. The Responses to
2 OCA Data Request Nos. 3 and 6 in Schedule F provide additional details
3 concerning the Notice of Default.

4 **Q: How does Alliant Energy describe the risk associated with the**
5 **assumption of the Notes?**

6 A: Alliant Energy discloses the risks at page 24 of its SEC Form 10-K for the
7 year ended Dec. 31, 2008:

8 **An adverse result in the litigation over the**
9 **Exchangeable Senior Notes originally issued by**
10 **Resources could adversely impact our financial**
11 **condition . . .** If we are ultimately unsuccessful in
12 this litigation, and the Trustee or the holders of the
13 Notes declared the principal amount of all the
14 outstanding Notes to be immediately due and
15 payable, then we would be required to pay the
16 aggregate principal amount of the Notes of \$402.5
17 million plus accrued interest and record a pre-tax loss
18 of approximately \$365 million based on the amount
19 of unamortized debt discount and unamortized debt
20 expense on Alliant Energy's Consolidated Balance
21 Sheet at Dec. 31, 2008. In such an event, to make
22 such payment, we would be required to use existing
23 cash on hand, which could divert capital from other
24 strategic projects of ours, and/or borrow money,
25 which could be at higher interest rates than we
26 currently pay on the Notes. In addition, an "Event of
27 Default" under the Indenture would also trigger cross
28 default provisions in Alliant Energy's credit facility
29 agreement and IPL's sale of accounts receivable
30 program agreement that could result in the
31 termination of such agreements. A loss in this
32 litigation could have a material adverse impact on

1 our financial condition, results of operations and cash
2 flows. [Emphasis in original].

3 **Q: In response to an OCA Data Request, what does Alliant Energy**
4 **anticipate as the impact to shareholders and IPL ratepayers if Alliant**
5 **Energy does not prevail in its Trustee lawsuit and the \$402.5 million**
6 **of debt becomes immediately due and payable?**

7 A: In response to OCA Data Request No. 104:

8 Alliant Energy Corporation (“AEC”) currently has
9 sufficient liquidity to fund the amount required to
10 redeem in full its Exchangeable Senior Notes due
11 2030. If necessary, AEC could borrow up to the full
12 amount required by issuing long-term debt
13 instruments of an appropriate maturity. The impact
14 to AEC shareholders and creditors of redeeming the
15 Exchangeable Senior Notes due 2030 would not be
16 material, since the net effect would be to replace one
17 series of debt with another series of debt. As
18 explained in response...above, there would be no
19 impacts relating to AEC, so there would be no
20 opportunity for impact on IPL’s customers even if
21 they were not otherwise sheltered from unregulated
22 activities.

23 Debt issued at the parent Alliant Energy Corporation does impact IPL
24 customers due to the existence of double leverage. It is also important to
25 acknowledge that Alliant Energy Corporation is ultimately dependent
26 upon its utility subsidiaries as its sources of liquidity, as previously noted
27 in its 2008 Annual Report. Certainly the \$400 million dividend to Alliant

1 Energy following IPL's sale of transmission assets contributes greatly to
2 Alliant Energy's liquidity.

3 **Q: Why are the assumed Resources' Notes in the double leverage**
4 **calculation?**

5 A: Alliant Energy has fully assumed the \$402.5 million Alliant Resources'
6 Notes. Including this debt in the recognition of and accounting for double
7 leverage will allow utility rates to be set based upon the fact that Alliant
8 Energy has used its stable regulated utility operations to guarantee the
9 issuance of, support the assumption of, and support the repayment
10 obligations of the Alliant Resources Notes now fully assumed by Alliant
11 Energy.

12 This does not deny Alliant Energy the benefit of using double
13 leverage to finance its unregulated operations, nor does it transfer a benefit
14 from unregulated operations to the customers of the regulated utility
15 operations. Rather, it simply accounts for the actual capitalization of
16 Alliant Energy and both its regulated and unregulated operations, and
17 charges the customer of the regulated utility operations for the actual cost
18 of capital incurred to provide their service.

19 **Q: In Docket Nos. RPU-02-3 and RPU-02-7, in addition to "traditional"**
20 **double leverage which was approved by the Board orders in those**

1 **dockets, OCA proposed to include the guaranteed debt of Alliant**
2 **Energy Resources in Alliant Energy’s capital structure. What was the**
3 **amount of Alliant Resources’ guaranteed debt in those dockets?**

4 A: The amount of Alliant Resources’ debt which was fully and
5 unconditionally guaranteed by Alliant Energy was approximately
6 \$952 million in December 2001, and grew to \$1.2 billion in
7 December 2002. The test year thirteen-month average amount of the
8 guaranteed debt in those dockets was approximately \$698 million.

9 **Q: Did the Board include Alliant Resources’ guaranteed debt in its**
10 **application of double leverage in Docket Nos. RPU-02-3 and**
11 **RPU-02-7?**

12 A: No. While the Board’s Final Decision and Order in RPU-02-3, issued
13 April 15, 2003, commended OCA “for raising the issue because regulators
14 need to be watchful of affiliate relationships that could harm the utility’s
15 financial standing,” it simultaneously denied the “(A)pplication of double
16 leverage to the Alliant Resources’ debt guaranteed by Alliant Energy.”

17 **Q: What is the dollar amount of Alliant Resources debt which Alliant**
18 **Energy has assumed?**

19 A: The total dollar amount of Alliant Resources’ debt assumed by Alliant
20 Energy is \$402.5 million. The debt was assumed in November 2008, and

1 was originally fully and unconditionally guaranteed by Alliant Energy
2 when issued in February 2000. This debt could not have been issued if the
3 utility subsidiaries did not exist.

4 **Q: Is it your testimony that the Alliant Resources debt assumed by**
5 **Alliant Energy was used to support utility operations as paid-in**
6 **capital to IPL?**

7 A: No, it is not my testimony that the assumed debt of Alliant Resources can
8 be traced to show that it was used as paid-in capital to IPL. Because
9 capital is fungible, it is unnecessary and inappropriate to engage in this
10 kind of tracing analysis. Rather, it is my testimony that because
11 Resources' \$402.5 million of debt was assumed by Alliant Energy, this
12 debt should be included in Alliant Energy's capital structure to reflect the
13 source of funds used to support the investment in all of the parent
14 company's subsidiaries.

15 **Q: Why are you proposing a double leverage capital structure in this**
16 **docket?**

17 A: This debt is a direct obligation of Alliant Energy and is recorded as such
18 on the stand-alone books of Alliant Energy. Alliant Energy is responsible
19 for the \$402.5 million redemption of the notes at maturity in 2030, or
20 sooner. It is not known at this time what the outcome of the Default of

1 Indenture proceeding will be, nor when it will be determined. The
2 ultimate resolution of the Default of Indenture, however, does not impact
3 my analysis or conclusion that double leverage must be recognized in this
4 docket.

5 **CREDIT RATINGS**

6 **Q: IPL contends that its capital structure recommendations are**
7 **necessary to maintain its credit rating. Is this a persuasive argument?**

8 A: No. The Board should not depart from established ratemaking principles
9 in order to attempt to impact IPL's credit rating, particularly when its
10 credit rating is impacted by corporate decisions beyond regulatory control.
11 Evidence demonstrates that the December 2002 downgrade to IPL's credit
12 rating was due in large part to Alliant Energy's nonregulated subsidiary
13 investment.

14 The desire, perceived need, and ability to alter its capital structure
15 rests solely with Interstate. The rating agencies utilize Interstate's current
16 capital structure, including the debt levels, capital expenditure support,
17 and dividend payout ratio when performing Interstate's credit review. It
18 is almost certain that there will be a difference between the capital
19 structure used for regulatory purposes in this proceeding and the capital
20 structure analyzed by rating agencies. For example, S&P considers the

1 sale of accounts receivable and power purchase agreements, as well as
2 other off-balance sheet items when determining its ratios, as described in
3 Mr. Bacalao's testimony beginning at page 12, and shown on
4 Exhibit___(EB-1), Schedule B-1, page 94.

5 **Q: Have credit rating agencies commented on how the regulatory**
6 **environment influences their ratings analysis?**

7 A: Standard & Poor's August 11, 2008 "Ratings Direct" analysis of Interstate
8 Power and Light Co., (Exhibit___(EB-1), Schedule B-1, pages 90-96.)
9 indicates that regulatory environments impact the credit rating analysis.

10 Iowa regulators provide IP&L with several credit-
11 enhancing features, including automatic fuel and
12 purchase-power agreement adjustment clauses,
13 authorized equity returns that exceed the national
14 average, and material regulatory certainty regarding
15 the construction of new generation.

16 The Board's traditional ratemaking approach that considers IPL's actual
17 capital structure, including the existence of double leverage, has not
18 created a negative, unsupportive regulatory environment that resulted in a
19 credit ratings downgrade by Standard & Poor's. Rather, the
20 December 2002 credit downgrade came from Alliant Energy's decisions
21 and the circumstances of its non-regulated subsidiaries.

1 **Q: Does the rating agency only rely upon a regulatory capital structure**
2 **when calculating its ratios to establish the credit rating for a**
3 **company?**

4 A: It is my understanding that rating agencies adjust for off-balance sheet
5 items, and do not solely rely upon the capital structure approved in a
6 ratemaking proceeding. If my understanding was not correct, and IPL's
7 witnesses were correct in their testimony in Docket Nos. RPU-02-3 and
8 RPU-02-7, the credit ratings would have further been downgraded after
9 the Board issued its decisions in these cases. I have found no evidence
10 which suggests that the credit rating of IPL was impaired by the Board's
11 recognition of double leverage or a thirteen month average capital
12 structure in these dockets. In any event, the Board should not depart from
13 well established ratemaking principles for the purpose of seeking to
14 influence credit ratings that are primarily influenced by IPL's parent.

15 **COMPANY ADJUSTMENTS TO THE CAPITAL STRUCTURE**

16 **Q: Do you accept IPL's use of a year-end capital structure?**

17 A: No. I do not believe that a year-end capital structure accurately reflects
18 the capital supporting Interstate's rate base.

19 **Q: Please describe the capital structure you are proposing.**

1 A: I propose to use a 13-month capital structure ending September 2009. I
2 have reviewed the 13-month balances for the period December 2007
3 through December 2008 as provided by Company in its filing
4 requirements. Through responses to data requests, Company has provided
5 updates through May 2009. Unamortized discounts, expenses, and
6 premiums are calculated based on monthly amortizations. For the
7 common equity portion, the May 2009 balances were used for the months
8 of June through September 2009 and will be updated as the actual
9 balances become known.

10 **Q: Why is a year-end capital structure not appropriate?**

11 A: A year-end capital structure will overstate or understate the actual test
12 period capital structure, because it does not reflect the flow of capital
13 during the 13 month period. A year-end, or “spot” capital structure is not
14 representative of IPL’s thirteen month capital structure, and may be
15 aberrational and/or nonrecurring.

16 **Q: Is IPL’s 2008 year-end capital structure overstated?**

17 A: Yes. Schedule D presents the month-end balances of IPL’s retained
18 earnings beginning in January 1999 through December 2008. The
19 overstatement/(understatement) of year-end retained earnings when
20 compared to the thirteen-month average balance for the years 2005

1 through 2008 was \$41 million, \$20 million, \$(311) million, and \$65
2 million, respectively. The Schedule also demonstrates that the year-end
3 December balance exceeds the thirteen-month average balance in nine of
4 the ten years examined. This illustrates that use of a particular month's
5 balance can cause the capital structure to be non-representative, by
6 overstating or understating test year balances. Use of a thirteen-month
7 average capital structure evens out the monthly fluctuations in account
8 balances.

9 **Q: Mr. Bacalao asserts that a year-end capital structure is necessary to**
10 **maintain IPL's credit rating, do you agree?**

11 A: No. I do not believe it is proper for the regulatory purpose of setting just
12 and reasonable rates to use a year-end capital structure because a year-end
13 capital structure may over/under state a more representative thirteen-
14 month average capital structure. As previously noted, a credit rating
15 agency does not solely consider a regulatory capital structure when
16 performing Interstate's credit review.

17 **COST OF SENIOR SECURITIES**

18 **Long Term Debt**

19 **Q: What method do you use to determine the cost rates for Interstate's**
20 **senior securities, i.e., long-term debt and preferred equity?**

1 A: I use the traditional method. This method first determines the annual
2 interest obligation for each issuance of debt by multiplying the
3 outstanding principal amount of the debt by the stated coupon rate, and
4 then sums the interest obligations. Second, the test year straight-line
5 amortization of discount, premium, issuance expenses, and gain and/or
6 loss for all issues is added to the summed interest charges. Third, this
7 combined figure is divided by the total amount of principal outstanding
8 plus the unamortized premiums and gains on reacquisition, less the
9 unamortized discounts, issuance expenses, and loss on reacquisition. The
10 result is the cost rate for the company's long-term debt. Similar
11 calculations determine the cost rate of preferred equity. IPL witness
12 Mr. Bacalao also uses the traditional method to determine the costs of
13 senior securities.

14 **Q: How do you calculate the long-term debt cost rate for Interstate?**

15 A: The cost rate for long-term debt is calculated using the traditional method
16 based upon the 13 month-end balances provided by Interstate for each
17 issue of long-term debt, unamortized debt discount, unamortized debt
18 expense, and unamortized loss on reacquired debt. Interstate also
19 provided the amortization of debt discount, debt expense, and loss on
20 reacquired debt.

1 **Q: Does your proposed capital structure include the anticipated August**
2 **2009 new debt issuance described by Mr. Bacalao?**

3 A: Yes. I have included the \$300 million of debt anticipated to be issued at
4 7.37% in August 2009. According to Mr. Bacalao's testimony at pages 7
5 and 18, a portion of this new debt will be used to redeem the 6.625%
6 \$135,00,000 debt which matures in August 2009. This recognition, if it
7 occurs, will comply with the intent of Iowa Code § 476.33, subsection 4.
8 However, if the debt issuance does not occur, the \$300 million long-term
9 debt will be removed from OCA's proposed capital structure in an updated
10 filing prior to the hearing. If the debt is issued, the actual interest rate of
11 the debt will be updated in the OCA's calculation of the cost of long-term
12 debt prior to hearing. I have calculated Interstate's cost of long-term debt
13 to be 6.989%, as shown in OCA Exhibit_____(SJP-1), Schedule A,
14 Page 1.

15 **Q: How did you calculate the monthly balances for the thirteen months**
16 **ending September 2009?**

17 A: I used the balances provided by IPL in its filing requirements for the
18 period December 2007 through December 2008. The balances for the
19 months of January 2009 through May 2009 were provided by IPL in
20 response to OCA Data Request No. 118. The balances for June through

1 September 2009 reflect ongoing balances with one retirement occurring in
2 August 2009.

3 **Q: How did you calculate the long-term debt amount and cost rate for**
4 **Alliant Energy?**

5 A: The balance was provided by IPL in its filing requirements for the period
6 December 2007 through December 2008. The balance for the months of
7 January 2009 through April 2009 was provided by IPL in response to
8 OCA Data Request No. 119. Alliant Energy has \$402.5 million of long-
9 term debt with a 2.5% cost rate.

10 **Q: What is important to understand about the uniqueness of Alliant**
11 **Energy's long-term debt?**

12 A: The Notes have a debt component and an embedded derivative
13 component. The current cost rate on the debt is 2.5%, and the effective
14 yield rate is 26.80%. (Response to OCA Data Request No. 119). The
15 SEC Form 10-K for the year ended December 31, 2008 at page 130
16 explains this rate change as the notes near maturity in 2030:

17 At Dec. 31, 2008, the carrying amount of the debt
18 component of the Notes was \$38.9 million,
19 consisting of the par value of \$402.5 million, less
20 unamortized debt discount of \$363.6 million. Alliant
21 Energy accounts for the net proceeds from the
22 issuance of the Notes in 2000 as two separate
23 components, a debt component and an embedded
24 derivative component. In accordance with SFAS

1 133, "Accounting for Derivative Instruments and
2 Hedging Activities," Alliant Energy determined the
3 initial carrying value of the debt component by
4 subtracting the fair value of the derivative component
5 from the net proceeds realized from the issuance of
6 the Notes. This resulted in a very low initial carrying
7 amount of the debt component and interest expense
8 at an effective rate of 26.8% of the carrying amount
9 of the debt component. For 2008, interest expense on
10 the Notes was \$10 million. Interest expense in
11 excess of interest payments is recorded as an increase
12 to the carrying amount of the debt component and
13 will result in gradual increases to the carrying
14 amount until it reaches the par value of \$402.5
15 million in 2030. Interest expense on the debt
16 component of the Notes will be between \$10 million
17 and \$11 million in each of 2009, 2010 and 2011, but
18 this will increase over the term of the debt instrument
19 culminating with interest expense of approximately
20 \$95 million in the 12 months prior to maturity in
21 February 2030. The derivative component of these
22 Notes no longer has any value as a result of
23 McLeodUSA, Inc.'s bankruptcy in 2005 as the Notes
24 included a repayment feature based on the value of
25 McLeodUSA, Inc., common stock.

26 Company has provided further information on the par value, unamortized
27 debt discount, and the carrying amount of this debt in the Confidential
28 Response to OCA Data Request No. 103, Schedule F.

29 **Preferred Equity**

30 **Q: How do you calculate the preferred equity cost rate for Interstate?**

31 **A:** The cost rate for preferred equity is also calculated using the traditional
32 method. The 13 month-end balances for each issue of preferred stock and

1 unamortized net proceeds less than par were provided by Interstate in its
2 filing.

3 **Q: Were any adjustments to the preferred equity portion of the capital**
4 **structure necessary?**

5 A: Yes. To be consistent with Board treatment of an Interstate Power
6 Company 1979 preferred stock exchange, the preferred equity portion of
7 IPL's capital structure was adjusted.

8 **Q: Please describe the 1979 preferred stock exchange.**

9 A: In 1979, Interstate Power Company exchanged higher cost (9% preferred
10 exchange) shares of preferred stock for shares of two series of lower cost
11 (4.36% and 4.68%) preferred stock. Because of the manner in which the
12 shares were exchanged, a gain of approximately \$5.5 million was recorded
13 as miscellaneous paid in capital.

14 **Q: How did the Board treat the 1979 preferred exchange in Docket No.**
15 **RPU-81-24?**

16 A: The Board found that the Company should not be permitted to include in
17 common equity \$5.5 million derived from the exchange of shares of
18 preferred stock. The Board's Proposed Decision and Order, April 15,
19 1982, at page 16 provides:

20 The effect of accepting Company's position with
21 reference to the increase in equity [due to the gain on

1 the preferred exchange] would enable it to earn a
2 return on equity without having issued stock in the
3 amount of \$5.5 million. We fail to see how the
4 ratepayers are benefitted by such a proposal. The
5 cost to ratepayers would have been less had the
6 Company refrained from making the exchange.
7 Since no additional shares of stock were issued, the
8 effect of accepting Company's claim that the \$5.5
9 million should be treated as additional equity would,
10 in effect, provide the Company's shareholders with a
11 greater return on equity than we proposed to allow.
12 We believe that Staff succinctly states arguments
13 against approval of Company's proposal on Brief at
14 p. 19, "...the reason for issuing securities is to obtain
15 or replace capital Re: Greeley Gas Company,
16 16PUR3d, 108, and not to produce income by
17 increasing the overall rate of return. Prudent
18 management must try to keep capital costs at a
19 minimum. In The Matter of Oklahoma Gas and
20 Electric Company, Vol. 5 FPC reports 52."

21 **Q: Did the Board reaffirm its decision to disallow the gain on the**
22 **preferred exchange in subsequent dockets?**

23 A: Yes, the Board maintained its position in several litigated cases. A brief
24 summary of the Board's orders in these dockets is contained in
25 Schedule E, pages 1-3.

26 **Q: In the past, has Interstate Power Company filed testimony and**
27 **exhibits recognizing Board precedent on treatment of the 1979**
28 **preferred exchange?**

29 A: Yes. In the RPU-93-6 Docket, Interstate Power Company issued new
30 6.40% stock which was used to rollover the 9% preferred exchange stock.

1 In testimony filed in that docket, the OCA and Company agreed that the
2 1979 preferred stock exchange should not be included when determining
3 the amount of the newly issued 6.40% preferred stock to include in the
4 capital structure. In addition, in Dockets Nos. RPU-95-1 and RPU-95-8
5 Interstate Power Company's witness filed testimony and exhibits which
6 included the necessary preferred equity adjustment to reflect a capital
7 structure as if the 1979 preferred exchange did not occur.

8 In Docket Nos. RPU-02-3 and RPU-02-7, the Board adopted
9 OCA's preferred equity portion of the capital structure. OCA's capital
10 structure contained two preferred equity adjustments, one for the 1979
11 adjustment, and one for the 6.40% preferred adjustment. (Exhibit E,
12 page 3).

13 **Q: Please describe the first two preferred equity adjustments made to be**
14 **consistent with prior Board treatment of the 1979 exchange.**

15 **A:** After reviewing the adjustments made in prior cases, I make preferred
16 equity adjustments to restore the 4.35% and 4.68% preferred equity issues
17 to their pre-1979 exchange balances, and to recognize only the portion of
18 the 6.40% preferred equity balances and associated discount, expense, and
19 loss which did not involve any of the 1979 exchange. An adjustment to

1 remove the gain on the preferred exchange from common equity has also
2 been made, consistent with Board precedent.

3 **Q: Please describe the third preferred equity adjustment, which is**
4 **necessary because of the redemption of all outstanding preferred**
5 **equity in September 2002.**

6 A: IPL redeemed all outstanding preferred stock in September 2002. The
7 seven series of redeemed preferred stock totaled \$56.4 million. The
8 weighted average cost of the redeemed preferred equity was 5.538%. The
9 premium paid to redeem the seven series of preferred stock was over
10 \$2.4 million. (See responses to OCA Data Request Nos. 10 and 105.) IPL
11 issued \$150,000,000 8.375% preferred stock in December 2002. In
12 September 2003, IPL issued \$40,000,000 7.10% Series C cumulative
13 preferred stock.

14 **Q: Did any of the seven retired preferred equity series have higher**
15 **dividend rates than the new preferred dividend rate of 8.375%?**

16 A: No. The retired preferred equity's dividend rates were 4.30%, 4.36%,
17 4.68%, 4.80%, 6.10%, 6.40%, and 7.76%.

18 **Q: What is the resulting increase in preferred dividends on an annual**
19 **basis?**

1 A: The cumulative dollar increase in annual dividends from 2003 through
2 year-end 2009 is approximately \$10.8 million dollars. This increase is
3 calculated by substituting the weighted dividend cost of the “new”
4 preferred for the weighted dividend costs of the par amount of redeemed
5 preferred. Schedule E, Pages 4 through 6 provide detailed support for the
6 calculation of the increase of \$10.8 million. (See Response to OCA Data
7 Request No. 10, Schedule F.)

8 **Q: What did Company state as its reason for redeeming its low cost**
9 **preferred equity and then issuing higher cost preferred equity?**

10 A: On March 24, 2009, OCA Data Request No. 10 was issued and asked IPL
11 to “provide a complete quantitative and qualitative explanation, and a
12 copy of all documentation, concerning the above redemption including
13 why the seven series of preferred stock were redeemed.” IPL responded
14 on March 31, 2009, with the response it had filed to the exact question
15 asked by OCA in Docket No. RPU-04-1. In that docket, Mr. Bacalao’s
16 direct testimony beginning at page 18 stated that the seven series of
17 preferred were retired in order to ease restrictive covenants and harmonize
18 legacy provisions of the retired preferred.

19 **Q: Did IPL quantify the actual or expected savings which made it “more**
20 **financially prudent to harmonize the various provisions, streamline**

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the administration of the preferred stock and modernize the provisions of the corporate charter?” (Docket No. RPU-04-1, Mr. Bacalao’s direct testimony page 18, lines 13-15.)

A: No, IPL has not been able to quantify any savings, according to its response to OCA Data Request 10: “The benefits of financial flexibility are, by their very nature, contingent...A potential cost avoided, one’s access to a particular financial market impeded or an indirect benefit achieved are examples of real costs and benefits that are challenging to quantify.”

Q: In this current docket, what is the increased cost to ratepayers due to the preferred equity retirement?

A: The increased cost to ratepayers is at least \$1.7 million. This increase is the result of IPL’s retirement of the seven series of preferred equity and the issuance of higher cost preferred equity. Calculations which demonstrate the \$1.7 million increase to ratepayers are included in Schedule E pages 7 and 8. The \$1.7 million increase is a conservative estimate in that it may not fully reflect the \$2.4 million in redemption premiums paid. (Responses to OCA Data Request Nos. 105 and 106, Schedule F.) In addition, the different amount of and cost rate of the preferred equity proposed by IPL and OCA also affects the ratios and

1 weighted costs of long-term debt and common equity. Because OCA's
2 adjustment does recognize a portion of the "new" preferred at a higher
3 dividend rate, the increased cost is lower than when simply substituting
4 the "new" dividend rate for the "old" dividend rate.

5 **Q: Do you include the two series of preferred equity issued in**
6 **December 2002 and September 2003 in this docket?**

7 A: Yes. The proposed adjustment does recognize a portion of the \$150
8 million 8.375% and \$40 million 7.10% preferred equity, in addition to the
9 necessary adjustments to reflect the previous "corrections" to these
10 preferred equity balances.

11 **Q: Does the preferred equity adjustment you propose disallow the**
12 **issuance of the higher cost new preferred equity issued in**
13 **December 2002 and September 2003?**

14 A: No. The adjustment does not disallow, or refuse to account for the
15 issuance of new preferred equity of \$190,000,000. The adjustment is
16 consistent with the Board's past treatment of similar preferred equity
17 issuances which increased the cost of preferred.

18 By recognizing only a portion of the new 8.375% and 7.10%
19 preferred equity issued in December 2002 and September 2003,
20 respectively, the benefit of lower cost preferred is maintained for

1 ratepayers, yet the amount of preferred equity and increased dividend rates
2 associated with IPL's decision to issue additional higher cost preferred
3 equity is reflected in the capital structure.

4 **Q: Please summarize the preferred equity adjustment you are proposing.**

5 A: It is crucial to note what has occurred in the past: a series of financing
6 decisions that resulted in higher costs for ratepayers, beginning with the
7 1979 preferred exchange. The second financing decision was the issuance
8 of the 6.40% preferred equity. The third financing decision was the 2002
9 retirement of seven series of low cost preferred equity, and the issuance of
10 higher cost preferred. This series of transactions resulted in an increase in
11 the cost of preferred equity.

12 Schedule E is supported by numerous worksheets which are based
13 on information provided by IPL in previous dockets, data requests, and
14 annual reports.

15 **Q: How do you calculate the preferred equity cost rate for Interstate?**

16 A: The cost rate for preferred equity is calculated using the traditional
17 method. The 13 month-end balances for the 8.75% and 7.10% issues of
18 preferred stock, unamortized net proceeds greater and less than par, and
19 unamortized loss on reacquired preferred stock were provided by
20 Interstate. The support for the balances of the redeemed preferred stock is

1 in Schedule E and supporting workpapers. The adjusted cost of preferred
2 equity is 7.646%, as shown in OCA Exhibit_____(SJP-1), Schedule A,
3 Page 1.

4 **Common Equity**

5 **Q: Do you accept Mr. Bacalao's proposed \$100 million equity infusion**
6 **which was anticipated to be made in June 2009?**

7 A: Yes. I will recognize the anticipated 2009 common equity infusion of
8 \$100 million described at page 17 of Mr. Bacalao's testimony. This
9 recognition, if it occurs, will comply with the intent of Iowa Code
10 § 476.33, subsection 4 (2009). On May 4, 2009, a common equity
11 infusion of \$50 million was made from Alliant Energy to Interstate. If the
12 remaining \$50 million infusion does not occur, it will be removed from
13 OCA's proposed capital structure in an updated filing prior to the hearing.

14 **Q: How do you determine the common equity portion of the capital**
15 **structure for Interstate?**

16 A: Again, I begin with the 13 month-end common equity balances for the
17 period December 2007 through May 2009, as provided by IPL in its filing
18 requirements and responses to OCA Data Requests.

19 **Q: At the time of this direct testimony filing, is it necessary to make an**
20 **adjustment to common equity to comply with Company's**

1 **commitment to a 50% common equity ratio in Docket No. SPU-07-11?**
2 **(Bacalao Direct Testimony page 22, Hampsher Direct Testimony**
3 **page 100).**

4 A: At this time, I have calculated IPL's common equity ratio to be 48.988%,
5 so no adjustment is necessary. However, if subsequent changes occur as
6 the common equity balances are updated throughout this proceeding, if
7 further proforma adjustments are proposed such that IPL's common equity
8 ratio is above 50%, or if the IUB's ultimate determination is an equity
9 ratio in excess of 50%, an adjustment will become necessary.

10 **Q: For perspective on what type of an adjustment could be necessary,**
11 **what is the dollar amount of the common equity reduction made by**
12 **IPL in determining its interim rates?**

13 A: In Company's interim filing at Tab 4, page 15, Company made a \$53.7
14 million reduction to IPL's common equity to lower the common equity
15 ratio to the 50% limit committed to in the transmission case.

16 **Q: How did you arrive at the thirteen-month common equity balance**
17 **ending in September 2009?**

18 A: The common equity balances for both IPL and Alliant Energy are actual
19 book balances for the period September 2008 through May and
20 April 2009, respectively. Until the balances through September 2009

1 become available, the May and April 2009 balances, respectively, are
2 used. (See responses to OCA Data Request Nos. 118 and 119.) A
3 summary of Interstate and Alliant's common equity portion of the capital
4 structure are in Schedule A.

5 **WEIGHTED AVERAGE COST OF CAPITAL**

6 **Q: Please summarize your capital structure for Interstate.**

7 A: My proposed capital structure recognizes double leverage and reflects a
8 13-month average capital structure ending September 2009. The proposed
9 capital structure for IPL is adjusted for the preferred equity redemptions,
10 consistent with Board precedent. I have also included Company's
11 proposed proforma adjustments to long-term debt and common equity for
12 an anticipated long-term debt issue and an anticipated common equity
13 infusion to occur before September 2009.

14 **Q: Please summarize your capital structure for Alliant Energy.**

15 A: My proposed capital structure for Alliant Energy reflects a 13-month
16 average capital structure ending September 2009. The proposed capital
17 structure recognizes \$402.5 million of parent company debt for the entire
18 13-month period.

19 **Q: What is the weighted average cost of capital for Interstate Power and**
20 **Light Company?**

1 A: Using Mr. Vitale's cost of common equity of 10.0% for Alliant Energy
2 Corporation, the overall cost of capital is 8.052% as shown in
3 OCA Exhibit____(SJP-1), Schedule A, page 1. Emery's cost of equity is
4 12.23%, which results in an overall weighted cost of capital of 9.008%.

5 **Q: Does this conclude your testimony?**

6 A: Yes.

APPENDIX A

Testimony filed by Sheila J. Parker

<u>Docket No.</u>	<u>Company</u>
RPU-86-3	United Telephone
RPU-91-5	Midwest Gas
RPU-91-6	Iowa Public Service Company
RPU-91-8	Iowa Southern Utilities Company
RPU-92-2	Iowa Power
RPU-92-6	Peoples Natural Gas Company
RPU-92-11	Interstate Power Company
RPU-93-3	Iowa-American Water Company
RPU-93-6	Interstate Power Company
ECR-94-1	Midwest Power Systems, Inc.
RPU-94-2	IES Utilities, Inc.
RPU-94-3	Midwest Power Systems – Gas
RPU-94-4	Midwest Power Systems – Electric
RPU-95-1	Interstate Power Company
APP-96-1/RPU-96-8	MidAmerican Energy Company
SPU-99-31	Citizens/ U S West
INU-00-3	Qwest
RPU-02-3	Interstate Power & Light – Electric
RPU-02-7	Interstate Power & Light – Gas
EEP-08-1	Interstate Power and Light
EEP-08-2	MidAmerican Energy
EEP-08-3	Black Hills Energy

STATE OF IOWA)
) **SS: AFFIDAVIT OF SHEILA PARKER**
COUNTY OF POLK)

I, Sheila Parker, being first duly sworn on oath, depose and state that I am the same Sheila Parker 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/ Sheila Parker
Sheila Parker

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.