

April 24, 2015

IOWA UTILITIES BOARD

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE:

INTERSTATE POWER AND LIGHT
COMPANY

DOCKET NOS. TF-2015-0007
TF-2015-0008
WRU-2015-0014-0150
(EEP-2012-0001)

REPLY

The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, responds as follows to the additional information and filings submitted in the above-captioned proceedings by Interstate Power and Light Company's (IPL) on April 17, 2015, in accordance with the Order Requiring Filings issued by the Iowa Utilities Board on April 13, 2015:

1. OCA supports IPL's decision to file a waiver to address the spending variances reported for IPL's energy efficiency plan year 2014 that are above the thresholds established in 199 IAC 35.6(4), and will respond to the merits of the request and the revised EECR tariff filings within the time allowed for such responses. In an effort to avoid similar future disputes, OCA would like to take this opportunity to explain more fully why the filing of a waiver request in these circumstances is appropriate under Iowa law and the terms of the Settlement Agreement approved for IPL's energy efficiency plan (EEP).

2. Although IPL admits that it has reported variances in EEP spending for 2014 that exceed the thresholds set for budget changes in 199 IAC 35.6(4), it maintains that this spending variance is not equivalent to a change in budget. (Waiver, ¶ 10). The fact that IPL has

committed to file a plan modification when the circumstance(s) contributing to reported spending or impact variances above thresholds established in IUB rule 35.6(4) are expected to continue (Waiver, ¶ 11), does not, however, excuse IPL from filing a waiver to justify its decision not to seek program or plan modification when significant spending or impact variations are reported.

3. Interpreting “budget” and “spending” synonymously and interchangeably, as OCA recommends, is consistent with the intent of the parties as evidenced by the settlement terms approved for IPL’s EEP. This interpretation better fulfills the purpose of rule 35.6(4) and the Board’s recognition of energy efficiency as a priority resource. 199 IAC 35.1. IPL’s continued efforts to distinguish actual spending from budget change, if permitted, would allow the utility to deviate significantly from approved energy efficiency budgets without any accountability or burden to show that such variances are justified – outside of a formal prudence review. This is contrary to the purpose of rule 35.6(4) and undermines Iowa policy calling for the Board’s determination of appropriate energy efficiency plans and budgets through contested case proceedings. Iowa Code §§ 476.6(15)(a), (b), (e) (2015).

4. IPL points out that it exceeded its electric savings goals by 24 percent in 2014. (Waiver, p. 3). This fails to address, however, whether cost-effective energy efficiency was left on the table by not meeting approved spending levels. OCA relies on settlement terms and Iowa law, rule 35.6(4), to help assure that a utility is aggressively pursuing cost-effective energy efficiency opportunities. When a utility does not explain spending or impact variances beyond the thresholds established in rule 35.6(4), it is far more difficult to assess the utility’s plan implementation performance. IPL’s view that it is under no obligation to justify spending variances, if taken to its logical conclusion, would allow a utility to ease up or even put the

brakes on cost-effective energy efficiency efforts once it has achieved its approved energy efficiency impact goals.

5. IPL's attempt to distinguish its actual spending from a budget change also runs counter to IPL's EEP Settlement Agreement in which "budget" and "spending" are used synonymously and interchangeably. As an example, IPL's Waiver Application refers to the following language from the Collaboration Plan for IPL and 2014-2018 Energy Efficiency Plan (EEP), (Settlement Agreement (Appendix 3, section 4a)):

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).

Additionally, IPL's Collaboration Plan states, "IPL will report on plan progress in current year, **including preliminary projections for spending/impact variances and the need for waiver/modification**, and proposed changes and updates for following year". (Settlement Agreement, Appendix 3, section 1c) (emphasis added). IPL develops its EECR factors on the basis of the approved budgets for its programs. When IPL does not spend the amount annually budgeted and collected from its customers, and the amount varies by the thresholds established in IUB rule 35.6(4), IPL needs to seek a program modification or waiver as IPL agreed to in the Settlement with the Intervenors. This outcome is consistent with 199 IAC 35.6(4).

6. Without proper attention to spending variances, either through a modification or waiver filing, IPL will continue to develop EECR factors based on approved budgets that will likely differ greatly from actual spending. To illustrate this concern, particularly for IPL's natural gas EECR factors, OCA Attachment A shows that IPL over-collected \$11,651,520 from

its natural gas customers, which is more than its total spending of \$10,634,962 on natural gas programs in 2014. A waiver serves to explain why the approved budgets and impact goals should not be changed. OCA agrees with IPL that modifications should be thoughtful and based on a thorough analysis of trends with stakeholder input. (Waiver App. P. 14). A decision not to modify, despite evidence of significant spending or impact variances, should also be based on a thoughtful and thorough analysis.

7. OCA appreciates that a good deal of analysis must take place before a decision is made to request modification of the EEP or seek waiver of such requirement. The steps proposed by IPL to undertake this analysis and obtain stakeholder input (Waiver, ¶ 12) are generally appropriate. The Collaboration Plan between IPL and the Stakeholders was intended to allow meaningful stakeholder input throughout the 5-year plan. (Appendix 3, section 1c). The Fall Operations Report within the Collaboration Plan for IPL's 2014-2018 EEP provides a forum for IPL to report on plan performance, the potential need for waiver/modification, and proposed changes and updates for the following plan year. It also seeks to gather stakeholder feedback on these items. Some key challenges and changes discussed in IPL's waiver were not addressed in the Fall Operations Report or in the Update of Program Features filed with the Board on January 29, 2015. Ideally, such factors would be addressed in the Fall Operations meeting in order to allow stakeholder input on appropriate program or plan changes for 2015. OCA appreciates IPL's renewed commitment to engage EEP parties in a collaborative manner to assess appropriate program or plan adjustments, if any. (Waiver, p. 14). OCA is open to discussing ways in which the collaboration plan process can be changed or enhanced, if needed,

to better facilitate the purposes sought to be achieved.

Respectfully submitted,

Mark R. Schuling
Consumer Advocate

/s/ Jennifer C. Easler
Jennifer C. Easler
Attorney

Anna K. Ryon
Attorney

1375 East Court Avenue, Room 63
Des Moines, IA 50319-0063
Telephone: (515) 725-7200
E-mail: IowaOCA@oca.iowa.gov

OFFICE OF CONSUMER ADVOCATE

IPL's 2014 Energy Efficiency Programs Spending, Recovery and Rate Impact											
ELECTRIC	Spending				Recovery				EECR Rate		
	Planned (\$)	Actual (\$)	(Under)/Over Spending (\$)	(%)	Authorized (\$)	Actual (\$)	(Under)/Over Recovery (\$)	(%)	Current (\$/kWh)	Proposed (\$/kWh)	Change (%)
Residential	32,491,640	26,739,361	(5,752,279)	-17.7%	22,228,922	27,581,180	5,352,258	24.1%	0.0080	0.0062	-22.5%
Gen Service	12,831,915	14,212,437	1,380,522	10.8%	16,505,089	13,587,599	(2,917,490)	-17.7%	0.0064	0.0060	-6.3%
Large GS	28,331,259	31,006,761	2,675,502	9.4%	22,872,885	16,064,200	(6,808,685)	-29.8%	0.0023	0.0038	65.2%
Bulk	1,322,656	1,447,495	124,839	9.4%					0.0023	0.0038	65.2%
Lighting	243,277	225,093	(18,184)	-7.5%	57,831	145,909	88,078	152.3%	0.0015	0.0034	126.7%
Total	75,220,747	73,631,147	(1,589,600)	-2.1%	61,664,727	57,378,888	(4,285,839)	-7.0%			
Sources: TF-2014-0013 Revised Feb. 20, 2014. Schedule A3, Sheet 2, Line "Total Electric". TF-2015-0007 revised April 17, 2015. Schedule A1, line 52. TF-2015-0007 revised April 17, 2015. Schedule A1, line 53. TF-2015-0007 revised April 17, 2015. Schedule A1, line 54. TF-2015-0007 revised April 17, 2015. Tariff Sheet No. 60.											

IPL's 2014 Energy Efficiency Programs Spending, Recovery and Rate Impact											
GAS	Spending				Recovery				EECR Rate		
	Planned (\$)	Actual (\$)	(Under)/Over Spending (\$)	(%)	Authorized (\$)	Actual (\$)	(Under)/Over Recovery (\$)	(%)	Current (\$/therm)	Proposed (\$/therm)	Change (%)
Residential	10,144,339	8,706,534	(1,437,805)	-14.2%	4,783,209	12,454,904	7,671,695	160.4%	0.0425	0.0178	-58.1%
Gen Service	3,473,649	1,431,886	(2,041,763)	-58.8%	2,071	3,184,135	3,182,064	153648.7%	0.0206	0.0034	-83.5%
Large GS	1,204,574	496,542	(708,032)	-58.8%	240,855	1,038,616	797,761	331.2%	0.0364	0.0153	-58.0%
Total	14,822,562	10,634,962	(4,187,600)	-28.3%	5,026,135	16,677,655	11,651,520	231.8%			
Sources: TF-2014-0014 Revised Feb. 20, 2014. Schedule A3, Sheet 2, Line 45. TF-2015-0008 revised April 17, 2015. Schedule A1, line 45. TF-2015-0008 revised April 17, 2015. Schedule A1, line 46. TF-2015-0008 revised April 17, 2015. Schedule A1, line 47. TF-2015-0008 revised April 17, 2015. Tariff Sheet No. 71.											