

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2014-0001
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**OFFICE OF CONSUMER ADVOCATE'S RESPONSE TO
RESISTANCE TO MOTION FOR APPROVAL OF
CORPORATE UNDERTAKING**

The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, responds as follows to the Resistance to Motion for Approval of Corporate Undertaking filed by Large Energy Group (LEG) on January 27, 2014:

1. On January 13, 2014, Interstate Power and Light Company (IPL) filed a Corporate Undertaking and Motion for Approval of Corporate Undertaking. In lieu of a bond, the proposed corporate undertaking is equal to the amount of any annualized refund that the Iowa Utilities Board (IUB or Board) may order in its final order in the general rate case proceeding docket initiated by IPL's anticipated filing on March 28, 2014. IPL's refund obligation under the proposed corporate undertaking would 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 initiated by IPL's March 28, 2014, filing."

2. In accepting IPL's proposed Amendment in Docket No. SPU-2005-0015 to reflect a new Duane Arnold Energy Center purchased power agreement (DAEC PPA) that would extend

the current DAEC PPA, currently set to expire in February 2014, by approximately 12 years, the Board accepted IPL's commitment to file a general rate case (should settlement negotiations fail to resolve outstanding concerns about IPL's rates in 2014) and corporate undertaking with an effective refund obligation of February 22, 2014. *In re: Interstate Power and Light Co. and FPL Energy Duane Arnold, LLC*, Docket Nos. SPU-2005-0015, TF-2012-0577, Order, pp. 43-44 (IUB, Jan. 31, 2013). Current DAEC PPA capacity costs are recovered through IPL's base tariff rates and related energy costs are recovered through IPL's energy adjustment clause (EAC). IPL's Amendment proposed to recover all new DAEC PPA costs through the EAC. The Order accepted IPL's Amendment.

3. In response to concerns that EAC recovery would begin for the new DAEC PPA before cost recovery of current PPA costs in base tariff rates is terminated, thus allowing IPL to double recover DAEC capacity costs, the Board imposed a refund obligation with an effective date coinciding with the effective date of the new DAEC PPA. The refund obligation was intended to provide some protection against IPL's double recovery of DAEC PPA costs when the new contract takes effect.

As Consumer Advocate and LEG suggest, IPL's proposal could result in a temporary over-recovery of DAEC capacity costs during the rate case until DAEC capacity costs are removed in final base tariff rates. However, as IPL points out, over-recovery of some costs can be offset by under-recovery of other costs. (Tr. 233-35, 259-60). At the end of the case, any net over-recovery becomes the utility's final refund obligation (with interest). In addition, IPL's idea to potentially credit TBR funds back to customers through the EAC, if utilized, would offset the temporary double recovery rate impact of the new DAEC PPA during the rate case. (Tr. 225, 238-40). (Order, p. 33)

OCA acknowledges IPL will only be required to refund any net over-recovery determined at the conclusion of the case. This is what was contemplated in the Board's decision approving IPL's Amendment. OCA concludes that IPL's corporate undertaking generally conforms to the guidance contained in the Board's January 31, 2013 Order.

4. LEG maintains that IPL's recovery of new DAEC PPA costs through the EAC effective February 22, 2014, is tantamount to an interim (temporary) rate increase because there will be no corresponding reduction in costs recovered in base rates. LEG contends that IPL should be required to provide prior written notice to affected customers of the rate impact associated with recovering new DAEC PPA costs through the EAC. While IPL could have been ordered IPL to eliminate capacity costs from EAC recovery, the Board determined that such steps would only be required if the parties were unable to resolve double recovery concerns and IPL failed to fulfill its obligation for filing a corporate undertaking with an effective date of February 22, 2014. (Order, p. 34). The Board accepted the possibility of IPL's over-recovery of costs during the pendency of IPL's rate case but attempted to mitigate this risk by imposing a refund obligation effective February 22, 2014. The Board further determined that new DAEC costs are appropriately recovered through the EAC. (Order, pp. 35-36). There is no notice provision for recovery of such costs through IPL's existing energy cost recovery clause. Iowa Code § 476.6(8) (2013); 199 IAC 20.9. Accordingly, OCA does not find that IPL's proposed

corporate undertaking gives rise to notice requirements.

Respectfully submitted,

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