

January 27, 2014

IOWA UTILITIES BOARD

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES DIVISION
BEFORE THE IOWA UTILITIES BOARD

IN RE:

DOCKET NO. RPU-2014-0001

INTERSTATE POWER AND LIGHT
COMPANY

RESISTANCE OF LARGE ENERGY GROUP
TO
MOTION FOR APPROVAL OF CORPORATE UNDERTAKING

The Large Energy Group (“*LEG*”), in resistance to the motion for approval of a proposed corporate undertaking filed by Interstate Power and Light Company (“*IPL*”) on January 13, 2014, states:

1. The LEG is a group of 23 of the largest electric service customers of IPL. (Exhibit 1 to this resistance is a complete current listing of the members of the LEG.)

2. The LEG was a party to proceeding that culminated in an order issued by the Iowa Utilities Board on January 31, 2013, in Docket Nos. SPU-2005-0015 and TF-2012-0577 (“*January 31 Order*”)

3. On January 13, 2014, IPL filed both a corporate undertaking and a motion for approval of the corporate undertaking.

4. Paragraphs 3 and 4 of the motion allege that the motion and corporate undertaking are “consistent with [*IPL*’s] commitments, offered in Docket Nos. SPU-2005-0015 and TF-2012-0577, as acknowledged in the January 31 Order.”

5. Paragraph 7 of the motion states: “IPL’s refund obligation, if any, under this corporate undertaking shall be measured by the annualized amount that IPL’s revenue requirement, produced by IPL’s current rates, exceeds the revenue requirement established by the Board’s final order in the general rate case proceeding docket initiated by IPL’s March 28, 2014, filing.”

6. The corporate undertaking itself provides that IPL “is herein formally bound to the Iowa Utilities Board (Board) and unto each and all of IPL’s electricity service subscribers, covering any and all electric revenues to be billed or collected on and after February 22, 2014, in excess of the amount collected under rates, charges, schedules and regulations finally approved by the Board in the general rate case proceeding docket initiated by IPL’s March 28, 2014, filing, to the payment of which it binds itself, its successors and assigns, formally by these presents.”

7. The language from the corporate undertaking quoted in ¶ 6 above is deficient on its face because it does not commit IPL to refund any of the massive increase in costs that will be recovered through the Energy Adjustment Clause (“*EAC*”) beginning on February 22, 2014.

8. In addition, the language from both the motion and the corporate undertaking quoted in ¶¶ 5 & 6 above demonstrate, contrary to the claim in IPL’s motion quoted in ¶ 4 above, that the corporate undertaking is actually inconsistent with IPL’s “commitments, offered in Docket Nos. SPU-2005-0015 and TF-2012-0577, as acknowledged in the January 31 Order.”

9. The January 31 Order states (at page 22):

IPL said that its proposed 2014 rate case and corporate undertaking, with a rate case refund obligation effective February 22, 2014 (coincident with the New DAEC PPA and EAC tariff changes), addresses the double-recovery issue raised by the other parties. IPL explained that this is because the rate case would be determining base tariff rates effective February 22, 2014, even if this determination is made at the end of the rate case. IPL said that the final base tariff rates would reflect removal of capacity costs associate with the current DAEC PP and all other changes in costs since IPL's last rate case. IPL noted that if the base tariff rates in effect during the rate case end up being higher than the final rates, IPL would refund the difference to customers; this refund obligation eliminates the issue of double recovery. (Emphasis added.)

10. The findings and conclusions set forth in the January 31 Order include the following (at pages 43):

With the commitments made by IPL regarding its refund obligation and the fail-safe footnotes to insert in the tariff language addressing the double-recovery issue, it is reasonable to find that the proposed Amendment is not a detriment to ratepayer interest and provides ratepayers with both quantifiable and nonquantifiable benefits. (Emphasis added.)

11. Ordering clause no. 3 in the January 31 Order (at page 44) provides in pertinent part:

In the event IPL files a general rate case proceeding in the first quarter of 2014, IPL shall file a refund obligation, as it committed to in this proceeding, on or before January 13, 2014, with an effective date for the refund obligation of February 22, 2014. (Emphasis added.)

12. The January 31 Order thus clearly requires that IPL's corporate undertaking conform to the commitments IPL made relating to the its refund obligation in the proceeding that culminated in the order; specifically, to the commitment that it refund the difference between the base rate tariff rates in effect during this rate case and the those approved by the Board at the conclusion of the rate case in the event the former are higher than the latter.

13. The corporate undertaking, however, binds IPL only to refund the amount by which IPL's revenues collected during this rate case exceed the revenues that would have been collected during that same period pursuant to the Board's final decision at the conclusion of the rate case, and the motion for approval of the corporate undertaking similarly reflects a refund obligation based on revenue requirements.

14. Paragraph 4 of the motion states:

Consequently, on March 28, 2014, pursuant to Iowa Code § 474.6 [*sic*], if IPL has not reached an agreement with the parties to resolve the outstanding issues, IPL will be filing with the Board a request for a general rate case proceeding regarding its electricity rates. As part of that filing, the Company will not request the Board, under Iowa Code § 476.6(10)(a), to establish new interim rates nor will IPL file a Notice with the Board that IPL is electing to exercise its rights, under Iowa Code § 476.6(10)(b), to implement interim rates on April 7, 2014. Rather IPL will be requesting that its current base electric Iowa retail rates remain in effect until the Board issues a final order establishing IPL's final base rates for its Iowa electric retail customers. (Emphasis added.)

15. Contrary to the highlighted sentence in the language quoted in ¶ 14 above, the continuance of current base electric Iowa retail rates beyond February 22, 2014, is tantamount to an interim (temporary) rate increase due to the massive increase in costs recovered through the EAC that will occur on that date without a corresponding reduction in costs recovered in base rates.

16. IPL should be required to provide prior written notice to affected customers of the massive increase in costs to be recovered through the EAC beginning on February 22, 2014, without a corresponding reduction in costs recovered in base rates. Iowa Code § 476.6(2); *see In re Interstate Power and Light Company*, Docket No. RPU-05-3, Order on Rehearing, at 4-5 (IUB June 7, 2006).

17. Despite its denial that it is proposing interim (temporary) rates, IPL is thus actually proposing interim (temporary) rates in the form of double-recovery of the DAEC capacity component costs, which is a rate increase that should be subject to refund and requires prior written notice to affected customers.

WHEREFORE, the Large Energy Group respectfully requests that the Board deny the motion for approval of a corporate undertaking filed by Interstate Power and Light Company on January 13, 2014, reject the corporate undertaking filed on that same date, and require IPL to provide prior written notice to affected customers of the massive increase in costs to be recovered through the EAC beginning on February 22, 2014.

Dated January 27, 2014.

Respectfully submitted,

LARGE ENERGY GROUP

By */s/ Philip E. Stoffregen*

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