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February 7, 2014

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

**FILED WITH  
Executive Secretary  
February 07, 2014  
IOWA UTILITIES BOARD**

RE: Interstate Power and Light Company  
Docket No. RPU-2014-0001  
Reply to Resistance to the Motion for Approval of Corporate Undertaking

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Reply to Resistance to the Motion for Approval of Corporate Undertaking in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ Kent M. Ragsdale  
Kent M. Ragsdale  
Managing Attorney – Regulatory

KMR/kjf  
Enclosure

STATE OF IOWA  
BEFORE THE IOWA UTILITIES BOARD

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IN RE:

INTERSTATE POWER AND LIGHT  
COMPANY

DOCKET NO. RPU-2014-0001

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REPLY TO RESISTANCE TO THE MOTION FOR APPROVAL  
OF CORPORATE UNDERTAKING

**COMES NOW**, Interstate Power and Light Company (IPL or “Company”) and for its Reply to the Resistance of the Large Energy Group to the Motion for Approval of Corporate Undertaking (Resistance) filed with the Iowa Utilities Board (Board) on January 27, 2014, in the above-referenced docket, states as follows:

**I. SUMMARY OF IPL’S POSITION**

1. IPL’s Corporate Undertaking, filed with the Board on January 13, 2014, is solely designed to protect customers, including the Large Energy Group’s (LEG) members, from potential double recovery. The Corporate Undertaking is wholly consistent with the Board’s January 31, 2013 Order in Docket Nos. SPU-2005-0015 and TF-2012-0577, as discussed in more detail below.<sup>1</sup>

2. By contrast, Large Energy Group’s (LEG) position directly conflicts with the Board’s prior decisions in this matter. Contrary to LEG’s assertions, there is no further notice required under the Board’s rules or Iowa statutes. LEG’s Resistance is nothing more than a thinly veiled attempt to re-litigate matters that were previously

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<sup>1</sup> The Board’s proceedings in Docket Nos. SPU-2005-0015 and TF-2012-0577 will be referred to as the “New DAEC Docket.”

decided by the Board in its January 31, 2013 Order, in the New DAEC Docket (January 31 Order), relating to the new Duane Arnold Energy Center (DAEC) power purchase agreement (New DAEC PPA). For the reasons set forth below, and in IPL's Motion for Approval of Corporate Undertaking, the Board should issue an order approving the Corporate Undertaking submitted by IPL on January 13, 2014.

## **II. INTRODUCTION**

3. On January 13, 2014, IPL filed with the Board a Corporate Undertaking, along with its Motion for Approval of Corporate Undertaking. As that filing stated, the genesis of the January 13, 2014, Corporate Undertaking was the January 31 Order. The New DAEC Docket related to an Amendment filed by IPL and NextEra Energy Duane Arnold, LLC (NextEra) to a proposal for reorganization initiated on July 29, 2005, when IPL and FPL Energy Duane Arnold, LLC (FPLE Duane Arnold; also referred to as "NextEra"), filed a joint application for reorganization pursuant to Iowa Code §§ 476.76 and 476.77 and 199 IAC 32 to allow IPL to sell its interest in the DAEC to NextEra.

4. The January 31 Order accepted IPL's and NextEra's Amendment in Docket No. SPU-2005-0015. IPL's January 13, 2014, Corporate Undertaking was expressly responsive to order point 3 of the January 31 Order, which directed IPL, in the event it filed a general rate case proceeding in the first quarter of 2014, "to file a refund obligation, as it committed to in this proceeding, on or before January 13, 2014, with an effective date for the refund obligation of February 22, 2014." As noted in its January 13, 2014, filing, IPL's Corporate Undertaking was modeled on IPL Exhibit 1 from the December 17, 2012, hearing in the New DAEC Docket.

5. IPL is working with the parties from the New DAEC Docket to resolve certain issues raised in that case, and will continue to do so even after the New DAEC PPA's February 22, 2014, effective date. These issues relate to the potential for over-recovery of DAEC capacity costs and the potential cost allocation and rate design changes when DAEC capacity costs are billed to IPL in the form of energy charges. Despite diligent efforts by all, IPL and the parties from the New DAEC Docket have so far been unable to satisfactorily resolve these issues.

6. Consequently, on March 28, 2014, pursuant to Iowa Code § 474.6, if IPL has not reached an agreement with the parties to resolve the outstanding issues, IPL will be filing with the Board a request for a general rate case proceeding regarding its electric rates. In order to fulfill its 2014 rate case commitments from the New DAEC Docket, and comply with the January 31 Order, IPL filed its Corporate Undertaking on January 13, 2014.<sup>2</sup> The purpose of this Corporate Undertaking is to protect customers from IPL over collecting costs authorized by the Board. Under normal circumstances, the filing of a rate case would commence the start of the refund obligation for that case. However, IPL acknowledges that the needed refund date should coincide with the start of the New DAEC PPA, or February 22, 2014. IPL made such a commitment in the New DAEC Docket, and the Board confirmed such a commitment in its January 31 Order

7. LEG filed its Resistance on January 27, 2014, which included the following arguments:

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<sup>2</sup> These commitments were acknowledged in the January 31 Order (page 20).

- IPL's Corporate Undertaking is deficient because it does not commit IPL to refund any increase in costs be recovered through the Energy Adjustment Clause (EAC) beginning on February 22, 2014 (LEG Resistance at p. 2);
- IPL's Corporate Undertaking is inconsistent with IPL's commitments in New DAEC Docket (Id.);
- IPL's Corporate Undertaking binds IPL only to refund the amount by which IPL's revenues collected during the 2014 rate case exceed the revenues that would have been collected during that same period pursuant to the Board's final decision at the conclusion of that rate case (Id. at p. 4);
- Continuance of IPL's current base electric Iowa retail rates beyond February 22, 2014, results in an interim (temporary) rate increase due to increases in costs recovered through the energy adjustment clause (EAC) that will occur without a corresponding reduction in costs recovered in base rates on that date (Id.);
- IPL should be required to provide prior written notice to affected customers of the increase in costs to be recovered through the EAC beginning on February 22, 2014, without a corresponding reduction in costs recovered in base rates (Id.); and
- IPL is actually proposing interim (temporary) rates in the form of double-recovery of the DAEC capacity component costs, which is a rate increase that should be subject to refund and requires prior written notice to affected customers (Id. at p. 5).

These arguments fall into three general categories: (i) EAC recovery of costs from the New DAEC PPA, beginning on February 22, 2014, represents a double-recovery of the DAEC capacity component costs; (ii) IPL's Corporate Undertaking is not consistent with IPL's commitments in the New DAEC Docket; and (iii) IPL is required to provide notice to customers.

8. Before responding to LEG's arguments, IPL believes it is appropriate to place the January 13, 2014, Corporate Undertaking into proper context.

### **III. PROCEDURAL HISTORY OF THE NEW DAEC DOCKET**

9. As noted earlier, on July 29, 2005, IPL and NextEra filed with the Board a joint application for reorganization pursuant to Iowa Code §§ 476.76 and 476.77 to enable IPL to sell and transfer its ownership interest in DAEC to FPLE Duane Arnold.<sup>3</sup> The July 29, 2005, Joint Application stated that, upon the close of the DAEC Sale, IPL and NextEra/DAEC would also enter into a PPA that would expire on February 21, 2014. This agreement is hereinafter referred to as the "Current DAEC PPA."

10. On November 30, 2005, the Board issued its Order in Docket No. SPU-05-15 (DAEC Sale Order). In the DAEC Sale Order, the Board stated that IPL and NextEra had established that the DAEC Sale would not be contrary to the interests of ratepayers and the public interest. The Board also stated that the other statutory factors were satisfied and, by operation of law, the DAEC Sale would be permitted to take place.

11. On January 26, 2006, the DAEC Sale was consummated. Consequently, IPL's ownership interest in DAEC transferred to NextEra/DAEC. Additionally, other key aspects of the DAEC Sale became effective on that date, foremost being the Current DAEC PPA.

12. On July 31, 2012, IPL and NextEra executed the New DAEC PPA that, upon receipt of regulatory approvals, will become effective upon the expiration of the Current DAEC PPA or February 22, 2014. The New DAEC PPA, as noted below, will allow IPL, and its customers, to continue to receive capacity and energy from the

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<sup>3</sup> Subsequent to the July 29, 2005, Joint Application, FPL Energy Duane Arnold, LLC changed its name to NextEra Energy Duane Arnold, LLC.

DAEC, but at a significantly reduced cost. On August 7, 2012, IPL and NextEra filed with the Board an Amendment in Board Docket No. SPU-05-15.<sup>4</sup> As a result of the New DAEC PPA, IPL also made an accompanying tariff filing, identified as Docket No. TF-2012-0577, which reflects changes to IPL's EAC tariff. The proposed changes to the EAC tariff would also be effective on February 22, 2014.

#### **IV. EXECUTIVE SUMMARY OF THE 2012 AMENDMENT**

13. The New DAEC PPA results in significant benefits to IPL's customers. Under the New DAEC PPA, the prices for power from DAEC are significantly lower than the Current DAEC PPA (January 31 Order, p. 34), and are competitive with other available power supply options received in response to IPL's January 30, 2012, Request for Proposals (RFP). (Tr. 35-36.)<sup>5</sup>

14. In addition to the Amendment, IPL also made a concurrent tariff filing. The tariff filing proposed a revision to IPL's EAC providing for the explicit recovery of the costs associated with the New DAEC PPA. (Tr. 215-216.) The Amendment updated the record in Docket No. SPU-2005-0015 and provided the context for the New DAEC PPA; while the tariff filing contains the price/recovery terms for which IPL also sought approval. The New DAEC PPA commits IPL to significant payments to NextEra/DAEC over the life of the agreement. This is a significant financial commitment for IPL and its customers. IPL needed acceptance or approval of both filings in order to proceed with the New DAEC PPA and its related financial obligations. (Tr. 15-16, 24.)

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<sup>4</sup> Because all filings made in this docket on and after August 7, 2012, must be filed electronically, the Board's electronic filing conventions require that the docket now be designated as Docket No. SPU-2005-0015.

<sup>5</sup> Unless specifically noted otherwise, all transcript references are to the December 17, 2012, hearing in the New DAEC Docket.

15. IPL sought these approvals because of the financial impact of the New DAEC PPA. IPL requested that the Board approve IPL's filings in the New DAEC Docket for two simple reasons. First, IPL would not proceed with the New DAEC PPA unless the Board determines that IPL has employed a prudent and diligent process in negotiating the New DAEC PPA and that it is prudent for IPL to enter into this agreement for its customers. Second, Board approval of IPL's related tariff filing provides IPL with certainty that the significant costs under the New DAEC PPA will be recoverable from customers over the course of its term.

16. IPL argued in the New DAEC Docket that the Board's approval of the New DAEC PPA would benefit customers because this fixed price, low-cost and long-term source of capacity and energy will be available to meet their needs. Further, IPL urged that Board approval, of IPL's filing in Docket No. TF-2012-0577, ensures the New DAEC PPA will not harm IPL's ability to finance needed upgrades to its generation fleet or other infrastructure improvements to continue to provide reliable electric service to its customers. (Tr. 24-25.) IPL also pointed out that, since IPL's shareholders earn no return on the New DAEC PPA, certainty of the recovery of the NextEra/DAEC payments would assure the investment community that the New DAEC PPA will not harm IPL's financial health today or in the future.

17. IPL recognized that there were ratemaking issues to be addressed when all costs of the New DAEC PPA are recovered through the EAC. IPL presented a solid ratemaking plan to address all of these issues, and the IPL plan was the most compelling solution considering the options readily available. Only the IPL ratemaking plan unequivocally did the following eight critical things:

- Allowed IPL to move forward with the best power supply for customers;
- Did not disadvantage IPL by creating cost recovery risks;
- Removed any argument that costs will be collected twice;
- Reserved all rate design and allocation questions for the Board in the context of a rate case;
- Provided customers temporary relief from increased energy charges by applying Tax Benefit Rider (TBR) credits in 2014 to offset increased energy charges.
- Gave the parties due process before a final decision is made;
- Allowed IPL to use a traditional calendar year test period for the (2014) rate case; and
- Maintained any potential (base rate freeze) options to avoid future rate cases.<sup>6</sup>

As the January 31 Order makes clear, IPL's plan was essentially adopted by the Board.

## **V. SUPPORT FOR THE AMENDMENT**

18. As noted earlier, the Current DAEC PPA expires on February 21, 2014. In the DAEC Sale Order the Board noted:

Applicants have entered into a Purchase Power Agreement (PPA) that begins when the sales transaction closes and terminates in 2014. IPL has a right of first negotiation to extend the PPA beyond 2014, but as of the hearing this was an oral commitment only. The terms and conditions of this right have not been reduced to writing and no monetary consideration for this right was paid by IPL.

(DAEC Sale Order, p. 6.)

In response to concerns raised by the OCA and ICC at the initial hearing, in November 2005, the Board expressly noted its assumption that IPL would be in a favorable position to maintain a relationship with DAEC post-2014:

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<sup>6</sup> IPL President Thomas L. Aller explained IPL's desire to have continued rate stability. (Tr. 298-299.)

Consumer Advocate and the ICC both argued the PPA should allow IPL the opportunity to enter into negotiations to renew and extend the terms of the PPA following the 2014 expiration date. IPL presented testimony that it has a natural competitive advantage in any negotiation for post-2014 DAEC power. (Tr. 87.) In addition, a right of first negotiation was recently offered, although its terms have not been reduced to writing. (Tr. 1149.) The Board believes IPL will have every opportunity to extend the contract, if it is in the company's, and its ratepayers', best interests.

(DAEC Sale Order, p. 32.)

The Board's specific anticipation of a negotiation that would extend the IPL-NextEra/DAEC relationship with regard to DAEC beyond 2014 and its concern for the "ratepayers' best interests" made it particularly relevant for the Joint Applicants to bring the Amendment to the Board.

19. IPL and NextEra executed a New DAEC PPA that, upon receipt of regulatory approvals, will become effective upon the expiration of the Current DAEC PPA or February 22, 2014. IPL's decision to enter into the New DAEC PPA, which will run until December 31, 2025, and the underlying analysis to support that decision, were the result of a formal RFP process that sought, and received, a wide range of competitive proposals for power supply.<sup>7</sup> (Tr. 14, 26.)

20. IPL argued in the New DAEC Docket that the New DAEC PPA is in the best interests of its customers. However, the New DAEC PPA places a material financial commitment, for over 11 years, on IPL and its customers. Though the annual costs are less than the Current DAEC PPA; this commitment has significant financial and service implications for IPL and its customers. (Tr. 14-15.)

21. As such, and given that this is the natural result of the Board's earlier consideration of the DAEC sale and related PPA, IPL believed all parties were well-

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<sup>7</sup> IPL received responses from 10 different bidders that submitted 27 alternative proposals.

served to have the Board review, within the context of Docket No. SPU-05-15, the process IPL employed, that led to the execution of the New DAEC PPA. While the New DAEC PPA is presented within the context of the Amendment to the initial Application in Docket No. SPU-05-15, IPL's filing in Docket No. TF-2012-0577 provided the mechanism assuring IPL will receive rate recovery for its costs under the New DAEC PPA.

22. The New DAEC PPA, when considering all available information, was the prudent course for IPL and its customers. Without the Board's expressed recognition that the New DAEC PPA is prudent, along with Board approval of IPL's revised Rider EAC tariff, IPL would not be able to proceed with the agreement and would exercise its rights to terminate the agreement because of failure to receive satisfactory regulatory treatment. (Tr. 24.) However, the January 31 Order provided IPL the certainty it required for cost recovery, through IPL's EAC, of its costs under the New DAEC PPA, while still maintaining needed protections for customers.

## **VI. ARGUMENT**

23. As will be discussed below, LEG's Resistance, for the most part, is simply a feeble attempt to re-litigate matters initially raised, and decided, in the DAEC docket.

### **A. EAC Recovery of Costs From the New DAEC PPA, Beginning on February 22, 2014, Does Not Represent a Double-Recovery of the DAEC Capacity Component Costs**

24. As noted in the January 31 Order, it is undisputed that total annual costs paid by IPL under the new DAEC PPA would be significantly less than IPL is paying under the Current DAEC PPA. (January 31 Order, p. 19). However, the January 31 Order noted that even though total annual costs will be less, there are two ratepayer

impact issues relating to IPL's EAC tariff proposal, wherein all costs associated with the new DAEC PPA would be recovered through the EAC.

The two ratepayer impact issues are: 1) the potential double recovery of capacity costs; and 2) the potential shifting of some DAEC capacity costs to Large General Service and Bulk Power customers.

(Id.).

Consequently, it was clear to the Board, and all parties in the New DAEC Docket, that IPL's base rates would continue to be based on calculations that include the DAEC capacity payments under the existing PPA. For instance, the January 31 Order stated:

Other parties expressed concern that IPL would potentially double recover all or a portion of the DAEC capacity costs for some period of time following February 22, 2014.

(Id. at p. 20).

25. As the January 31 Order makes clear, IPL acknowledged the concerns about the potential for over-recovery of DAEC capacity costs currently recovered in base tariff rates when the new DAEC PPA and EAC tariff changes take effect on February 22, 2014, and the potential cost allocation and rate design changes when DAEC capacity costs are billed to IPL in the form of energy charges. (Id.). As the January 31 Order noted, IPL proposed a solution:

To address these concerns, IPL first committed to working with the parties to resolve the issues prior to February 22, 2014. If negotiations are unsuccessful, IPL committed to file a general rate case in 2014 to appropriately reflect all costs of providing service in the context of a 2013 test year, which would include the removal of DAEC capacity payments as a pro forma expense adjustment, and reflecting all other changes in costs that have occurred since IPL's last electric rate case in Docket No. RPU-2010-0001. In conjunction with this, IPL stated it would file a corporate undertaking that makes the rate case refund obligation effective with the start date of the new DAEC PPA and EAC tariff changes (February 22, 2014). (Tr. 242-49; Exh. 1).

(Id.).

26. As the January 31 Order noted, IPL's proposed 2014 rate case and corporate undertaking, with a rate case refund obligation effective February 22, 2014 (coincident with the New DAEC PPA and EAC tariff changes), was specifically designed to address the double-recovery issue raised by the other parties.

IPL explained that this is because the rate case would be determining base tariff rates effective February 22, 2014, even if this determination is made at the end of the rate case. IPL said that the final base tariff rates would reflect removal of capacity costs associated with the current DAEC PPA and all other changes in costs since IPL's last rate case. IPL noted that if the base tariff rates in effect during the rate case end up being higher than the final rates, IPL would refund the difference to customers; this refund obligation eliminates the issue of double recovery. IPL concluded that its proposal for a 2014 rate case with a refund obligation effective February 22, 2014, along with the potential use of additional TBR credits, eliminates both risks of double recovery and under-recovery of new DAEC PPA costs. In addition, IPL committed to leaving temporary rates at the same level as IPL's current base rates.

(Id. at pp. 23-24).

27. In ultimately adopting IPL's solution to the double-recovery argument, with some modification, the Board noted that IPL committed to working with the parties to resolve this issue before the EAC tariff changes go into effect. However, the Board noted that there is no guarantee that negotiations will be successful. The Board recognized that if the parties are unable to reach an agreement, IPL committed to removing Current DAEC PPA capacity costs from base tariff rates in a general rate case in 2014, with a refund obligation that begins the same day as EAC cost recovery for the New DAEC PPA charges -- February 22, 2014. In particular, the Board noted "IPL would implement no temporary rate increases. (Tr. 243-46; Ex. 1)." (Id. at p. 29).

28. As noted above, the Board made some revisions to IPL's proposal. "What

is missing from IPL's proposal, however, is a backstop plan that would assure that there would be no double recovery if the rate case and refund obligation proposed by IPL is delayed or postponed." (Id.). The Board believed this concern could be avoided by conditioning IPL's proposed tariff language on IPL's fulfillment of its commitment to file a rate case in 2014 with a refund obligation effective February 22, 2014:

While there is some question as to whether the Board in a rate case filing can begin the refund period prior to the implementation of temporary rates (See, Iowa Code § 476.6(10)"a" and "b"), the Board in this reorganization proceeding is relying on IPL's rate case commitment, including the start date of the refund period, as a critical element on which the Board is basing its decision. In these circumstances, the Board believes it has the authority to order refunds from the date of IPL's commitment, February 22, 2014. In the event IPL's rate case and refund obligation effective date are somehow postponed or otherwise delayed, the conditional language the Board will require for inclusion in the tariff will prevent double recovery of DAEC PPA capacity costs by requiring IPL to exclude them from EAC recovery. Afterward, double removal of these capacity costs may be avoided by allowing IPL to discontinue the exclusions effective with the refund obligation period associated with IPL's next general rate case. This conditional language should take the form of footnotes attached to IPL's two proposed sets of EAC tariff language.

(Id. at pp. 30-31).

29. As this Board discussion makes clear, the issues raised by LEG's Resistance regarding whether EAC recovery of costs from the New DAEC PPA, beginning on February 22, 2014, represents a double-recovery of the DAEC capacity component costs was thoroughly addressed during the New DAEC Docket. Further, the double-recovery issues were thoroughly considered by the January 31 Order. The Board ultimately adopted IPL's solution to these issues:

- IPL committed to file a general rate case in 2014;

- IPL stated it would file a corporate undertaking that makes the rate case refund obligation effective with the start date of the new DAEC PPA and EAC tariff changes (February 22, 2014);
- IPL would implement no temporary rate increases; and.
- IPL would provide temporary relief from increased energy charges by applying Tax Benefit Rider (TBR) credits in 2014 to offset increased energy charges.

LEG's Resistance has raised no new issues regarding the double-recovery issues related to the New DAEC PPA that requires the Board to reject IPL's January 13, 2014, Corporate Undertaking.

**B. IPL's Corporate Undertaking is Consistent with IPL's Commitments in the New DAEC Docket**

30. As described earlier, the January 31 Order accepted IPL's and NextEra's Amendment in Docket No. SPU-2005-0015. IPL's January 13, 2014, Corporate Undertaking was expressly responsive to order point 3 of the January 31 Order, which directed IPL, in the event it filed a general rate case proceeding in the first quarter of 2014, "to file a refund obligation, as it committed to in this proceeding, on or before January 13, 2014, with an effective date for the refund obligation of February 22, 2014." IPL's Corporate Undertaking was modeled on IPL Exhibit 1 from the December 17, 2012, hearing in the New DAEC Docket.

31. Other than the simple claim that the corporate undertaking is inconsistent (as outlined in paragraph eight of the LEG Resistance), LEG offers no analysis to support the claim that IPL's Corporate Undertaking January 13, 2014 is inconsistent with IPL's commitments from the New DAEC Docket.

32. LEG's Resistance suggests that the impact of New DAEC PPA on IPL's EAC is inconsistent with IPL's commitments in the New DAEC Docket. However, the January 31

Order<sup>8</sup> expressly acknowledged that IPL's commitments in the New DAEC Docket, regarding a 2014 rate case, did not include a commitment to file for interim rates under either Iowa Code § 476.6(10)(a) or Iowa Code § 476.6(10)(b). Rather, the Board acknowledged that IPL will be requesting that its current base electric Iowa retail rates remain in effect until the Board issues a final order establishing IPL's final base rates for its Iowa electric retail customers. "In addition, IPL committed to leaving temporary rates at the same level as IPL's current base rates." (January 31 Order, p. 24).

33. IPL was somewhat surprised to receive notice of LEG's Resistance to IPL's Corporate Undertaking. As IPL's January 13, 2014, filing notes, IPL provided a draft corporate undertaking (IPL Ex. 1) in the context of the New DAEC Docket December 17, 2012 hearing. Since the Board's final order in the New DAEC Docket made changes to IPL's initial EAC tariff filing, as discussed above, IPL determined that it needed to make changes to its draft corporate undertaking provided at the New DAEC Docket hearing. In order to minimize disputes among IPL and other parties, on two occasions prior to filing with the Board on January 13, 2014, IPL provided drafts of its revisions to the draft corporate undertaking, contained in IPL Exhibit 1, to all counsel from the New DAEC Docket. IPL invited these parties to opine on IPL's Corporate Undertaking; however, no comments were received. Consequently, IPL was surprised that LEG has now raised issues with IPL's Corporate Undertaking.

34. As noted in the January 31 Order, concurrent with the Amendment to the reorganization in Docket No. SPU-2005-0015, IPL proposed to amend its EAC in Docket No. TF-2012-0577 to explicitly allow full EAC recovery of all power purchase costs associated with the New DAEC PPA, beginning on February 22, 2014, the day the

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<sup>8</sup> See pages 24 and 29 of the January 31 Order.

New DAEC PPA begins. IPL made this proposal because, upon operation of the New DAEC PPA, all DAEC costs will be billed to IPL on an energy only basis, reflecting a sizable shift in costs from capacity charges to energy charges in the new DAEC PPA. IPL asked that the Board approve the EAC tariff changes at the same time it approves the new DAEC PPA, to provide IPL customers and investors regulatory certainty regarding cost recovery and ratemaking treatment for the new DAEC PPA. (January 31 Order, pp. 19-20).

35. The Board noted that the footnotes to the EAC, described above, do not condition IPL's full recovery on the outcome of a future proceeding but merely provide a means to enforce IPL's commitments made in the New DAEC Docket, preserving IPL's preferred approach while also providing an additional backstop for customer protection. (Id. at pp. 32-33).

36. Of particular note is the Board's discussion of potential resolutions of the double-recovery issues and the Board's expectations if those discussions do not bear fruit by February 22, 2014:

The Board wants to make it clear that it is not requiring IPL to file a rate case in 2014 and in fact hopes IPL is able to delay its filing for some period of time so that its rate case moratorium can continue. However, in the event negotiations with the parties are unsuccessful, IPL indicated that it plans to make a rate filing in 2014, and the Board needs to protect ratepayers from the double-recovery potential whether IPL files a rate case or not. Therefore, in the event IPL plans to file a rate case in the first quarter of 2014, IPL will need to file its corporate undertaking to secure its refund obligation, with an effective date of February 22, 2014, on or before January 13, 2014. If IPL files its rate case later in 2014 or in a subsequent year, IPL's EAC cost recovery will be reduced each month by the amount identified in the footnotes (\$11.995 million). This exclusion would continue until the effective date of the refund obligation and temporary rates in IPL's next rate case.

(Id. at pp. 33-34).

37. IPL's January 13, 2014, Corporate Undertaking is fully compliant with the Board's expectations, as outlined in the January 31 Order, and, consequently, is entirely consistent with its commitments from the New DAEC Docket.

**C. IPL is Not Required to Provide Notice to Customers**

38. LEG's Resistance claims that, pursuant to Iowa Code § 476.6(2), IPL is required to provide notice to customers. IPL fails to see why the LEG members would require a written notice under Iowa Code § 476.6(2). The filing of their Resistance clearly indicates that they are aware of the impacts of the New DAEC PPA and are participating in Docket No. RPU-2014-0001 to protect their unique interests. In any event, customers will receive the appropriate written notice if IPL files a 2014 rate case.

39. Since IPL's base rates will not change on February 22, 2014, IPL believes that LEG's customer notice issue relates to cost changes in IPL's EAC related to the New DAEC PPA. LEG's Resistance, regarding this issue, conveniently ignores Board rule 199 IAC 25.1 related to customer notification procedures.<sup>9</sup> In particular, subsection "d"(5) of that rule provides:

Fuel adjustment clause. Nothing in this subsection shall be taken to prohibit a public utility from establishing a sliding scale of rates and charges or from making provision for the automatic adjustment of rates and charges for public utility service, provided that a schedule showing such sliding scale or automatic adjustment of rates and charges is first filed with the board. Such adjustment factors that result from the sliding scale shall be printed on the customer's bill.

Changes in customer costs through a fuel adjustment clause, like IPL's EAC, are exempted from the Board's customer notification procedures. Obviously, as discussed above, recovery of the New DAEC PPA through IPL's EAC was fully litigated in the New

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<sup>9</sup> The statutory authority for Board rule 199 IAC 25.1 "d"(5) can be found in Iowa Code § 476.6(8).

DAEC Docket, and consequently, the cost impacts of that contract, both positive and negative, can flow through IPL's EAC without a customer notice being filed each month.

**WHEREFORE**, Interstate Power and Light Company respectfully requests the Iowa Utilities Board to deny the Large Energy Group's Resistance and issue an Order approving the Interstate Power and Light Company's Corporate Undertaking as filed on January 13, 2014, in the above-referenced docket.

February 7, 2014

Respectfully submitted,

**INTERSTATE POWER AND LIGHT COMPANY**

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