
IOWA UTILITIES BOARD
Energy Section

Docket No.: TF-2013-0477
(RPU-2010-0001)

Utility: Interstate Power and Light
Company

File Date/Due Date: 11/21/2013 – 12/21/2013

Effective Date: December 21, 2013

Memo Date: December 13, 2013

TO: The Board

FROM: Jim Kellenberg

SUBJECT: Tax Benefit Rider for 2014

I. Background/Analysis

On January 10, 2011, the Utilities Board (Board) issued a final order in Docket No. RPU-2010-0001 authorizing Interstate Power and Light Company (IPL) to implement a Tax Benefit Rider (TBR) tariff. This tariff provides billing credits to customers from the regulatory liability account established for expected income tax benefits that were authorized by the Board in Docket No. ARU-2010-0001. On November 21, 2013, IPL made a filing that seeks approval from the Board to implement the 2014 TBR tariff effective with the January 2014 billing cycle in order to provide these income tax benefits to electric customers through billing credits.

On December 9, 2013, and December 11, 2013, IPL made Errata filings to correct minor wording and spelling issues.

Since the Board's January 2011 Order, IPL will have credited to customers about \$200 million in the three year period from 2011 through 2013.

IPL is proposing to refund the amount remaining in the regulatory liability account after 2013 over a three year period. This proposed refund plan uses the same accounting methodology approved by the Board for the 2013 TBR credits.

To provide additional background information, on December 14, 2012, IPL filed a Report on the Regulatory Liabilities Related to the Tax Benefit Rider in Docket Nos. RPU-2010-0001 and ARU-2010-0001 (TBR Final Report). The Board issued an order on February 19, 2013 (February 2013 Order), accepting the TBR Final Report on the TBR regulatory liability account. As shown on page 3 of the Board's February 2013 Order, IPL expects to have estimated gross benefits of

slightly less than \$226 million remaining after the 2013 TBR refund. The TBR Final Report indicated that total funds available for refund are much higher than the earlier estimates. Initial estimates of the total income tax benefits were in the range of \$256 to \$295 million. But as detailed in the TBR Final Report, the actual amount is about \$427 million.

IPL's 2014 TBR credit proposal follows the methodology used to calculate the 2013 TBR credits. Specifically, the amount IPL is proposing for the 2014 TBR credit, \$70,000,000, is calculated by offsetting gross tax benefits of \$84,756,425 by a normalized deferred tax adjustment of \$14,756,425. IPL furnished an Attachment 1 to show the calculation of this adjustment.

The current 2013 factor is effective through the end of the December billing cycle. IPL's Attachment 2 computes a factor for 2014 of (\$0.00477) using 2014 estimated kWh sales. The refund will continue as a credit to IPL's Energy Adjustment Clause (EAC) for bills rendered in the January 2014 through December 2014 revenue months.

With the TBR refund amount being substantially higher than the original estimate, IPL is planning to amortize the remaining amount through 2016 as shown in the table below.

Proposed Three-Year TBR Refund Plan (2014 – 2016)
(\$ in millions)

Year	Gross Tax Benefits	Normalized Deferred Tax Adjustment	TBR Credits
2014	\$84.8	\$14.8	\$70.0
2015	\$74.8	\$14.8	\$60.0
2016	\$64.8	\$14.8	\$50.0
Total	\$224.4	\$44.4	\$180.0

Note: Gross Tax Benefits = Normalized Deferred Tax Adjustment + TBR Credits

Once the tax projects that form the basis for the TBR sustained IRS audit, customers started receiving double benefits (rate base reduction lowering base rates and receipt of cash through the TBR as EAC credits). The normalized deferred tax adjustment shown in the table eliminates the double counting and, according to IPL, will last until base rates are reestablished in a future proceeding.

The three-year plan helps to smooth out year to year fluctuations in customer bills. However, IPL is only requesting that the Board approve the 2014 TBR credit at this time. The plan for 2015 and 2016 is preliminary. Formal requests

for 2015 and 2016 TBR credits will come at a later time taking into account the results of all rate proceedings over this time period.

Staff has completed its review of TF-2013-0477 (RPU-2010-0001) and recommends approval effective December 21, 2013. No objections were filed.

II. Recommendation

Approve Docket No. TF-2013-0477 (RPU-2010-0001), by letter signed by the Energy Section Manager, with an effective date of December 21, 2013, subject to complaint or investigation.

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