

December 29, 2011

IOWA UTILITIES BOARD

**STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES DIVISION
BEFORE THE IOWA UTILITIES BOARD**

IN RE:

**INTERSTATE POWER AND LIGHT
COMPANY**

**DOCKET NOS. EAC-2011-0007
TF-2011-0114**

**COMMENTS OF DR. ROBERT J. LATHAM
ON BEHALF OF LARGE ENERGY GROUP**

On November 18, 2011, Interstate Power and Light Company (IPL) filed with the Iowa Utilities Board (Board) its first-year compliance filing and proposed tariff (Reconciliation Filing) for its Regional Transmission Service Rider (Rider). On December 9, 2011, the Board issued an order docketing and suspending IPL's filing "to allow the Large Energy Group and any other interested party an opportunity to comment" and setting December 29, 2011, as the deadline for the submission of any such comments.

The Large Energy Group (LEG) is a group consisting of industrial, hospital, and city electric customers of IPL. (Attached as Appendix 1 is a list of the current LEG participants.) Dr. Robert J. Latham, President and Chief Executive Officer of Latham & Associates, Inc., has prepared these comments on behalf of the LEG for submission in this proceeding.

In IPL's most recent electric rate case (Docket No. RPU-2010-0001), the Board approved IPL's proposal for the Rider. In the final decision and order (Final Order) issued in Docket No. RPU-2010-0001 on January 10, 2011, the Board approved the

Rider “on a pilot basis.” (See pages 74-75 of the attached Exhibit A.) As a condition for its approval of the Rider, the Board explicitly noted (Exhibit A, page 75, footnote 10) that "IPL agreed, to alleviate some concerns expressed by LEG, not to include CIPCO transmission charges in the rider." In the Reconciliation Filing, however, IPL is attempting to recover certain CIPCO transmission investment true-up charges retroactively and in direct contravention of the Board's explicit condition for approval of the Rider. The Board should reject IPL's attempt to recover those charges through its Rider in its Reconciliation Filing.

The CIPCO charges at issue are transmission investment true-up charges of \$205,728.91 IPL paid to CIPCO in 2009 (see Final Decision at page 66) that were based on ITC Midwest transmission investments and not on CIPCO transmission service. The Board decided that these charges should be collected in rates (see Final Decision at page 68) and not be recovered through the Rider. This means that these costs would be recovered through IPL's base rates. Apparently, IPL failed to include these costs in base rates in its compliance filing in Docket No. RPU-2010-0001, and now seeks to improperly use the annual reconciliation process to recover these costs through the Rider instead.

On April 22, 2011, IPL filed with the Board a transmission information report in Docket Nos. RPU-2010-0001 and TF-2011-0010 (April Transmission Report). (A copy of relevant portions of this report is attached as Exhibit B). In the April Transmission Report IPL made no mention of its treatment of CIPCO transmission charges generally or the transmission investment true-up charges of \$205,728.91 specifically. However, as shown in the note at the bottom of the last page of Exhibit B, IPL clearly states in the

April Transmission Report that the "CIPCO transmission credit/true-up amounts have been removed per IUB order page 75." Indeed, line 3 of the last page of Exhibit B shows a zero amount for "CIPCO trans. investment credit/true-up" through March 2011 even though there was a non-zero forecast for the same item for 2011. Obviously, in the April Transmission Report IPL represented to the Board that it had agreed "not to include CIPCO transmission charges in the rider."

By the time July of 2011 rolled around, however, IPL had changed its mind. On July 26, 2011, IPL filed a subsequent transmission report (July Transmission Report). (Pertinent portions of this report are attached as Exhibit C.) In the July Transmission Report (see Exhibit C, pages 6-7), IPL stated:

Both the estimated 2010 and 2011 transmission expenses included an amount for the CIPCO transmission true-up. In the 2010 estimated expenses, \$205,728 associated with the investment true-up was included with CIPCO Network Integrated Transmission Service (NITS) expenses. For 2011 estimated expenses, the CIPCO Investment True-up is reflected on line 3 of Exhibit 8a. In Docket No. RPU-2011-0001, the Board's January 10, 2011 Order on page refers to IPL's agreement regarding the referenced CIPCO expenses in which the agreement was to not adjust the RTS Rider for changes in the CIPCO investment/true-up. In addition, the Board's order on pages 63-66 specifically discussed the CIPCO true-up costs.

The development of the 2011 RTS Rider rate included \$989,119 of estimated annual CIPCO expenses. IPL has not been tracking any of these expenditures through the rider, as a result of the Board's order on page 75. IPL should be, however, tracking an amount, annually, as referenced on page 66 of the Board's order, and pursuant to IPL's 2007 agreement with CIPCO, ITC Midwest and MISO. The correct amount is \$205,728 (based upon the 2009 test year) in annual CIPCO expenses and IPL should not be adjusting the RTS Rider for any actual monthly variances to this amount. (Emphasis added.)

The LEG agrees with the highlighted language from the last sent of this quoted language. However, LEG does not agree that the Board authorized IPL to collect the

\$205,728 through the Rider as IPL is attempting to do with its Reconciliation Filing. IPL should not be tracking and recovering an amount in its transmission rider to reflect the \$205,728 for this transmission true-up in 2009. The Board Order condition was that "IPL agreed, to alleviate some concerns expressed by LEG, not to include CIPCO transmission charges in the rider." Clearly, monthly variances to the \$205,728 are to be excluded from the Rider. Clearly, the \$205,728 is also to be excluded from the Rider. In sum, in its July Transmission Report IPL has attempted to restate its prior statement in the April Transmission Report that the "CIPCO transmission investment credit/true-up amounts have been removed per IUB order, page 75." This refers to all of these costs, and not simply the variances from the 2009 level of these costs.

As shown by the attached Exhibit C, in the July Transmission Report IPL provides several interpretations of the Board Decision on collection of these transmission true-up charges through the Rider. On the page of the attached Exhibit C identified by IPL as "Exhibit 3" IPL states: "The CIPCO transmission investment credit/true-up amounts have been removed per IUB order, page 75." This is at the \$0.00 level for recovery. On the page of the attached Exhibit C identified by IPL as "Exhibit 8b" IPL states: "The CIPCO transmission investment credit/true-up amounts have been fixed at 2010 levels and remain fixed consistent with RTS rate design." This is at the \$205,728 level for recovery of these costs through the Rider. Only the first of these interpretations is consistent with the Board directive that these charges be excluded from the Rider.

Finally, in the Reconciliation Filing IPL clearly requests full recovery of the 2009 CIPCO transmission investment true-up of \$205,728 that it had previously stated was

not to be recovered in the transmission rider and was to be removed in accordance with the Final Decision. (See the attached Exhibit D, pages 4-5). As shown on page 5 of Exhibit D in its Reconciliation Filing IPL states: "IPL's calculations also reflect the recovery of 2010 estimated expenses of \$205,728 (annual amount) associated with the investment true-up included with Central Iowa Power Cooperative (CIPCO) Network Integrated Transmission (NITS) expenses." As shown on page 7 of Exhibit D, in its Reconciliation Filing IPL makes an unequivocal request to recover the CIPCO transmission investment true-up charges through the Rider:

The CIPCO invoices included as part of the monthly transmission expense reports reflect two separate charges, the Network Integration Transmission Service (NITS) charge and the Transmission Investment Credit/True-up charge. The Board's January 10, 2011 Order in Docket No. RPU-2011-0001 on page 138, Finding of Fact 21, approved recovery of CIPCO transmission charges. During the Docket No. RPU-2010-0001 proceeding, the level of recovery associated with the Transmission Investment Credit/True-up Charge was at issue.

The Reconciliation Filing (see Exhibit D at page 8) then goes on to clarify that IPL was compelled to change its mind about its obligations under the Final Decision as a result of errors it made when it filed its base rates in Docket No. RPU-2010-0001:

IPL's final rates compliance filing included all of the test year estimated CIPCO expenses, including the \$205,728 associated with the investment true-up, when IPL developed the amount of transmission expenses to back out of base rates. In addition, IPL has not been tracking any of investment true-up expenditures through the rider as a results of the Board's Order on page 75. However, IPL should be recovering the 2009 test year CIPCO [*sic*] true-up through rates consistent with page 66 of the Board's Order, either through the rider or base rates. To remedy the issue, IPL proposes to recover \$205,728 (based upon the 2009 test year) of annual CIPCO expenses through the rider instead of redesigning all customer class base rates for the inclusion of this amount. IPL will not adjust Rider RTS for any actual monthly variances to this amount. This amount has been reflected in the projected 2012 transmission expenses.

It seems that IPL failed to take into account its obligations under the Final Decision when it designed its final base rates in Docket No. RPU-2010-0001. Those final base rates have been approved by the Board along with the Rider itself. In its Reconciliation Filing, IPL now proposes that it be allowed to include specific CIPCO transmission true-up charges in the Rider even though the Board has explicitly determined and ordered that IPL was "not to include CIPCO transmission charges in the rider." IPL's attempt to recover these transmission investment true-up charges as part of the reconciliation process should be rejected both retroactively and prospectively. To do otherwise would permit IPL to prevail on an improper collateral challenge to a single feature of the Final Decision that it failed to challenge on rehearing or in any other appropriate matter.

Dated December 29, 2011.

Respectfully submitted,

LARGE ENERGY GROUP

By /s/ Philip E. Stoffregen

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