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May 29, 2014

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

RE: Interstate Power and Light Company
Docket Nos. SPU-2005-0015 (RPU-2014-0001) (TF-2014-0003)
Response to Board Request for Additional Information
Application and Affidavit for Confidentiality

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's (IPL) response to the Board's Order Requiring Additional Information, issued May 19, 2014, in the above-referenced dockets. IPL's response consists of the Affidavit of Amy G. Wheatley and two attachments thereto, as filed today on EFS.

Also enclosed is a copy of IPL's Application for Confidential Treatment and Affidavit in Support of Request for Confidentiality.

Very truly yours,

/s/ Sheree Strom Carson
Sheree Strom Carson

SSC/kjf
Enclosures

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NOS. SPU-2005-0015 (RPU-2014-0001, TF-2014-0033)**

<u>AFFIDAVIT OF</u>
<u>AMY G. WHEATLEY</u>

STATE OF IOWA)
) ss.
COUNTY OF LINN)

I, Amy G. Wheatley, being first duly sworn on oath, depose and state that I am Manager-Financial Planning of Interstate Power and Light Company (IPL). In this capacity I am responsible for financial planning activities and preparing revenue requirement detail for IPL rate cases.

In the foregoing employment capacity, I am personally knowledgeable of the IPL responses to Request Nos. 1 through 5 for additional information in the Order of the Iowa Utilities Board (Board) dated May 19, 2014 in the above-referenced dockets. I have caused the responses contained herein, including Confidential Attachment 1 (AGW-2) and Confidential Attachment 2 (AGW-2) hereto, to be prepared; I am familiar with the contents thereof; and this Affidavit, including the attachments, are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Response to Request No. 1

Confidential Attachment 1 (AGW-2) to my Affidavit responds to the Board's Request No. 1 that IPL "provide details to reconcile the annual depreciation and amortization expense numbers given on the cost of service schedules to the adjustment in accumulated provision for depreciation and amortization shown on the rate base schedules for each of these years."

Please note that IPL provided the forecasted test year revenue requirements based on limited, high level pro-forma adjustments using forecasted financial data. Confidential Attachment 1 (AGW-2), provides the reconciliation of the cost of service depreciation expense to the accumulated depreciation and amortization (AD) shown on the rate base schedule for each of the test years 2012-2015. The major variance between the depreciation calculated as part of the cost of service and the AD included in rate base is related to estimated retirements that IPL has included in the forecast. The estimated retirements are shown on page 2 of Confidential Attachment 1 (AGW-2). Table 1 below lists the annual retirement amounts included in AD for years 2013-2016.

Table 1: Estimated Retirements

Year	Amount of Retirements
2013	$40 million

When plant is retired, the remaining plant balance is removed from Utility Plant in Service (UPIS) and the un-depreciated balance is charged to AD. This treatment is pursuant to the Federal Energy Regulatory Commission's Uniform System of Accounts (USOA) regarding retirement of electric utility plant. This accounting treatment does not reduce IPL's rate base as a result of the retirement, rather it simply shifts the un-depreciated balance from gross UPIS to AD. This reduction to AD for retirements is an offset to the normal depreciation expense that is booked to AD.

There is also a difference created due to the depreciation rates that were assumed. In the response to the Board's request for additional information, dated April 2, 2014, (April 2 Request) IPL prepared a high level revenue requirement analysis for test years 2012 through 2015 that only included pro-forma adjustments for post-test year capital additions expected to go in-service, changes in forecasted sales and changes in capital structure.

Providing forecasted test year revenue requirement information is not something that IPL has "off the shelf", so for the sake of expediting the response to the Board's request for additional information, IPL only included the pro-forma adjustments that it felt were reasonable for the purpose of this analysis. More specifically, IPL only included a pro-forma adjustment to the cost of service to estimate the amount of additional depreciation expense that would be incurred related to post-test year capital additions. This depreciation expense adjustment was calculated assuming a composite depreciation rate on all the post-test year capital additions.

IPL also made a pro-forma adjustment to rate base for UPIS and AD to match what is in IPL's forecast model for these balances as of the end of each year following the test year. The financial forecast model information that IPL used to make the adjustment for UPIS and AD also used a composite depreciation rate. Although a composite depreciation rate was used when calculating the depreciation for the cost of service related to the post-test year capital additions, a different composite rate was used in the financial forecasting model for AD. The composite depreciation rates were different because the financial model rate is a weighted average depreciation rate covering a larger pool of assets; whereas, the composite depreciation rate used in the cost of service was limited to specific additions to plant. The difference in rates causes a variance between the cost of service depreciation expense and the change in AD. Since the composite depreciation rate differs in every year, there is a compounding effect on AD.

Confidential Attachment 1 (AGW-2) provides the reconciliation of the cost of service depreciation expense and the change in AD. The reconciliation shows a remaining variance of approximately $117 million by year-end 2016. A majority of the $117 million is related to the differing composite depreciation rates and the annualization of depreciation expense on the post-test year capital additions. IPL recognizes the difference between the depreciation expense and the AD, but is confident that the revenue requirement numbers that were provided are directionally reasonable for this high level revenue requirement forecast.

IPL also reiterates that the projected test year revenue requirements only included three pro-forma adjustments. If IPL were to do a full analysis of revenue requirements for each of the three years, there would likely be several other adjustments to the test year results that are not currently being reflected in the calculation of the test year 2014 and 2015 revenue requirements.

Response to Request No. 2

In response to the Board's Request No. 2, "reflecting the reconciliation in Question 1, provide a 13-month average rate base for each of those years [2012-2015]", Table 2 includes the 13-month average rate base for each of the years 2012-2015.

The 13-month average rate base was calculated by starting with the test year 2012 actual 13-month average rate base and calendarizing each of the pro-forma adjustments to come up with the monthly rate base amounts. This monthly rate base was then used to calculate the 13-month average for each of the years. IPL believes that the rate base numbers provided with the revenue requirement forecast are reasonable, as discussed in the Response to Request No 1. and therefore IPL did not undertake any further reconciliation.

Table 2: 13-month Average Rate Base

Year	13-month Average Rate Base
2012	$2.6 billion
2013	$2.8 billion

Response to Request No. 3

Confidential Attachment 2 (AGW-2) responds to the Board's Request No. 3 to "provide a list of the assumptions related to plant retirements, depreciation study depreciable life changes, or any other significant changes that impact rate base."

Confidential Attachment 2 (AGW-2) provides the detail related to the estimated capital spend for major capital projects and maintenance capital projects (greater than depreciation) through 2015. Please refer to Confidential Attachment 1 (AGW-2), page 2 for a listing of the estimated plant retirements. There were no changes to the depreciable lives.

<u>Introductory Response to Requests No. 4 and 5</u>

In response to the Board's Request Nos. 4 and 5 relating to "Table 1 of Amy Wheatley's testimony", it is beneficial to review the purpose of this table. Table 1 shows what a potential test year 2013 rate case may have looked like if IPL had decided to file one. Table 1 does not include the customer credits that IPL is making in 2014 under the terms of the settlement. Further, Table 1 does include several pro-forma adjustments that were not reflected in the settlement, but which may have been included in a filed rate case.

<u>Response to Request No. 4</u>

In response to the Board's Request No. 4 to "provide the annual return on equity (ROE) for 2014 before making the changes in Table 1 of Amy Wheatley's testimony", IPL is providing a 2014 ROE calculation consistent with the forecasted revenue requirement information provided in the response to the Board's April 2 Request.

The ROE calculation for 2014 is estimated to be approximately This ROE calculation includes a 13-month average rate base, which reflects planned capital expenditures through December 2014 and the $70 million credits to customers for 2014, but excludes any pro-forma adjustments for elimination of the DAEC purchase power capacity costs that are incurred during the year.

Response to Request No. 5

The Board's Request No. 5 is to "provide the annual impact of each line item listed in Table 1 of Amy Wheatley's testimony".

Please note that several of the items listed in the table are not included in the pro-forma adjustments made to the forecasted test year revenue requirement as reflected in the settlement, as these were possible items that IPL may have included in a rate case if it had filed such a case.

These line items fell into several categories, as described below.

Line 1 in Table 1 of Amy Wheatley's testimony shows the amount of DAEC purchase power capacity costs that are currently embedded in IPL's base rates from its last rate case (RPU-2010-0001) of $135 million.

Lines 2 through 5 reflect the revenue requirement impacts of all of the changes to rate base for environmental projects, generation performance upgrade projects, other capital expenditures above depreciation, and changes in Accumulated Deferred Income Taxes since IPL's 2010 rate case. The revenue requirement associated with these rate base items alone is nearly enough to offset the purchase power capacity costs currently embedded in base rates.

Line 6 on Table 1 shows the impact of sales during 2013 compared to the sales levels in IPL's 2010 rate case. This would be a reduction to revenue requirement since sales were higher than what is currently built in IPL's base rates.

Lines 7 and 8 are items for which IPL would have potentially made adjustments; these include depreciation study updates and modest expenses related to cancelled environmental projects recovered over an amortization period of three years.

Line 9 reflects potential rate case changes in capital structure related to assumptions for ROE, double leverage and financing changes from IPL's most recent rate case.

Lines 10 and 11 are proposed (base rate) changes in the cost recovery mechanism for Production Tax Credits (PTCs) and TBR in rate base. These items are changes that do not impact customers' net cost. For example, IPL would have potentially requested that the PTCs be credited through the Energy Adjustment Clause going forward rather than through base rates.

Line 12 is an "Other" category that captures other smaller changes related to O&M and other miscellaneous changes since IPL's last rate case.

There is no ROE impact for the items listed on lines 6 through 12 because they were not included in the revenue requirement forecast.

/s/ Amy G. Wheatley
Amy G. Wheatley

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 29th day of May, 2014.

/s/ Kathleen J. Faine
Kathleen J. Faine
Notary Public
My commission expires on February 20, 2015

IPL Accumulated Depreciation Reconciliation

Line No.		Schedule	Rate Settlement Proposal		Full Forecast Detail	Variance
1	2012 13-Month Average Balance	C-2	**$ 1,843,825,765**	2012 13-Month Average Balance	**$ 1,843,825,765**	
				Adjust 13-MA Accumulated Depreciation to YE	$ 69,722,218	
				2012 Year-End Balance	**$ 1,913,547,983**	
2	TY 2012 Adjustments					
3	Post Test Year Capital Additions	D-1	$ 14,376,992			
4	Change in A/D From 12/31/12-12/31/13	D-2	$ 78,220,782			
5	Major Plant Additions	D-3	$ 1,744,961			
6	Minor Plant Additions	D-4	$ 1,882,686			
7	Adjust 13-MA A/D to 12/31/12	D-5	$ 69,722,218	2012-Level Depreciation	$ 156,522,410	
8	Capital Leases Treated as if Operating Leases	D-6	$ (1,343,397)	TY 2012 Depreciation Adjustments (Half-Year Convention)	$ 8,393,460	
9				2013 Retirements	$ (40,494,963)	
10	2013 Year-End Balance		**$ 2,008,430,007**	2013 Year-End Balance	**$ 2,037,968,890**	$ 29,538,883

IPL Estimated Retirements

Line No.	Plant Account	2013	Allocated Amounts
1	IPL-Common Communication 397	$ 197,584	
2	IPL-Common Office Furniture_391.1 391.7	$ 38,014	
3	IPL-Common Tools_394	$ 2,245	
4	IPL-Electric Office Furniture_391.1	$ 33,601	
5	IPL-Electric Steam Production Land_310	$ 12,749	
6	IPL-Electric Steam Production_311-316	$ 14,032,510	
7	IPL-Electric Tools_394	$ 95,483	
8	IPL-IA-Common-Electric_Franchises 302	$ 275,490	
9	IPL-IA-Common-Electric_Intangibles 303	$ 204,202	
10	IPL-IA-Common-Other_IDEN 397.4	$ 403,125	
11	IPL-IA-Common-Structures_390	$ 783,040	
12	IPL-IA-Common Software_303 391.3	$ 95,400	
13	IPL-IA-Electric Communication_397	$ 33,884	
14	IPL-IA-Electric Dist Meters_370-371	$ 2,136,904	
15	IPL-IA-Electric Dist Services_369	$ 621,828	
16	IPL-IA-Electric Dist Street Lights_373	$ 1,569,343	
17	IPL-IA-Electric Dist Structures_360-361	$ 285,720	
18	IPL-IA-Electric Dist Transformers_368	$ 3,587,049	
19	IPL-IA-Electric Distribution Land (Excluding St. Lt.)_360	$ 6,075	
20	IPL-IA-Electric Distribution Lines & Subs_362-367	$ 11,287,411	
21	IPL-IA-Electric General_390-391 393-398	$ (112,758)	
22	IPL-IA-Transportation Common _392 396	$ 402,403	
23	IPL-IA-Transportation Electric_392 396	$ 210,524	
24	IPL-Other Production_341-346	$ 280,236	
25	IPL-Other Production_341-346 - Dubuque 3&4	$ 8,368	
26	IPL-Other Production_341-346 - Emery	$ 4,004,533	
27	Total	$ 40,494,963	

Interstate Power and Light Company

IA Electric Utility

Estimtated Major Capital Projects and Maintenance Capex (Greater Than Depreciation) Through 2015

Project	In-Service Date	Estimated Capital Spend (IPL Share) In $ Millions
Neal 4 Scrubber/Baghouse	Dec-13	70