

OFFICE OF CONSUMER ADVOCATE

REBUTTAL TESTIMONY

OF

FRANK BODINE

IN RE: INTERSTATE POWER AND LIGHT COMPANY

DOCKET NO. EEP-2012-0001

April 30, 2013

1 **Q: Are you the same Frank Bodine that offered direct testimony in this**
2 **proceeding?**

3 A: Yes.

4 **Q: What is the purpose of your rebuttal testimony?**

5 A: I am responding to some of the issues raised by Iowa Customers for Energy
6 Efficiency (ICEE) witness Maurice Brubaker and the testimony of the
7 Environmental Law and Policy Center regarding combined heat and power
8 (CHP).

9 **Q: Do you agree with Mr. Brubaker's recommendation regarding an opt-out**
10 **provision for industrial customers?**

11 A: No. As I understand it, Mr. Brubaker's proposal is designed to give large
12 industrial customers the opportunity to opt-out of Interstate Power and Light's
13 (IPL) energy efficiency plan and those large industrial customers would not be
14 subject to the recovery of energy efficiency costs. They would, however, be
15 subject to the cost recovery of demand response programs (residential demand
16 response and non-residential interruptible). This is a major change to IPL's
17 proposed plan and would be for the other major electric supplier in the state if
18 this proposal is adopted in its energy efficiency proceeding. Mr. Brubaker's
19 proposal ignores the fact that all customers benefit from the energy efficient
20 efforts of IPL even if they do not participate. The energy efficiency efforts of
21 individual customers, whether they are households, small businesses, or
22 industrial customers, benefit other customers by lowering the utility's costs and

1 provide for a cleaner environment.

2 Mr. Brubaker's approach also invites an al a carte approach to energy
3 efficiency, which would undermine Iowa's policy of promoting comprehensive
4 energy efficiency opportunities for all customer classes. Beyond my
5 disagreement with Mr. Brubaker's opt-out proposal, it is unfair and contrary to
6 this policy to allow an opt-out customer to participate in the interruptible
7 discount rate program that resides in IPL's energy efficiency portfolio. If a
8 customer ceases funding energy efficiency programs, the customer should not
9 be eligible to participate in IPL's interruptible discount program.

10 **Q: Is it unfair, as Mr. Brubaker suggests, for individual customers who have**
11 **aggressively pursued energy efficiency to continue to fund energy efficiency**
12 **efforts by other customers?**

13 A: No. Mr. Brubaker's proposal seems to be predicated on the idea that if a
14 customer doesn't participate in energy efficiency programs in a given
15 timeframe, they do not receive any benefits and should not be required to
16 participate in the overall funding mechanism. Mr. Brubaker's proposal ignores
17 the fact that the purpose of the programs is to support ongoing, cost-effective
18 energy efficiency investments. Energy efficiency investments typically deliver
19 long-term energy savings. The ongoing funding helps support appropriate
20 investments for customers who have different energy efficiency opportunities.
21 Many customers do not participate in IPL's energy efficiency programs from
22 year to year, and if Mr. Brubaker's idea is used for other classes, all customers

1 should be given the opportunity to opt-out. Given that many customers don't
2 participate in the programs each year, numerous customers could opt-out. If that
3 happens, it either would likely be the end of these successful energy efficiency
4 programs or these energy efficiency programs would be greatly diminished. In
5 either case, the opportunity to opt-out would certainly make it difficult for IPL
6 to design an energy efficiency plan when it does not know from one year to the
7 next which customers will be covered under the plan.

8 **Q: Is industrial opt-out consistent with Iowa's energy efficiency policy?**

9 A: I am not convinced that the opt-out parameters set forth by Mr. Brubaker are
10 well aligned Iowa energy efficiency policy. Energy efficiency programs are an
11 essential component of utility service in Iowa, and Iowa utilities are required to
12 provide cost-effective programs that meet the needs of all customer classes,
13 including industrial customers. Mr. Brubaker refers to the efforts of several
14 other states that have adopted opt-out provisions using them as examples of
15 what Iowa should consider. It is interesting that, of the states he refers to, only
16 one (Minnesota) ranks in the top ten of the American Council for an Energy
17 Efficient Economy's (ACEEE) 2012 ranking of state energy efficiency policies.
18 Almost all of the other states he refers to are in the lower half of the ranking,
19 and two of the states (Missouri and Louisiana) are in the "In most need of
20 improvement" category. IPL's plan is a part of a major energy efficiency policy
21 that is decades old and nationally recognized (eleventh in the ranking discussed
22 above). IPL's plan should not be changed to reflect recent trends in other states

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without clear direction from the Iowa legislature.

An additional part of Mr. Brubaker’s argument rests on the fact that industrial customer’s potential efficiency gains represent a much smaller portion of total energy sales than the sales to residential and commercial classes (the data are from the Cadmus Assessment of Potential for Iowa and found on page 8 of Mr. Brubaker’s testimony). Because their potential energy efficiency gains are a smaller portion of overall sales compared to residential and commercial customers, Mr. Brubaker believes IPL would be better served by focusing more of its efforts on residential and commercial customers and less on industrial customers. I believe it is better to compare the data in that table to the industrial share of potential energy savings. Industrial customer’s technical potential is 26% of Iowa’s total potential and 28% of the economic potential; a significant share of the total.

Q: Do you have any comments regarding the details of Mr. Brubaker’s opt-out plan?

A: Yes. If Mr. Brubaker’s recommendation regarding an opt-out provision is accepted by the Board, it would be available to customers that consume large amounts of electricity or demonstrate they have implemented energy efficiency measure and have an ongoing energy efficiency program. Even though he discussed large industrial customers, following the language he used regarding eligibility could result not only in allowing several large industrial customers to opt-out, but might also lead to several commercial customers being eligible for

1 the opt-out provision. If this type of language is implemented, it only adds to
2 my concern about the impacts on the overall plan due to large numbers of
3 customers opting-out. Notably, Mr. Brubaker offers no specific energy
4 efficiency prerequisites. I recommend that Mr. Brubaker's opt-out proposal be
5 rejected.

6 **Q: Do you have any concerns regarding Mr. Brubaker's rate design**
7 **recommendations?**

8 A: Yes. Mr. Brubaker is recommending large industrial customers be billed for
9 demand response related costs on a kW basis only. His reason for this proposal
10 is that the current EECR for large customers collects all energy efficiency costs
11 on a kWh basis, and he believes this penalizes high load factor customers. The
12 new kW charge in his proposal would only cover demand response related
13 energy efficiency costs, and the remainder would continue to be collected on a
14 kWh basis.

15 My main concern is in regard to the impact on individual customers and
16 that concern should be addressed before Mr. Brubaker's rate design proposal is
17 adopted. Any change in rate design has the potential to impact customers in
18 different ways and a cost recover shift could increase the amount paid by some
19 customers. Without some type of bill analysis it is impossible to determine
20 "customer impact" which is an important rate design criteria. Until information
21 of this type is collected and analyzed, I recommend Mr. Brubaker's rate design
22 proposal be rejected.

1 In addition, I believe Mr. Brubaker's strategy of placing the demand
2 response energy efficiency costs in a kW charge instead of a kWh charge is in
3 conflict with energy efficiency goals the state of Iowa and the Iowa Utilities
4 Board have supported and promoted for several years. I do not recommend
5 making a policy change such as this at this time.

6 **Q: Do you agree with Mr. Brubaker's proposal to track non-residential energy**
7 **efficiency expenditures?**

8 A: No. I assume Mr. Brubaker would like to see IPL track non-residential energy
9 efficiency expenditures to gather information that could be used to justify an
10 opt-out procedure. This information might show that some customers do not
11 participate in energy efficiency programs each year or even from one plan to the
12 next. Based upon that information, one could say an opt-out procedure is
13 justified. As I explained earlier, I think this type of analysis ignores the many
14 benefits of energy efficiency programs that accrue to all customers regardless of
15 whether or not they participate in the programs each year. I recommend that
16 Mr. Brubaker's proposal to track non-residential energy efficiency expenditures
17 be rejected.

18 **Q: Do you have any comments regarding the testimony of the Environmental**
19 **Law and Policy Center (ELPC) regarding combined heat and power?**

20 A: Yes, I do. I agree with the ELPC's concern that the company's proposal
21 regarding CHP is lacking in detail. I believe this lack of detail needs to be
22 addressed so that the benefits of CHP can accrue to IPL and its ratepayers.

1 **Q: Does this conclude your testimony?**

2 **A: Yes, it does.**

