

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

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<p>IN RE:</p> <p>OFFICE OF CONSUMER ADVOCATE, Petitioner,</p> <p>v.</p> <p>INTERSTATE POWER AND LIGHT COMPANY, Respondent.</p>	<p>DOCKET NO. FCU-2016-0011</p>
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**ORDER APPROVING SETTLEMENT AGREEMENT AND  
CANCELING HEARING**

(Issued December 16, 2016)

**PROCEDURAL BACKGROUND**

On October 4, 2016, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed with the Utilities Board (Board) a "Request for Formal Proceeding" relating to the billing system and practices of Interstate Power and Light Company (IPL). Specifically, OCA noted a public statement by IPL's corporate parent indicating that IPL's billing system had not worked as intended and that, as a result, IPL had submitted bills for electric service to customers for much higher amounts than usual, including charges for service provided in prior months. The Board had received numerous complaints and inquiries concerning this matter.

On October 25, 2016, the Board issued an order commencing a formal proceeding in this docket and setting a procedural schedule including dates for a technical conference, for the filing of applications to intervene, for the filing of prepared testimony, and for a hearing. By order issued on October 28, 2016, the Board rescheduled the hearing for December 14, 2016. By a further order issued on November 9, 2016, the Board rescheduled the hearing for December 19, 2016.

No other person filed an application to intervene in the proceeding by the deadline of November 3, 2016.

### **PROPOSED SETTLEMENT**

On December 14, 2016, OCA and IPL filed with the Board a “Joint Motion and Settlement Agreement” for the purpose of achieving “a comprehensive settlement of OCA’s Complaint, issues raised in OCA’s reply filed October 11, 2016, and issues raised in OCA’s direct testimony . . . that is fair, reasonable, and in the public interest.”

The terms of the proposed settlement are shown in the settlement agreement, Attachment A to this order.

In their joint motion, OCA and IPL request that the Board approve the proposed settlement pursuant to 199 IAC 7.18, and also request cancellation of the hearing scheduled for December 19, 2016.

## DISCUSSION

The Board's rules provide for the settlement of issues in contested cases. In general, the Board may approve a settlement if it is "reasonable in light of the whole record, consistent with law, and in the public interest." 199 IAC 7.18. Upon approval, a settlement "constitutes the final decision of the board on issues addressed in the settlement." Id. Parties may propose a settlement for adoption by filing a motion containing a statement describing the scope of the proposed settlement and the grounds for its adoption. 199 IAC 7.18(1).<sup>1</sup>

The parties state that the settlement "has been prepared and executed by the Settling Parties for the purpose of reaching a comprehensive settlement" of the issues raised by OCA's complaint, October 11, 2016, reply, and by OCA's direct testimony. "Joint Motion" at p. 2. The parties further state that the settlement resolves these issues in a manner that is "fair, reasonable, and in the public interest."

The Board has reviewed the testimony filed by OCA and by IPL constituting the record in this proceeding, together with OCA's Request of October 4, 2016, IPL's Response of October 10, 2016, and OCA's Reply of October 11, 2016. The Board has also considered the waiver requests granted upon IPL's request in Docket No. WRU-2016-0026-0150 for the purpose of mitigating adverse effects on customers through the end of the calendar year.

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<sup>1</sup> Other subrules of Board rule 7.18 relate to settlements endorsed by fewer than all parties to a contested case proceeding; these provisions are not applicable here, since the settling parties IPL and OCA are the only parties to this proceeding. 199 IAC 7.18(6).

The question before the Board is whether the proposed settlement suitably addresses the systems and procedures that caused the spike in estimated bills and the subsequent true-up billings at levels that customers did not expect. The Board finds that it does. IPL promises that it will refrain from estimating a bill when it has an actual meter reading if it is unable to conduct a manual review of the reading within the time required for billing. It will use an estimate only when a manual review is actually conducted and the review is unable to confirm the accuracy of the putative actual reading. The record in this proceeding indicates that, had such practices been employed by IPL this past summer, most complaints relating to underestimated bills would likely have been avoided. In addition, IPL has agreed to adjust the unit thresholds that trigger bill review, to set stricter standards for trend-based estimation, to modify its practices so as to avoid unnecessary rejection of valid meter readings around holidays, and to prioritize any needed review of readings obtained on the last day of the billing window. These measures, too, should help reduce the frequency of bill estimation and inaccurate billings requiring true-up.

IPL further undertakes to provide staffing plans to OCA and to the Board, providing the basis for further action if it should appear that shortcomings in customer service recur in the future. IPL will include an additional “estimated” notation on estimated bills, to apprise customers that they may find a true-up in a subsequent bill. IPL also promises to make payment agreements available for up to 24 months for customers who received estimated bills in 2016. Finally, the proposed settlement

also calls for further consideration of possible additional changes to IPL's bill estimation logic.

Based on its review of the record in this proceeding, considering the range of potential issues raised by the parties and the importance of corrective measures to avert a recurrence of these problems, the Board finds that the proposed settlement is reasonable and in the public interest. The Board concludes that the terms of the proposed settlement are consistent with applicable law and Board rules.

One provision of the settlement, Article 111, requires IPL to submit certain reports to OCA. The Board will direct IPL to file these reports in the Board's electronic filing system at the time the reports are provided to OCA.

Finally, in light of the Board's approval of the proposed settlement filed by the parties to this proceeding, it will not be necessary to proceed with the hearing previously scheduled for Monday, December 19, 2016. The Board accordingly cancels that hearing.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The Joint Motion and Settlement Agreement filed in this proceeding by the Office of Consumer Advocate, a division of the Iowa Department of Justice, and Interstate Power and Light Company, which is attached hereto as Attachment A, is approved. Interstate Power and Light Company shall implement the measures and practices, as required by the Joint Motion and Settlement Agreement, shall in other

respects comply with its terms, and shall file all reports in this docket in the Utilities Board's electronic filing system.

2. The hearing scheduled for Monday, December 19, 2016, in this proceeding is canceled.

**UTILITIES BOARD**

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano  
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 16<sup>th</sup> day of December 2016.



for the joint statement of the issues of December 9, 2016. The Board scheduled December 19, 2016 for a hearing on the Complaint. A technical conference on the issues raised in the Complaint, as well as other issues, was held November 8, 2016.

4. IPL and OCA are the only parties of record in this proceeding.

5. The Settling Parties filed their Joint Statement of the Issues on December 9, 2016.

#### **ARTICLE II – PURPOSE**

6. This Agreement has been prepared and executed by the Settling Parties for the purpose of reaching a comprehensive settlement of OCA's Complaint, issues raised in OCA's reply filed October 11, 2016, and issues raised in OCA's direct testimony (collectively, the Dispute), that is fair, reasonable, and in the public interest. Accordingly, the Settling Parties respectfully request that Board find, in accordance with 199 I.A.C. § 7.18, that this Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

7. It is the intention of the Settling Parties that this Agreement resolves all issues in the Dispute. Therefore, in consideration of the mutual agreements set forth herein, the Settling Parties request that the Board issue an order that approves this Agreement and cancels the hearing set for December 19, 2016.

#### **ARTICLE III – AGREEMENT**

8. The Settling Parties agree that the following items settle the Dispute in full:
- a. By January 15, 2017, IPL will provide its meter reader staffing plan to the Board and OCA. IPL will provide quarterly reports to OCA, and to the Board if the Board desires, in 2017 and 2018 on the number of meter reads that were estimated due to no physical read.
  - b. By January 15, 2017, IPL will provide its customer support center staffing plan to the Board and OCA. IPL will provide quarterly reports to

OCA, and to the Board if the Board desires, in 2017 and 2018 on the call wait times per day, including the shortest, longest, and average call wait times per day.

- c. IPL implemented and placed on its bill an enhancement that began on November 7, 2016, which added a third indication that a customer's bill was estimated. IPL will continue to provide this enhancement on its bill.
- d. IPL will not send estimated bills where a validated read has been obtained within the billing window, unless there are extraordinary circumstances preventing the validated read from being used. A validated read is one that falls within the Hi/Lo thresholds or one that has been verified by a manual review. As described in paragraph 8(g)(5), IPL has implemented a method to avoid sending estimated bills when a manual review has not been completed within the billing window. In the event a read obtained within the billing window falls outside the Hi/Lo thresholds and has not been verified by a manual review, the bill will be based on the actual read.
- e. IPL has offered customers who received estimated bills in 2016 payment arrangements of at least 12 months, and up to 24 months, upon customer request. IPL will continue to work with those customers who received estimated bills and who request payment arrangements longer than 12 months, including up to 24 months, in a manner consistent with existing Board rules on payment arrangements.
- f. IPL has initiated an analysis of how changes to the CC&B estimation logic could affect the accuracy of estimates. IPL has also changed components of the estimation logic, as detailed below. IPL will meet with OCA and Board staff by January 15, 2017, to detail the results of the analysis and a proposed plan for potential additional revisions to the estimation logic.
- g. IPL has made the following system changes:
  - (1) IPL has adjusted the unit-based thresholds used in the Hi/Lo check.
  - (2) IPL has modified the selection criteria for the third step in the estimation logic (the trend-based calculation) to increase the minimum number of reads evaluated by the estimation algorithm.
  - (3) IPL manually calibrated the calendar-day based meter-reading windows around the 2016 Thanksgiving holiday to ensure valid meter reads were not disregarded due to timing. Going forward, IPL will engage in a similar effort as necessary around holiday weekends to ensure a similar result.

- (4) IPL has implemented a hold for manual review of any bill that would otherwise be estimated due to the meter read being obtained on the last day of the billing window. Such bills will be sent out using the actual reads only after the read is validated, as described in paragraph 4 above. If, after manual review, the read cannot be validated, an estimate may need to be sent.
- (5) IPL has implemented a method to intercept and review bills that would have been estimated when a meter read is available in the system to avoid estimated bills being sent when a manual review has not been completed within the billing window.
- h. IPL will not include costs incurred in addressing the estimated billing issues related to the CC&B system that are above and beyond reasonable operating and maintenance expenses in the test year for IPL's anticipated rate cases in 2017.
- i. If the Board desires an independent review of the accuracy of 2016 billing under the CC&B system, IPL will work with the Board and OCA to determine the appropriate scope and process for the review, and the reasonable costs associated with such a review would be borne by IPL and not recoverable from IPL's customers.
- j. The Settling Parties agree that this Agreement is not an admission of or determination of any violations of the Iowa Code, the Iowa Administrative Code, Board orders, or IPL tariffs.

#### **ARTICLE IV – JOINT MOTION**

9. The Settling Parties jointly filed with the Board this Agreement and Motion, requesting that the Board accept this Agreement without condition or modification and dismiss the hearing scheduled for December 19, 2016.

#### **ARTICLE V – CONDITION PRECEDENT**

10. This Agreement shall not become effective unless and until the Board accepts the same in its entirety without condition or modification.

#### **ARTICLE VI – LIMITATION**

11. This Agreement is made pursuant to Iowa Code §17A.10 and 199 I.A.C. § 7.18. This Agreement shall become binding upon the Settling Parties upon its execution;

provided, however, that if this Agreement does not become effective in accordance with Article V, above, it shall be null and void.

#### **ARTICLE VII – EXECUTION**

12. To facilitate and expedite execution, this Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the signatories. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

#### **ARTICLE VIII – MODIFICATION AND AMENDMENT**

13. This Agreement shall not be amended or modified except by an instrument in writing signed by all signatories.

#### **ARTICLE IX – TERM**

14. This Agreement shall remain in effect through December 31, 2018.

#### **ARTICLE X – BINDING NATURE**

15. This Agreement shall be binding on the Settling Parties. Except as provided in Article VIII, the Settling Parties shall take no action directly or indirectly to expand, limit, or eliminate the scope or effect of this Agreement during its term.

#### **ARTICLE XI – FURTHER ASSURANCES**

16. The Settling Parties agree to cooperate in order to effectuate the full and complete intent of the Settling Parties as expressed in this Agreement.

**ARTICLE XII – ENTIRE AGREEMENT**

17. This Agreement contains the entire agreement between the Settling Parties. There are no additional terms, whether consistent or inconsistent, oral or written, which have not been incorporated into this Agreement.

**WHEREFORE**, for the reasons cited above, the Settling Parties request that the Board approve the Agreement and dismiss the hearing scheduled for December 19, 2016.

Dated this 15<sup>th</sup> day of December, 2016.

**Respectfully submitted:**

For Interstate Power and Light Company:      For the Office of Consumer Advocate:

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