

December 14, 2012

IOWA UTILITIES BOARD



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December 14, 2012

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

RE: Interstate Power and Light Company
Docket Nos. TF-2012-0640 (RPU-2010-0001)
Tax Benefit Rider

ERRATA FILING

Dear Secretary Conrad:

Enclosed for filing via EFS are Interstate Power and Light Company's revisions to certain documents included in its Tax Benefit Rider filing initially filed with the Iowa Utilities Board on November 20, 2012.

The specific documents that have been revised are Attachments 2 and 4. Please discard the incorrect documents noted above and replace with the revised documents contained in this Errata Filing. The tariff sheets that IPL filed in Board Docket No. TF-2012-0640 on November 20, 2012, will be unaffected by this revision.

Additional information about these revisions can be found in IPL's Report on Regulatory Liabilities Related to Tax Benefit Rider (Report), as filed today on EFS in Board Docket Nos. RPU-2010-0001, ARU-2010-0001, (TF-2011-0010), (TF-2011-0133), (TF-2012-0640).

Thank you for your attention.

Very Truly Yours,

/s/ Kent M. Ragsdale

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KMR/kjf
Enclosures

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Background Information of Income Tax Benefits

The following narrative provides background on IPL's accounting treatment and explains procedural next steps. None of the information in this attachment requires explicit Board approval at this time. It is provided as context only.

The expected income tax benefits being used to provide billing credits to customers relate to three separate tax projects initiated by IPL in 2008. These tax projects include deduction of repair expenditures, allocation of mixed service costs (MSC) and allocation of insurance proceeds from the 2008 flood. IPL's initial estimate of the income tax benefits from these three separate tax projects ranged from \$256 million to \$295 million, with a midpoint of approximately \$275 million, applicable to the Iowa electric retail jurisdiction in Docket No. RPU-2010-0001.

Due to both the materiality of these expected income tax benefits and the uncertainty of whether these benefits would be sustainable under IRS audit, the Board issued an order on April 13, 2010, in Docket No. ARU-2010-0001 which authorized IPL to establish a regulatory liability in which to record the income tax benefits until the IRS audit process was completed. This Order instructed IPL to "calculate its revenue requirement under the previous accounting methods, including its allocation of insurance proceeds from the 2008 flood, until the IRS audit process is completed and shall maintain records for ratemaking purposes as if the accounting changes, including its allocation of insurance proceeds from the 2008 flood, never occurred." Consistent with this order, IPL established a regulatory liability to record the tax benefits from the three projects. Absent this order, IPL's last electric rate case for these three tax projects would have changed customer rates by reducing tax expenses with the estimated current tax benefits and increasing rate base for the adjustment for normalized deferred taxes in Docket No. RPU-2010-0001.

As described elsewhere in this tariff filing, IPL proposed, and the Board approved in Docket No. RPU-2010-0001, an initial three-year refund period to provide credits to customers related to the flow through benefits.

In August 2012, IPL provided an updated estimate for the expected tax benefits from these three separate tax projects in its response to a data request submitted by the Iowa Office of Consumer Advocate (OCA) in IPL's pending retail natural gas rate case docket (Docket No. RPU-2012-0002). This data request response (see Attachment 3) shows how the \$35,770,794 of expected tax benefits applicable to the Iowa gas retail jurisdiction was determined. Attachment 3 also identifies that IPL's proposed accounting for these tax projects requires an adjustment for normalized deferred taxes for its retail electric jurisdiction to ensure its retail customers receive the total net benefits from the three separate tax projects.

In October 2012, IPL completed the IRS audit process for these tax projects. With the completion of such audit process, IPL will be filing a final accounting report on the regulatory liabilities related to proposed tax benefit rider refunds in early December 2012 in accordance with Docket No. ARU-2010-0001. IPL plans to include in its final accounting report expected gross tax benefits from these three tax projects of approximately \$500 million, of which approximately \$450 million would be applicable to

the Iowa electric retail jurisdiction, of which approximately \$125 million has been refunded back to customers through September of 2012.

IPL is proposing that the gross tax benefits are adjusted by the normalized deferred taxes to reflect the application of IPL's current accounting methods and traditional Iowa rate making practices. The normalized deferred tax adjustment for IPL's retail electric jurisdiction is expected to utilize \$24,320,176 of the regulatory liability account established for these income tax benefits through 2013. Attachment 4 shows the detailed development of the normalized deferred tax adjustment through 2013, which is reflected in the billing credit for the 2013 factor, and will be explained in greater detail in the accounting filing IPL expects to make in early December 2012. No action is required at this time by the Board regarding Attachment 4 as IPL has included Attachment 4 simply to demonstrate IPL's proposed accounting for 2013.

In its filing in early December 2012, IPL will request the Board approve these gross tax benefit amounts as the final amounts to be included the regulatory liability account as well as the utilization of a portion of the regulatory liability for the normalized deferred tax adjustment discussed above. In this early December 2012 filing, IPL will also request the application of IPL's current accounting methods and traditional Iowa rate making practices for any subsequent income tax expenses and benefits from these three separate tax projects consistent with ARU-2010-0001. The timing and amount of refunds for the remaining tax benefits that were accumulated in the regulatory liability account are expected to be determined by the Board in future tariff filings that IPL will make.

**Interstate Power and Light Company
Iowa Electric Utility
Calculation of Deferred Tax Adjustment for 2013 Tax Benefit Rider Factor**

	(a)	(b)	(c)	(d)	(e)	(f)
Calculation of the understatement of IPL Iowa ADIT in rate base by calendar year due to normalized deferred taxes*						
Line No.	Resolution Date with IRS	Historic Normalized Benefits of Three Tax Projects to Effectuate the Change in Method of Accounting	2011	2012	2013	
1	10/22/2010	\$10,613,285	\$10,613,285	\$10,613,285	\$10,613,285	
2	09/13/2011	36,518,764	10,905,603	36,518,764	36,518,764	
3	10/09/2012	90,437,801		20,509,119	90,437,801	
4		\$137,569,850	\$21,518,888	\$67,641,168	\$137,569,850	

Calculation of the deferred tax adjustment (based on rate base understatement due to normalized deferred taxes above)

		2011	2012	2013	Total
5	Understatement of IPL Iowa ADIT in rate base	\$137,569,850	\$21,518,888	\$67,641,168	\$137,569,850
6	Average Gross Plant - Iowa Allocator (Excluding Steam)	90.44%	90.44%	90.44%	90.44%
7	Understatement of IPL Iowa Electric ADIT in rate base	\$124,418,173	\$19,461,683	\$61,174,672	\$124,418,173
8	After-Tax Weighted Average Cost of Capital	6.930%	6.930%	6.930%	6.930%
9	Deferred Tax Adjustment (After-Tax)	\$8,622,179	\$1,348,695	\$4,239,405	\$8,622,179
10	Income Tax Gross-Up Factor	1.711	1.711	1.711	1.711
11	Deferred Tax Adjustment (Pre-Tax)	\$14,756,425	\$2,308,223	\$7,255,528	\$14,756,425
					\$24,320,176

**Once a tax project has been resolved with IRS, IPL rate base becomes understated and customers begin receiving double benefit due to normalized deferred taxes. Understatement of rate base is pro-rated in a given calendar year based on timing of IRS resolution.*

Source:

Line 6, column (b): Evidence Tab 12, page 9 (Basis E(3) - Ave Gross Plant - Iowa (GPIA), adjusted to exclude Steam business) from Docket No. RPU-2010-0001
 Line 8, column (b): Schedule B from IUB Order Granting Request For Clarification from Docket No. RPU-2010-0001
 Line 10, column (b): Income Tax Gross-Up Factor Formula = 1 / (1 - Iowa statutory tax rate of 41.57%) = 1 / (0.5843)