

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

**FILED WITH  
Executive Secretary  
February 12, 2014  
IOWA UTILITIES BOARD**

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**IN RE:**

**DOCKET NO. RPU-2014-0001**

**INTERSTATE POWER AND LIGHT  
COMPANY**

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**LARGE ENERGY GROUP'S REPLY TO  
OFFICE OF CONSUMER ADVOCATE'S RESPONSE TO  
RESISTANCE TO MOTION FOR APPROVAL OF  
CORPORATE UNDERTAKING**

The Large Energy Group (LEG) states in reply to the response of the Office of Consumer Advocate (OCA) submitted on February 5, 2014:

1. On January 13, 2014, Interstate Power and Light Company (IPL) filed both a corporate undertaking and a motion for approval of the corporate undertaking in this docket. On January 27, 2014, the LEG filed a resistance asking the Board to deny the motion, reject the corporate undertaking, and require IPL to provide prior written notice to affected customers of the massive increase in costs to be recovered through IPL's energy adjustment clause (EAC) beginning on February 22, 2014. A brief supplement to the resistance was subsequently filed by the LEG on January 29, 2014. On February 5, 2014, the OCA submitted a response to the LEG's resistance (OCA Response). In this reply, the LEG will briefly reply to some of the arguments raised in the OCA Response.

2. In its resistance, the LEG argued that IPL's proposed corporate undertaking is inconsistent with significant commitments IPL made in Docket Nos. SPU-

2005-0015, TF-2012-0577 for the benefit of the LEG and other IPL customers, and that for that reason the motion for approval of the corporate undertaking should be denied and the corporate undertaking should be rejected.

3. In its response, the OCA stops short of joining or endorsing IPL's motion but expresses its opinion that IPL's corporate undertaking "generally conforms to the guidance contained in the Board's January 31, 2013 Order" in Docket Nos. SPU-2005-0015, TF-2012-0577.

4. The OCA's opinion is based in part on a claim (at page 1 of the OCA Response) that "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.'" (Emphasis added.) However, this OCA claim quotes language from IPL's motion for approval of the corporate undertaking rather than language from the corporate undertaking itself, and it is the corporate undertaking, not the motion that legally establishes the nature and scope of the refund obligation. The corporate undertaking includes two separate statements of the refund obligation. The first statement (on page 1) states 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."

(Emphasis added.) The second statement (on page 5) states that IPL has an “unqualified commitment . . . to make any and all refunds in the event that all or any portion of its current electric rate changes, effective on February 22, 2014, if found, upon order of the Iowa Utilities Board, to be excessive.” (Emphasis added.)

5. Clearly, these various statements of IPL’s refund obligation – the two that appear in the corporate undertaking itself and the one that appears in IPL’s motion and is quoted in the OCA Response – are not identical. One speaks in terms of an annualized revenue requirement, another in terms of electric revenues to be billed and collected and the amount collected under rates, charges, schedules, and regulations, and the third in terms of electric rate changes.” This ambiguity is particularly concerning to the LEG because it is not clear which, if any, of those formulations embodies or is even consistent with the following commitment IPL made in Docket Nos. SPU-2005-0015, TF-2012-0577: “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.” *In re Interstate Power and Light Company*, Docket Nos. SPU-2005-0015, TF-2012-0577, Order, at 22 (emphasis added).

6. The OCA Response concludes its discussion of the adequacy of IPL’s corporate undertaking with the statement that the undertaking “generally conforms” to the guidance set forth in the Order cited in the preceding paragraph of this reply. For the reasons set forth in that preceding paragraph, the LEG believes that “general” conformity is not sufficient to protect the LEG or IPL’s other customers from the potential for double-recovery by IPL of tens of millions of dollars collected during the pendency of IPL’s imminent rate case.

7. In its resistance, the LEG argued 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 and that, as a result, IPL should be required to provide prior written notice to affected customers of the increase.

8. In its response to the resistance, the OCA contends that notice is not required because the Board has already determined that the new DAEC costs are appropriately recovered through the EAC and that there is no notice provision for recovery of such costs through IPL's existing EAC. But this argument misses the point. It is not the LEG's position that the recovery of DAEC costs through the EAC in itself constitutes an interim rate increase; rather, the LEG's position is that the recovery of DAEC costs through the EAC coupled with the continued recovery of those same costs in base rates during the pendency of IPL's imminent rate case constitutes an interim (temporary) rate increase that, according to the LEG's calculations, amounts to at least \$58 million annually. Accordingly, pursuant to Iowa Code § 476.6(2), IPL must provide prior written notice to affected customers of the increase.

9. The OCA's notice argument also appears to be inconsistent with the position it took in a prior IPL rate case docket with respect to the need for notice. The OCA's position in that case was summarized by the Board in the order for rehearing in Docket No. RPU-05-3:

IPL argued customer notice for this filing is not required because IPL would simply be complying with prior Board orders in Docket No. RPU-04-1, issued in 2005, that require annual, revenue-neutral equalization filings based on the billing determinants used in IPL's most recent case. IPL argued that a customer notice for the second equalization step would generate unwarranted expense and confusions and that customers were

given notice of tariff consolidation proceedings in Docket No. RPU-05-3.

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Consumer Advocate disagreed with IPL's contention that no customer notice is required for the second step equalization proceeding . . . . Consumer Advocate said the customer notice provided in 2005 only revealed the essential attributes or potential impacts of the first step towards target rates and not the impact of the proposed second step. Consumer Advocate noted that notice is jurisdictional and is required for any proposed increase [of] a rate or charge, citing Iowa Code § 476.6(2) and Office of Consumer Advocate v. Utilities Board, 452 N.W.2d 588 (1990).

*In re Interstate Power and Light Company*, Docket No. RPU-05-3, Order on Rehearing, at 4-5 (IUB June 7, 2006). The Board went on to note that the jurisdictional notice issue raised by the Consumer Advocate was not ripe for decision, but nevertheless determined that customer notice should be given "as a matter of policy" based on the following reasoning:

The Final Decision [in Docket No. RPU-05-3] repeatedly emphasized the importance of customer communications and communicating to customers the second step of the rate equalization and tariff consolidation process is as important as communicating to them the decisions made in Docket No. RPU-05-3.

*Id.* at 5.

WHEREFORE, the LEG respectfully renews its request that the Board deny the motion for approval of a corporate undertaking filed by IPL on January 13, 2014, reject the corporate undertaking also submitted by IPL 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 February 12, 2014.

Respectfully submitted,

*/s/ Philip E. Stoffregen*

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