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FILED WITH
Executive Secretary
March 04, 2014
IOWA UTILITIES BOARD

March 4, 2014

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 No. RN-2014-0001
Reply to the Large Energy Group's Objection to Application for Approval of Non-Standard Notices

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Reply to the Large Energy Group's Objection to Application for Approval of Non-Standard Notices in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ Sheree Strom Carson
Sheree Strom Carson

SSC/kjf
Enclosures

March 04, 2014

IOWA UTILITIES BOARD

**STATE OF IOWA
BEFORE THE IOWA UTILITIES BOARD**

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RN-2014-0001
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**REPLY TO THE LARGE ENERGY GROUP'S OBJECTION TO APPLICATION FOR
APPROVAL OF NON-STANDARD NOTICES**

COMES NOW, Interstate Power and Light Company (IPL) and for its Reply to the Large Energy Group's (LEG) Objection to Application for Approval of Non-Standard Notices (Objection) filed with the Iowa Utilities Board (Board) on February 25, 2014, in the above-referenced docket, states as follows:

1. The LEG Objection is without merit and should be denied by the Board. The LEG Objection reprises arguments made by LEG in its resistance to the IPL corporate undertaking, filed in Docket No. RPU-2014-0001. The Board rejected LEG's arguments in that docket in its Order Approving Corporate Undertaking and Denying Request For Notice, issued February 19, 2014 (February 19 Order). The Board should likewise deny LEG's Objection and approve the non-standard notices submitted by IPL.

**A. An Increase in EAC Charges Does Not Trigger a Requirement For
Customer Notice**

2. In its Objection, LEG argues that the Board should reject IPL's proposed customer notices because they do not provide notice of the rate increase relating to the recovery of Duane Arnold Energy Center (DAEC) power purchase agreement (PPA) charges. However, LEG acknowledges that the cost increase for which it seeks

additional notice will be recovered through the Energy Adjustment Clause (EAC), not in base rates. (LEG Objection ¶¶ 2, 3). The Board's rules regarding customer notice exempt from notice rate changes that flow through the EAC, if the rate change has been filed with the Board.

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. (199 IAC 26.5(1)"d"(5)).

The Board approved the recovery of the DAEC PPA charges through IPL's EAC in Docket Nos. SPU-2005-0015 and TF 2012-0577 (DAEC Docket or DAEC Order), 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, as provided in 199 IAC 20.9.

3. The Board addressed the customer notice issue in its February 19 Order. In that order the Board approved IPL's corporate undertaking that IPL had committed to file in the DAEC Docket, and the Board made clear that no customer notice is required for the increase in EAC charges resulting from the DAEC PPA:

[N]o customer notice is required. The increase in EAC charges does not trigger a requirement for customer notice. Iowa Code § 476.6(8) and 199 IAC 20.9. While the Board might have the authority to require a special notice, it did not do so in its January 31, 2013, order approving EAC recovery for the new DAEC PPA and will not do so here. In the event IPL brings a rate case in the first quarter of 2014, the appropriate customer notice will be required at that time. (February 19 Order p. 3).

4. In its Objection, LEG misconstrues the quoted language above and supplements the language of the Board's order with language that is not consistent with

the letter or intent of the order. Specifically, LEG adds the below italicized language to the Board's order: "In the event IPL brings a rate case in the first quarter of 2014, the appropriate customer notice *[of the increase in EAC charges]* will be required at that time." (LEG Objection at ¶ 3.a). But the Board did not state that customer notice of the increase in EAC charges would be required at the time IPL brings a rate case. Rather, the Board said "the *appropriate* customer notice will be required at that time." (February 19 Order p. 3).

5. IPL has filed "the appropriate customer notice" for its March 2014 rate case filing. IPL's proposed notice complies with 199 IAC 26.5(1) and is consistent with the Board's order in the DAEC Docket.

B. IPL Is Not Requesting a Temporary Rate Increase

6. Contrary to LEG's assertions, IPL is not seeking a temporary rate increase as part of its rate case. LEG cobbles together a novel theory that the recovery of DAEC costs through the EAC coupled with the continuation of existing base rate recovery constitutes a temporary rate increase that requires prior written notice to customers. (LEG Objection at ¶3.b). This theory has no basis in Iowa law. LEG's theory fails because the rate increase for which LEG seeks customer notice flows through the EAC. There is no temporary increase in base rates for which notice must be given.

7. In the DAEC Order, the Board expressly acknowledged IPL's commitments regarding a 2014 rate case--which included a commitment that IPL would *not* file for temporary rates. Further, the Board acknowledged that IPL had committed to keep its current base rates in effect until the Board issues a final order in the 2014 rate case establishing IPL's final base rates for its Iowa electric retail customers. (DAEC Order, pp. 24, 29).

8. LEG's concerns regarding potential double recovery of charges for the DAEC PPA have already been fully addressed by the Board in previous orders. In the DAEC Docket, the Board accepted the commitments made by IPL to file a corporate undertaking with a refund obligation to protect ratepayer interests and address the double recovery issue. (DAEC Order, pp. 30-33, 43). In the February 19 Order the Board approved IPL's corporate undertaking and the refund obligation contained therein.

9. LEG distorts the purpose of IPL's corporate undertaking--which provides a safeguard to customers against double recovery of DAEC charges. LEG argues instead that the refund obligation contained in the corporate undertaking somehow creates a request for temporary rates. That is not the case. IPL has not requested a temporary rate increase in this proceeding, and LEG's theory has no support in the law or the facts.

10. In general, IPL is perplexed by the series of LEG objections. The primary purpose of notice is to alert customers of a pending proposal and to provide those same customers an opportunity to participate in the regulatory process related to those changes, should they so choose. The IPL proposed notice will do that. IPL also does not see how LEG could have been disadvantaged by some perceived lack of notice. LEG fully participated in the DAEC docket; LEG had multiple opportunities to comment on the proposed corporate undertaking before it was filed; LEG has been actively involved in settlement discussions related to the pending rate case; the LEG membership has participated in multiple webinars hosted by IPL that provide full transparency to the fact that the EAC will increase due to the inclusion of the DAEC

charges. In other words, LEG should be fully aware of the DAEC-related impacts on the EAC with respect to decisions already made by the Board, as well as the pending rate case that may be required. IPL has followed the rules, complied with the DAEC Order, and been transparent in its interactions with parties. As such, LEG has been given notice and can participate fully in the upcoming rate case, just as it participated fully in the DAEC Docket.

11. In summary, there is no increase in base rates associated with the DAEC PPA and therefore no requirement for customer notice with respect to charges for the PPA. The increase in EAC charges associated with the DAEC PPA has been fully litigated and approved by the Board. Further, IPL is not requesting a temporary increase in base rates requiring customer notice. The non-standard notices submitted by IPL comply with the Board's rules regarding customer notice, and LEG's Objection and proposed changes to the customer notice should be denied.

WHEREFORE, Interstate Power and Light Company respectfully requests the Iowa Utilities Board deny the Large Energy Group's Objection and issue an Order approving Interstate Power and Light Company's Application for Approval of Non-Standard Notices filed February 14, 2014, in the above-referenced docket.

Dated this 4th day of March, 2014.

Respectfully submitted,

INTERSTATE POWER AND LIGHT
COMPANY

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