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November 21, 2013

Ms. Joan Conrad, Executive Secretary  
Iowa Utilities Board  
1375 East Court Avenue, Room 69  
Des Moines, IA 50319-0069

**FILED WITH  
Executive Secretary  
November 21, 2013  
IOWA UTILITIES BOARD**

RE: Interstate Power and Light Company  
Docket Nos. TF-2013-0477 (RPU-2010-0001)  
Interpretation No. E2013-17  
Tax Benefit Rider

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's proposed electric tariff sheets of the Tax Benefit Rider, as filed today on EFS.

Very Truly Yours,

/s/ Kent M. Ragsdale  
Kent M. Ragsdale  
Managing Attorney - Regulatory

KMR/kjf  
Enclosures

# Interstate Power and Light Company

November 21, 2013

**INTERPRETATION NO. IPL E2013-17**

**TAX BENEFIT RIDER  
FOURTH YEAR COMPLIANCE FILING**

**RE: Docket Nos. TF-2013-0477 (RPU-2010-0001)**

## Purpose

The Iowa Utilities Board (Board) issued a final order in Docket No. RPU-2010-0001 on January 10, 2011 (January 2011 Order) authorizing Interstate Power and Light Company (IPL) to implement a Tax Benefit Rider (TBR) tariff. This tariff provides billing credits to customers from the regulatory liability account established for expected income tax benefits that were authorized by the Board in Docket No. ARU-2010-0001. The purpose of this filing is to seek approval from the Board to implement the 2014 TBR tariff rate effective with the January 2014 billing cycle in order to continue to provide these income tax benefits to electric customers through billing credits.

Since the Board's January 2011 Order, IPL will have credited to customers approximately \$200 million in the three year period from 2011 through 2013. As described in this filing, IPL has additional dollars to credit to customers in 2014 and beyond. This filing describes IPL's plan to do so in addition to its specific request for TBR credits in 2014.

As described below, for informational purposes only, IPL is proposing to refund the remaining amounts in the regulatory liability account after 2013 over a three year period. This proposed refund plan uses the same accounting methodology approved by the Board for the 2013 TBR credits.

## Background

On November 20, 2012, IPL filed a tariff filing, identified as TF-2012-0640, to implement the 2013 TBR tariff rate effective with the January 2013 billing cycle to continue the return of these income tax benefits to electric customers in Iowa through a bill credit. On December 14, 2012, IPL made an errata filing in TF-2012-0640 to correct the deferred tax adjustment for IPL's electric retail jurisdiction. The Board's January 7, 2013 Order (January 2013 Order) approved the 2013 TBR rate, as amended by IPL's December 14, 2012, errata filing. The approved amount of the 2013 TBR, \$56,220,000, was derived by offsetting gross tax benefits of \$80,758,506 by a normalized deferred tax adjustment of \$24,538,506.

On December 14, 2012, IPL filed a Report on the Regulatory Liabilities Related to the Tax Benefit Rider in Docket Nos. RPU-2010-0001 and ARU-2010-0001 (TBR Final Report). The Board issued an Order on February 19, 2013 (February 2013 Order), accepting the TBR Final Report on the TBR regulatory liability account. As indicated on page 3 of the Board's February 2013 Order, IPL expects to have estimated gross benefits of slightly less than \$226 million remaining after the 2013 TBR refund (See Table 2 in Attachment 2). The TBR Final Report indicated that total funds available for refund are substantially higher than the earlier estimates. Initial estimates of the total income tax benefits were in the range of \$256 to \$295 million, however, as detailed in the TBR Final Report, the actual amount is approximately \$427 million.

## 2014 TBR Tariff Rate

IPL's 2014 TBR credit proposal follows the methodology used to calculate the 2013 TBR credits. Specifically, similar to the calculation used for IPL's 2013 TBR credit which was approved by the Board in its January 2013 Order, the amount IPL is proposing for the 2014 TBR credit, \$70,000,000, is derived by offsetting gross tax benefits of \$84,756,425 by a normalized deferred tax adjustment of \$14,756,425. The calculation of this adjustment is shown in Attachment 1.

IPL submits a 2014 Tax Benefit tariff rate for the upcoming year. The current 2013 factor is effective through the end of the December billing cycle. This 2013 factor will be superseded by the 2014 factor based upon the projected tax benefits for 2014, see Table 3 in Attachment 2 which computes a factor utilizing 2014 estimated kWh sales. The 2014 estimated  $EQ_{kWh}$  amount for TBR tariff filing is based on an IPL's 2014 forecast of 14,678,086,970 kWh.

Consistent with the TBR rate design of the tariff, the refund will continue as a credit to IPL's Energy Adjustment Clause (EAC) for bills rendered in the January 2014 through December 2014 revenue months.

## Proposed Three-Year TBR Refund Plan (2014 – 2016)

The TBR regulatory liability account is substantially higher than the original estimated range of \$256 to \$295 million, therefore, IPL is currently planning to amortize the remaining amount through 2016 as shown in Table 1 below.

**Table 1: Proposed Three-Year TBR Refund Plan (2014 – 2016)**  
**(\$ in millions)**

<b>Year</b>	<b>Gross Tax Benefits<sup>(1)</sup></b>	<b>Normalized Deferred Tax Adjustment</b>	<b>TBR Credits</b>
2014	\$84.8	\$14.8	\$70.0
2015	74.8	14.8	60.0
2016	64.8	14.8	50.0
Total	\$224.4	\$44.4	\$180.0

<sup>(1)</sup> Gross Tax Benefits = Normalized Deferred Tax Adjustment + TBR Credits

This would help smooth out year to year fluctuations in customer bills. It is IPL's understanding that the deferred tax adjustment will be an offset to the TBR regulatory liability account that continues until IPL's next electric rate case. However, IPL is only requesting the Board approve the 2014 TBR credit at this time. This plan for 2015 and 2016 is preliminary. The formal requests for the years 2015 and 2016 TBR credits will come at a later time taking into account the results of all rate proceedings over this time period.

Attachments:

Attachment 1 – Calculation of Deferred Tax Adjustment for 2014 Tax Benefit Rider Factor  
Attachment 2 – Calculation of the Tax Benefit Adjustment Factors by Year

Tariff Changes:

IPL. – ORIGINAL TARIFF NO. 1

Replace:

Second Revised Sheet No. 88  
Original Sheet No. 89

With:

Third Revised Sheet No. 88  
First Revised Sheet No. 89

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Interstate Power and Light Company  
Calculation of the Tax Benefit Adjustment Factors by Year

Table 1. Tax Benefit Regulatory Liability Account (in millions)

Tax Refund Category	Estimated Iowa Savings*	Electric Share **	Deferred Tax Adjustment***	Total Iowa Electric Tax Benefit Regulatory Liability
Total	\$499.8 M	\$451.7 M	-\$24.3M	\$427.4 M

\*Source: December 14, 2012 Report on Regulatory Liabilities Related to Tax Benefit Rider in RPU-2010-0001/ARU-2010-0001 (TF-2011-0010/TF-2011-0133/TF-2012-0640) Schedule B

\*\* Gross Plant allocator of 90.4%

\*\*\*Source: December 14, 2012 Report on Regulatory Liabilities Related to Tax Benefit Rider in RPU-2010-0001/ARU-2010-0001 (TF-2011-0010/TF-2011-0133/TF-2012-0640) Schedule C

Table 2. Estimated Annual Tax Benefit Refunds (in millions)

Tax Refund Category	2011 (TF-2011-0010)	2012 (TF-2011-0133)	2013 (TF-2012-0640)	Total	Total Iowa Electric Tax Benefit Regulatory Liability	Remaining Iowa Electric Tax Benefit Regulatory Liability	2014 Deferred Tax Adjustment****	Remaining Iowa Electric Tax Benefit Regulatory Liability
Total	\$64 M	\$81 M	\$56 M	\$202 M	\$427.4 M	\$225.4 M	-\$14.8 M	\$210.6 M

\*\*\*\*Source: December 14, 2012 Report on Regulatory Liabilities Related to Tax Benefit Rider in RPU-2010-0001/ARU-2010-0001 (TF-2011-0010/TF-2011-0133/TF-2012-0640) Schedule C, 2013 Column only as proxy for 2014.

Table 3. TBR Refund Factor

	2011	2012	2013	2014
Total Refund	\$ 63,800,000	\$ 81,480,000	\$ 56,220,000	\$ 70,000,000
kWh Sales	12,649,054,191	14,334,040,900	14,557,706,521	14,678,086,970
Refund Factor per kWh	\$ 0.00504	\$ 0.00568	\$ 0.00386	\$ 0.00477

\*Note: kWh sales are estimates based upon estimated sales for upcoming year.