

STATE OF IOWA  
BEFORE THE IOWA UTILITIES BOARD

<b>IN RE:</b>  <b>INTERSTATE POWER AND LIGHT COMPANY</b>	<b>DOCKET NO. RPU-2012-0002</b>
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**SECOND SUPPLEMENTAL DIRECT TESTIMONY OF**  
**JASON P. NIELSEN**

1 **Q. Please state your name and your business address.**

2 A. My name is Jason P. Nielsen and my business address is 200 First Street  
3 SE, Cedar Rapids, Iowa 52401.

4 **Q. Are you the same Jason P. Nielsen who previously filed direct**  
5 **testimony in this proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your second supplemental direct testimony?**

8 A. In Interstate Power and Light Company's (IPL or Company) original May  
9 25, 2012, filing in this docket (May 25<sup>th</sup> filing), IPL's revenue requirement  
10 contained four pro-forma adjustments that were based upon estimates; as  
11 outlined on pages 19 and 20 of my direct testimony. The four adjustments  
12 are listed as follows:

- 13 • Rate case expense;  
14 • Post-test year capital additions;  
15 • Sewer lateral inspection project; and

- 1           • Changes in the accumulated depreciation reserve (AD) and  
2           accumulated deferred income taxes (ADIT).

3           I stated in my direct testimony that IPL intended to update the  
4           record to reflect more recent information for these specific estimates. As I  
5           indicated, the Company planned to submit periodic updates on August 1,  
6           2012 and November 1, 2012. This second supplemental direct testimony  
7           serves to update the record in this proceeding for estimates relied upon in  
8           the original filing for the November 1, 2012 update.

9   **Q. In general, what is the revenue requirement impact of these updates,  
10   compared to the comparable amounts used in the original filing?**

11   A. As I explain in more detail below, three of the four updates would increase  
12   the revenue requirement, while one of the four updates would decrease  
13   the revenue requirement. In total, the four combined would increase the  
14   revenue requirement, compared to IPL's original filing.

15   **Q. Does IPL plan to reflect the current numbers for these four estimates  
16   in its revenue requirement?**

17   A. No. If the Company made updates for the four pro-forma adjustments  
18   listed above, it would result in a higher revenue requirement. The  
19   Company is not updating the adjustments and will instead adhere to the  
20   dollar amounts used in its original May 25<sup>th</sup> filing. A summary of how the  
21   four adjustments compare between the May 25<sup>th</sup> filing, the August 1, 2012  
22   periodic update and this November 1, 2012 periodic update is contained in  
23   Table 1 below:

24

1  
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**Table 1 – Summary of Changes to Adjustment Values  
(in Thousands of Dollars)**

Adjustment	Schedule	Original Filing	August 1 Update	November 1 Update	Difference between Original Filing and November 1 Update
<i>Cost of Service Related Costs</i>					
Rate case expense	B-7	\$107	\$117	\$127	+\$20
Post-test year capital additions	B-13	\$261	\$261	\$270	+\$9
Sewer lateral inspection project	B-17	\$250	\$250	\$200	(\$50)
<i>Rate Base Related Costs</i>					
Post-test year capital additions	D-4	\$12,229	\$12,236	\$12,872	+\$643
Change in AD and ADIT to 9/30/12	D-5	(\$6,578)	(\$6,565)	(\$4,085)	+\$2,493

3 **Q. Please explain why the Company is not updating its revenue**  
4 **requirement related to the Rate Case Expense pro-forma adjustment**  
5 **since the original amount proposed was based on an estimate?**

6 A. Based upon the review of the rate case expenses, the Company has  
7 determined that the year-to-date expenses, related to the IPL  
8 Management Audit costs, have increased since the original filing. If the  
9 Company were to make this update there would be an additional \$77,356  
10 of total rate case expenses. Since this would be an increase to  
11 customers, the Company is adhering to the amount proposed in its original  
12 filing as shown on line 3 of Exhibit\_\_\_\_(JPN-1), Schedule B-7.

1 **Q. Please explain your post-test year capital additions adjustment and**  
2 **why the Company is not updating its revenue requirement for this**  
3 **item.**

4 A. Regarding post-test year capital additions, I have contacted each of the  
5 Company's business units regarding their original estimates for in-service  
6 capital additions as of September 30, 2012. Based upon the review of the  
7 post-test year capital additions updated with actuals through September  
8 30, 2012, the Company has exceeded the original estimate and therefore  
9 would result in an increase to customers. The Company is adhering to the  
10 amount proposed in its original filing as shown on line 3 of  
11 Exhibit\_\_(JPN-1), Schedule D-4.

12 **Q. Please explain why no update to IPL's revenue requirement is**  
13 **needed for the sewer lateral inspection project.**

14 A. Based upon the review of the sewer lateral inspection project, in  
15 conjunction with the other three pro-forma adjustments, the Company  
16 does not expect to change from its originally filed adjustment at this time.  
17 The Company has completed inspections at 2,571 addresses through  
18 September 30, 2012 and has spent approximately \$153,000. IPL has  
19 exceeded the approximately 2,000 inspections for 2012 that had been  
20 proposed by IPL witness Vern A. Gebhart in his direct testimony. IPL has  
21 experienced lower costs to complete each inspection, as the Company  
22 had budgeted for \$125 per inspection but has seen actual year-to-date  
23 costs coming in at approximately \$60 per inspection. IPL now estimates  
24 that its annual expense for sewer lateral inspections will be approximately

1 \$200,000 for 2012. Although the individual estimate filed in this Docket is  
2 higher than actual experience in inspection expense, IPL will not change  
3 the related adjustment on Exhibit\_\_\_\_(JPN-1), Schedule B-17, as the  
4 cumulative revenue requirement increase of the other three estimates are  
5 greater than the revenue requirement reduction for this adjustment.

6 **Q. Please explain why making an update to the AD and ADIT adjustment**  
7 **shown on Exhibit\_\_\_\_(JPN-1), Schedule D-5 would increase the**  
8 **revenue requirement over what IPL developed in its May 25<sup>th</sup> filing.**

9 A. At the time of the original filing, IPL provided an estimate for AD and ADIT  
10 balances as shown on Exhibit\_\_\_\_(JPN-1), Schedule D-5 based on  
11 forecasted information from its corporate financial model. As of the end of  
12 September 2012, the AD is (\$6,189,059), for the Iowa gas portion, as  
13 compared to (\$6,447,256), as originally filed. The revised ADIT balance  
14 estimate is a positive (\$2,103,750), for the Iowa gas portion, as compared  
15 to (\$130,856) as originally filed. Since the net result of this adjustment is  
16 an increase to rate base, updating the adjustment would result in a higher  
17 revenue requirement. Accordingly, the Company will adhere to the  
18 adjustment made in its original filing.

19 **Q. Are there any other items that you want to mention in your second**  
20 **supplemental direct testimony?**

21 A. Yes. Since I filed my initial supplemental direct testimony, IPL has  
22 reached a settlement with all the parties in this case. The scope of this  
23 settlement includes the appropriate level of IPL's revenue requirement.  
24 IPL is filing this testimony to honor its commitment to provide my

1 supplemental direct testimony and to provide the Board with a complete  
2 record while it considers the pending settlement. Consequently, IPL will  
3 not provide a revised final revenue requirement at this time.

4 **Q. Does this conclude your prepared second supplemental direct**  
5 **testimony?**

6 A. Yes.

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AFFIDAVIT OF  
JASON P. NIELSEN

STATE OF IOWA                    )  
  ) ss.  
COUNTY OF LINN                )

I, Jason P. Nielsen, being first duly sworn on oath, depose and state that I am the same Jason P. Nielsen identified in the Second Supplemental Direct Testimony; that I have caused the Second Supplemental Direct Testimony to be prepared and am familiar with the contents thereof; and that the Second Supplemental Direct Testimony, is true and correct to the best of my knowledge and belief as of the date of this Affidavit.

/s/ Jason P. Nielsen  
Jason P. Nielsen

Subscribed and sworn to before me,  
a Notary Public in and for said County  
and State, this 1<sup>st</sup> day of November, 2012.

/s/ Kathleen J. Faine  
Kathleen J. Faine  
Notary Public  
My commission expires on February 20, 2015