

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. TF-2015-0007 TF-2015-0008 (EEP-2012-0001)
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ORDER REQUIRING FILINGS

(Issued April 13, 2015)

On January 29 and 30, 2015, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) proposed tariffs relating to the annual reconciliation of its energy efficiency cost recovery (EECR) factors, pursuant to Iowa Code § 476.6(16) and the energy efficiency plan approved in Docket No. EEP-2012-0001. The proposed tariffs were identified as TF-2015-0007 (electric) and TF-2015-0008 (gas). IPL filed revisions to TF-2015-0008 on February 12, 2015.

IPL's filing also includes corrections for two significant, prior period errors discovered subsequent to IPL's approved 2014 EECR filing. One of these corrections is related to a 2012 under-recovery created by a misstatement of revenues from IPL's 2013 filing; the other correction relates to misstated 2013 interruptible credits from IPL's 2014 EECR filing.

On February 18, 2015, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a conditional objection to TF-2015-0007. On February 19, 2015, OCA filed a conditional objection to TF-2015-0008. In both

objections, OCA expressed concern about whether IPL's proposed EECR factors sufficiently reflect the anticipated levels of direct assignment to IPL's large general service (LGS) and general service (GS) classes as agreed to by the parties in Settlement Issue 17 in Docket No. EEP-2012-0001, which was approved by the Board. OCA noted that IPL's approved energy efficiency plan budget is based on allocations determined in IPL's most recent rate case, which differs from the directly assigned costs and makes it difficult to compare IPL's direct assignment spending versus budget for these customer classes. OCA said this comparison is used to determine whether a plan modification or spending waiver is required by 199 IAC 35.6(4).

Because of the difficulty in comparing nonresidential spending to budget with the recent introduction of direct assignment to the large general service and general service classes, OCA said that IPL should propose an alternative mechanism or method for evaluation of the nonresidential direct assigned spending. OCA said that while comparison is difficult, it appears that IPL spent less than 50 percent of its approved budget for gas energy efficiency programs for nonresidential customers and that total gas energy efficiency spending was 28 percent less than the approved budget. OCA said that a plan modification, or waiver of 199 IAC 35.6(4), might be necessary.

The Board docketed the proposed tariffs for further investigation on February 27, 2015. On March 9, 2015, IPL filed a response to OCA's Conditional Objection. In the response, IPL argues that based on Board precedent and the rules related to energy efficiency plans, neither a waiver nor a plan modification is appropriate. IPL said that in 2014 it exceeded the kilowatt hour (kWh) savings goal for the electric energy efficiency plan and its natural gas savings were 96 percent of the savings goal. IPL committed to ongoing review of its energy efficiency plan while working with interested stakeholders. IPL also provided a comparison of 2014 actual spending to the 2014 planned spending and provided a comparison of 2014 actual kWh savings to the 2014 planned kWh savings.

IPL addressed OCA's concern about the allocation factor by stating that the allocation between residential and nonresidential customer classes was not changed. However, IPL said that the allocation methodology between GS and LGS rate classes was changed to allocate incentive expenses to the class which incurred the expense. IPL noted that non-incentive costs continue to be allocated based on the nonresidential allocator which is derived from information in Docket No. RPU-2010-0001 (for electric) and Docket No. RPU-2012-0002 (for natural gas).

On March 16, 2015, OCA filed a reply to IPL's response. OCA noted that IPL's energy efficiency plan was part of a contested case and IPL cannot unilaterally change that plan. Furthermore, OCA explained that the Board's rules (199 IAC 35.6(4)) require IPL to file an application to modify its plan because its residential

electric spending was 18 percent below the approved budget, residential gas spending was 14 percent below approved budget, nonresidential gas spending was less than 50 percent of approved budget, and total gas spending was 28 percent below approved budget. OCA said that IPL agreed¹ to seek a program modification concurrently with, or shortly after, its EECR filing if the EECR filing demonstrated variances with spending or impact conditions established in the Board's rules.

OCA suggested the Board require IPL to file information indicating whether IPL will seek a plan modification or waiver. OCA pointed out that IPL's under-spending results in over-collection of energy efficiency costs and if factors driving the under-spending are not fully understood or addressed and no modification is sought, it is possible that the over-recovery will continue. Additionally, OCA cautioned that a utility's under-spending in areas over which it has control (promotion, education, outreach, and training) can give rise to prudence concerns and such spending variances should be justified to demonstrate prudence. OCA argued that these issues deserve further investigation.

There are two issues the Board needs to address. The first is the allocation method used by IPL in allocating the nonresidential energy efficiency costs to the LGS, GS, and Bulk rate classes, and the second is whether IPL should file a plan modification or waiver request.

¹ "Joint Motion for Approval of Non-Unanimous Partial Settlement Agreement Appendix 3, p. 1 (4a)," Docket No. EEP-2012-0001 (July 26, 2013).

With respect to the allocation methodology used in IPL's EECR filing, the specific formulas or proportions used by IPL to allocate costs were developed through settlements between OCA and IPL. In the case of IPL and its predecessor companies, energy efficiency cost recovery allocations were designed and continue to be implemented as follows:

1. Program implementation costs for most programs are allocated directly to the customer class (that is residential or nonresidential) which is eligible to participate in the program. These allocation factors were based on information from Docket No. RPU-2010-0001 (for electric) and Docket No. RPU-2012-0002 (for natural gas).
2. Exceptions to the direct assignment method are made for the costs from the IPL residential load control and nonresidential interruptible program, which are distributed to all classes per a settlement between OCA and IPL in Docket No. EEP-02-38.
3. The previously-approved nonresidential load management allocation factors used in assigning costs to the Bulk Power class were based upon data from IPL's compliance filing in Docket No. RPU-04-1. These factors continue to be used for the current IPL energy efficiency plan under Docket No. EEP-2012-0001.

IPL said that it changed the allocation methodology based on the resolution between IPL and the Iowa Customers for Energy Efficiency in Settlement Issue 17 - Tracking Nonresidential Expenditures in Docket No EEP-2012-0001.² The Board approved Settlement Issue 17 in the December 2, 2013, Final Order by stating:

Based on IPL's assertions that the cost of tracking will be minimal with its new system, the Board does not see any harm to customers from tracking this information and additional information could benefit future energy efficiency plan development. The Board does not see this information

² "Joint Motion for Approval of Non-Unanimous Partial Settlement Agreement," Docket No. EEP-2012-0001 (July 26, 2013).

as a precursor to an opt-out program. While some costs will still need to be allocated, the tracking agreed to in the settlement could provide for more accurate cost allocation in the future. The Board will approve the **tracking** contained in the settlement and will include those minimal costs in IPL's energy efficiency plan. (Pages 47-48, emphasis added.)

The Settlement and Board order reference tracking nonresidential energy efficiency expenditures by rate class as well as by program but did not state there would be a change in the allocation methodology. Furthermore, IPL's Initial Brief filed August 21, 2013, in Docket EEP-2012-0001 states:

Issue No. 17 has been resolved between IPL and the ICEE. IPL **agrees to track** within its systems non-residential energy efficiency expenditures by rate class as well as by program and will consider that information in developing future EECR factors. IPL believes this is a fair resolution of this issue as it will allow for increased accuracy regarding the future allocation of costs across non-residential rate classes. (Page 42, emphasis added.)

The Board will require IPL to revise its electric and natural gas EECR filings to reflect the previously-approved methodology for the allocation of energy efficiency expenditures. The nonresidential expenditures (General Service, Large General Service, and Bulk) should be allocated based on the approved allocators.

The second issue is whether IPL should file a plan modification or request a waiver. According to the Board's rules (199 IAC 35.6(4)), the utility shall file an application to modify its energy efficiency plan if any one of the following conditions occurs:

1. The total annual plan budget has changed or will change by a factor of at least plus or minus 5 percent;

2. The budget per customer class or grouping has changed or will change by a factor of at least plus or minus 10 percent; and
3. An approved program is eliminated or a new program is added.

Additionally, in the “Collaboration Plan for IPL and 2014-2018 Energy Efficiency Plan (EEP) Stakeholders – Appendix 3 of Settlement”³ IPL agreed:

...If the filing demonstrates spending or impact variances above thresholds established in IUB rule (199 35.6(4)) and the circumstance(s) contributing to such variance is (are) expected to continue, IPL will seek a program modification concurrently with or shortly after its EECR filing. The scope of modification may be limited to the particular factor(s) driving the budget or impact variance.

IPL provided the spending and savings information for the 2014 program year.

The following tables summarize that information, first for electric service, then for gas.

2014 Electric Energy Efficiency Spending			
	Actual	Plan	Actual as % of Plan
Residential	\$19,143,773	\$24,383,191	78.5%
Nonresidential	\$52,083,392	\$47,128,166	110.5%
Outreach, Education & Training	\$2,108,560	\$2,339,013	90.1%
Other	\$1,505,445	\$1,370,377	109.9%
Total	\$74,841,170	\$75,220,747	99.5%

The 2014 residential spending for electric energy efficiency was 21.5 percent below plan spending which, according to OCA, triggers a modification based on the second condition. Although IPL spent only 78.5 percent of its planned spending, IPL’s actual

³ “Joint Motion for Approval of Non-Unanimous Partial Settlement Agreement Appendix 3, p. 1 (4a),” Docket No. EEP-2012-0001 (July 26, 2013).

savings for the residential programs (60,589,544 kWh) exceeded its residential savings target (38,761,363 kWh) by 56 percent.

2014 Natural Gas Energy Efficiency Spending			
	Actual	Plan	Actual as % of Plan
Residential	\$8,416,546	\$9,449,743	89.1%
Nonresidential	\$1,685,217	\$4,137,714	40.7%
Outreach, Education & Training	\$521,014	\$905,482	57.5%
Other	\$414,676	\$329,623	125.8%
Total	\$11,037,479	\$14,822,562	74.5%

For the 2014 natural gas programs IPL spent nearly 90 percent of its planned spending for the residential programs, 40.7 percent of its planned spending for nonresidential programs, and 75 percent of its total planned spending. IPL exceeded savings targets for residential natural gas programs by 39 percent but was 35 percent below savings targets for nonresidential programs.

The Board does not have sufficient information to determine whether a modification or waiver is required by the rules and the Settlement. According to Appendix 3 of the Settlement, IPL is to seek a plan modification if the filing demonstrates spending or impact variances above thresholds established in 199 IAC199 35.6(4) “and the circumstance(s) contributing to such variance is (are) expected to continue. . . .” It is not clear on this record whether a plan modification or waiver is appropriate because IPL has not provided sufficient information as to whether the circumstances contributing to the variance are likely to continue. IPL is to provide such information and can also provide information and argument if it

believes the thresholds in the rule have not been met. OCA will be given an opportunity to reply.

IT IS THEREFORE ORDERED:

1. Interstate Power and Light Company is to provide revised allocation factors as discussed in the body of this order on or before April 17, 2015.

2. Interstate Power and Light Company shall provide information as to whether the variances discussed in this order are expected to continue on or before April 17, 2015; the Office of Consumer Advocate, a division of the Iowa Department of Justice, may file a reply on or before April 24, 2015.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Sheila K. Tipton

Dated at Des Moines, Iowa, this 13th day of April 2015.

DISSENT

I agree with my colleagues that more information needs to be obtained in order to determine whether IPL's spending variances are expected to continue. Where I disagree is whether the Board's rules or the Settlement apply to the determination of whether a plan modification or waiver is required. The variations referred to by my colleagues are spending and impact variances, not budget variances as referenced in 199 IAC 35.6(4). Therefore, the rule would not require a plan modification or waiver. However, the Settlement provides that IPL agrees to seek a plan modification if spending or impact variances and the circumstances contributing to such variances are expected to continue. While the Settlement also references the rule, it is clear that the Settlement is referencing spending, not budgeted, amounts. I agree that more information is required to determine whether these variances are expected to continue, but I believe that under the circumstances only the Settlement, not the rules, would compel a plan modification.

I disagree on the issue of the allocation methodology and I believe the board does have the authority to allow a change. The allocation factor is part of the tariff which is reviewed and approved or denied by the board therefore allows for the review and approval or denial of the allocation methodology. In this case information has been presented that shows the current allocation costs and collection are

inequitable. IPL should be required to provide more information that might show a long term change is necessary to correct the allocation.

/s/ Nick Wagner

Nick Wagner

ATTEST:

/s/ Joan Conrad

Executive Secretary

Dated at Des Moines, Iowa, this 13th day of April 2015.