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)

ORDER APPROVING TARIFFS

(Issued May 6, 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 useful 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 argued 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 and savings to the 2014 planned spending and 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, that 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 agreed[1] 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 underspending 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 underspending 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.

The Board issued an order on April 13, 2015, requiring IPL to file additional information. IPL filed additional information, including revised tariff sheets, on April 17, 2015. IPL also filed a request for waiver on the same date; the issue of whether a waiver is appropriate is being considered in Docket No. WRU-2015-0014-0150.

The revised tariff filings will be approved. For gas, the decreases in factors for each customer class reflect over-collections the previous year. The same is true for

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

the residential class in electric. The allocation factors used appropriately reflect those used in IPL's last electric and gas rate cases.

IT IS THEREFORE ORDERED:

1. TF-2015-0007, as revised on April 17, 2015, is approved, subject to complaint or investigation.

2. TF-2015-0008, as revised on February 12 and April 17, 2015, is approved, subject to complaint or investigation.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Joan Conrad
Executive Secretary

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 6th day of May 2015.