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FILED WITH
Executive Secretary
April 17, 2015
IOWA UTILITIES BOARD

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 No. WRU-2015-___-0150
(EEP-2012-0001) (TF-2015-0007) (TF-2015-0008)
Additional Information and Request for Waiver

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Additional Information and Request for Waiver, as filed today on EFS.

Very truly yours,

/s/ Samantha C. Norris
Samantha C. Norris
Senior Attorney

SCN/tab
Enclosures

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NO. WRU-2015-0014-0150** **(EEP-2012-0001)** **(TF-2015-0007)** **(TF-2015-0008)**

ADDITIONAL INFORMATION AND REQUEST FOR WAIVER

COMES NOW, Interstate Power and Light Company (IPL) and, in response to the Iowa Utilities Board (Board) Order of April 13, 2015 (Order) in Docket Nos. TF-2014-0007 and TF-2014-0008 requiring filings, provides information as to whether certain variances from the budget identified in IPL's approved Energy Efficiency Plan (EEP or plan) in Docket No. EEP-2012-0001 are expected to continue and confirms IPL is filing revised EECR tariffs and a plan for tracking the direct assignment method between non-residential customer classes. Additionally, IPL in response to the Board Order, and pursuant to 199 I.A.C. § 1.3, requests a waiver of 199 I.A.C. § 35.6(4)"a". In support of its request, IPL states as follows:

BACKGROUND

1. The Department of Justice, Office of Consumer Advocate (OCA), in its February 18, 2015 Conditional Objection to Docket No. TF-2015-0007, noted that IPL's electric spending deviated from its 2014 energy efficiency electric budget. The OCA argues that these deviations should trigger either an EEP modification or a request for waiver. The OCA contends that in 2014, IPL spent

$6 million less than its approved electric budget for the Residential class, or 18 percent below its approved budget. OCA also indicates that it is unable to determine the budget variance for the non-residential programs due to the change in the allocation factors used in the direct assignment of incentives between the general service and large general service classes.

2. The OCA also filed an objection to Docket No. TF-2015-0008 on February 19, 2015, arguing that IPL's natural gas spending deviated from its 2014 energy efficiency gas budget for residential spending which was 14 percent less than its approved budget, and that total 2014 gas energy efficiency plan spending was 28 percent less than IPL's approved budget. The OCA argued that these deviations from the budgets should trigger either an EEP modification or a request for waiver.

3. The OCA references in both of their objections the difficulty in comparing budgets to actuals due to the change in the approved allocation methodology used within the Non-residential budget.

4. The Board docketed the proposed tariffs for further investigation on February 27, 2015.

5. On March 9, 2015, IPL filed a response to the OCA's Conditional Objection. IPL asserted that neither a waiver nor a plan modification were appropriate or required for the spending variances in 2014 and provided additional summary information on Plan spending and impact savings for both electric and natural gas programs. IPL also reviewed the allocation method used in determining a direct assignment of incentive costs for nonresidential customers.

6. On March 16, 2015, the OCA filed a reply to IPL's response and argued IPL should be required to file information indicating whether it will seek a plan modification or a waiver.

7. On April 13, 2015, the Board issued its Order, requiring IPL to provide revised allocation factors and provide information as to whether the variances in the EEP spending were expected to continue.

REVISED EECR ALLOCATION FACTORS

8. As required in the April 13 Order, IPL is contemporaneously filing with this Request, revised tariffs reflecting Energy Efficiency Cost Recovery (EECR) factors computed using the previously approved allocation factors in Docket Nos. RPU-2010-0001 and RPU-2012-0002. In addition, IPL will track the differences between General Service (GS) and Large General Service (LGS) energy efficiency costs using both the method of allocating incentive costs on the previously approved allocators as well as the direct assignment method for incentives as agreed to in Settlement Issue 17 – Tracking Nonresidential Expenditures in Docket No. EEP-2012-0001[1]. These results will be reported as part of its annual EECR filings.

ADDITIONAL INFORMATION

9. IPL takes energy efficiency seriously and is committed to collaborating with its stakeholders to aggressively promote energy efficiency to its customers. IPL is pleased to deliver electric results exceeding the goal by 24 percent and natural gas results within 10 percent of goal in the first year of the 2014-2018 EEP, while maintaining spending within the plan's budgeted amounts.

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

IPL places high priority in delivering impact results while remaining sensitive to customer costs and program efficiency.

10. IPL reiterates its belief that the actual calendar year spending does not equate to budget changes, as shown in the EEP statute 199 IAC 35.6 (4),and the Board's prior precedent – namely, the Board's June 7, 2013 Order in Docket No. WRU-2013-0011-0150 (EEP-08-01) (June 7 Order). As the Board stated in its June 7 Order at pp. 11-12, "IPL has not failed to meet budget targets…because budget target implies there is a required spending goal. The statutory and Board-approved goals for IPL are to save specified amounts of energy and capacity, which may require expenditures at, above, or below the budgets estimated by IPL." IPL has reported variances in EEP spending for 2014 that exceed the thresholds set for budget changes in IAC 199 36.6(4) but maintains a spending variance is not equivalent to a change in budget.

11. In addition, the Settlement Agreement (Appendix 3, section 4a) is clear that IPL only need file a program modification if it affirmatively believes and has reason to believe the circumstances leading to the variance will continue.

> …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 the modification may be limited to the particular factor(s) driving the budget or impact variance. (emphasis added)

As IPL previously stated in its March 9 Response in Docket Nos. TF-2015-0007 and TF-2015-0008, a single year's results from a new plan with numerous programmatic changes cannot reasonably form the basis for a trend in any direction, much less one that could adequately form the basis of an entire budget and plan modification.

12. IPL is, though, currently evaluating the first year of data for its EEP, which has just been finalized. Additionally, IPL is planning the following actions in 2015 and beyond, which will be performed in collaboration with the EEP stakeholders, to promote prudent management of the budget, achieve plan goals, and to refine its program mix for its customers:

A. Concerning the prescriptive rebates programs: IPL has engaged its EEP development vendor, The Cadmus Group, Inc., to review the 2014 participation results at the measure level in comparison to the filed participation estimates for 2014. Determining which measures underperformed is critical as the EEP impacts and budgets for the prescriptive programs were built upon measure level participation.

B. Similarly, IPL has requested its Evaluation, Measurement and Verification (EMV) vendor, Itron Inc., to prioritize the prescriptive rebate and lighting programs when undertaking its work for the EMV report. Reviewing the early results from the EMV impact and process evaluations will allow IPL critical insights as to what program or measure level adjustments may be needed both in the near-term and in the longer term.

Additionally, IPL recognizes the importance of transparent communications with the Board and staff as well as Parties to Docket No. EEP-2012-0001 regarding IPL's programs. IPL plans to undertake the following actions to further those communications:

A. IPL will provide quarterly guidance on impacts and spending through it's "Iowa Report of Impacts and Spending" (IRIS) allowing for greater insight throughout the year as to IPL's progress towards goals and spending levels.

B. IPL also intends to meet with the interested Parties to the EEP to review the Settlement to ensure all parties are interpreting the Settlement language similarly and also to provide an update as to IPL's progress on the other settlement issues. IPL also intends to invite Board staff to attend these meetings for input and insight for the benefit of the plan.

13. In addition to the preliminary summary information already provided in IPL's March 9 Response, IPL will provide program level details within its upcoming 2014 Annual Report as to successes, challenges and potential future steps for each program. Further, IPL will continue to investigate the spending variances in 2014 by reviewing programs and measure level participation in the programs, addressing through targeting promotional dollars as appropriate to measures or programs. IPL shares some preliminary participation findings below. Analysis of the financial impact to the filed budget has yet to be completed, but is currently underway.

A. In the residential sector, IPL is reviewing measure level participation in the prescriptive rebate program. Thus far, IPL has determined some HVAC measures have a performance lag that may have led to underspending the incentive budget allotted to the program for the 2014 calendar year. Specifically, IPL filed in Appendix J to the EEP that it anticipated rebating 5,000 central air conditioners but only received rebate applications for 2,722 units. Contrasting with furnaces, IPL anticipated rebating 4,652 units but actually rebated 4,858 units. Both measures also required HVAC SAVE verification for the first time in this EEP. This requirement has led to a lag in central air conditioning measure as units installed in the fall and winter required the outside air temperature to be at least 65 degrees to complete the testing as part of the SAVE verification. IPL allowed for this testing to take place by no later than June 30th of the following year in program rules, but now recognizes the lag in results in reporting the first year of the Plan results. In 2015, IPL will report all units tested and rebated within the program year and anticipates results to be within the range originally projected. In this case, no additional promotion is likely needed, just a recognition of the testing caused lag in the first year of the requirement.

B. Also within residential prescriptive rebates, IPL anticipated rebating 6,642 programmable thermostats while only receiving rebates for 3,992 units. IPL has already implemented a promotional campaign in April 2015 set to run through March of 2016 to educate customers on the benefits of and rebates available for Wi-Fi thermostats, which are a new measure in this EEP and have initially been slow to gain traction with the market.

C. IPL has also identified the Change-a-Light program as having a notable spending variation. While the program exceeded the impact goal by a multiple of four, IPL underspent in this program by nearly 50 percent simply due to making appropriate adjustments to incentives levels following unanticipated decreasing bulb prices. For example, IPL filed the plan in 2013 assuming a $2.67 incentive for CFLs and $10.00 for LEDs but actually incented CFLs at $1.44 per bulb and LEDs at $5.41 per bulb. IPL is currently planning to increase the allocation to LEDs in future years of the EEP but has not yet completed the financial analysis to determine the budget impact of reducing incentives and changing the LED allotment in the program.

D. Specific to Nonresidential, IPL has identified insulation and infiltration controls as a key driver to underperformance in natural gas spending. For example, IPL anticipated rebating 1,410 insulation projects in 2014 but only received applications for 290 projects. IPL is planning a targeted promotion effort for these measures in 2015 to address the underperformance and incentive underspending issue in the NonResidential Natural Gas programs.

14. IPL believes that any modification should be thoughtful and based on a thorough analysis of trends with stakeholder input. A modification at this time would be premature, as IPL only has early results from the first year under its new EEP, and has only completed a preliminary analysis of that data., IPL believes that filing a modification for the 2014 or 2015 plan year without being able to conduct such a thorough analysis would be imprudent and not the best use of IPL's, stakeholders' or customers' resources. However, IPL plans to use the insights gained during its ongoing evaluation of 2014 and 2015 partial-year results, to determine any appropriate adjustments to the EEP for the 2016 plan year. IPL will engage the Parties to the EEP in a collaborative manner to finalize

the necessary adjustments and will file a modification with the Board if the changes necessitate a modification as required in 199 IAC 35.6(4).

15. Though IPL's budget for its customer classes did not change for the 2014 program year and will not change for the 2015 program year and because, at this early stage, IPL has no certainty that its underspend for certain classes and programs will continue in the same manner in 2015 as in 2014, IPL believes that filing for a modification would not be prudent nor required.

REQUEST FOR WAIVER

16. However, in response to the Board's April 13 Order and out of due caution, IPL hereby requests a waiver of the Board's rules for its 2014 plan. Waivers are valuable tools to manage unanticipated program variations that allow utilities to fulfill customer expectations in a timely manner, create a positive impression for energy efficiency in Iowa and avoid costly and unnecessary plan modifications. IPL highly values meeting customer demand for programs and helping customers save energy and money. IPL believes these goals are best accomplished by designing and implementing desirable programs and then letting customer demand and prudent implementation practices determine how much can be accomplished. If some of the anticipated customer demand does not materialize, spending will naturally moderate. IPL, however, will target outreach as appropriate to increase awareness of and possible demand for the programs.

17. 199 IAC 35.6(4)"a" requires that a utility file a plan modification upon the occurrence of certain conditions, including when, "(1) The total annual plan budget has changed or will change by a factor of at least plus or minus five

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;…". 199 IAC 35.7, however, provides that, "[u]pon request and for good cause shown, the board may waive any energy efficiency plan requirement." IPL therefore requests a waiver pursuant to 199 IAC § 1.3 from 199 IAC 35.6(4)"a" for the following reasons:

A. The 2014 underspend as compared to budget should not and cannot at this stage be considered a sustained deviation necessitating a modification when customer participation could increase sufficiently to merit the full budget expenditures;

B. Underspending in a the initial budget year of a five-year plan ultimately has no detrimental impact on achieving the impact goals of the EEP programs;

C. Because 2014 is the first year of a five-year plan, it would be premature to adjust the budgets based upon the preliminary results of the initial year of a plan with new programs. It would be unproductive, and ultimately an undue hardship, to require such a modification at the present time. As described above, some of the underspend is due to lags not anticipated when setting the budgets are due to slower than anticipated starts for new programs – a modification would be premature and could result in changing budgets unnecessarily; and

D. Granting of the waiver will not prejudice the substantial legal rights of any person, and the granting of this waiver will not impinge upon public health, safety or welfare.

WHEREFORE, for the reasons above stated, IPL requests a waiver of 199 I.A.C. 35.6(4)"a" to allow the spending for 2014 for the for individual customer groupings for the plan to vary more than ten percent.

Dated this 17th day of April, 2015.

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

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