



The PSE Building
10885 N.E. Fourth Street, Suite 700
Bellevue, WA 98004-5579
PHONE: 425-635-1400
FAX: 425-635-2400
www.perkinscoie.com

Sheree S. Carson
PHONE: (425) 635-1422
FAX: (425) 635-2422
EMAIL: SCarson@perkinscoie.com

March 25, 2014

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

**FILED WITH
Executive Secretary
March 25, 2014
IOWA UTILITIES BOARD**

RE: Interstate Power and Light Company
Docket Nos. RPU-2014-0001 (TF-2014-0033) (SPU-2005-0015)
Settlement Agreement and Joint Motion for Approval of Agreement

Dear Secretary Conrad:

Enclosed please find the Settlement Agreement and Joint Motion for Approval of Agreement executed by Interstate Power and Light Company, the Office of Consumer Advocate, the Iowa Consumers Coalition and the Large Energy Group, as filed today on EFS in the above-referenced docket.

Very truly yours,

/s/ Sheree Strom Carson
Sheree Strom Carson

SSC/kjf
Enclosures

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

IN RE:

**INTERSTATE POWER AND LIGHT
COMPANY**

**DOCKET NOS. RPU-2014-0001
(TF-2014-0033)
(SPU-2005-0015)**

**SETTLEMENT AGREEMENT
AND
JOINT MOTION FOR APPROVAL OF AGREEMENT**

On this 24th day of March, 2014, Interstate Power and Light Company (IPL or Company), the Office of Consumer Advocate, a division of the Iowa Department of Justice (OCA), the Iowa Consumers Coalition (ICC) and the Large Energy Group (LEG) hereby agree to the terms and conditions of this Settlement Agreement (Settlement Agreement or Agreement). The Company, OCA, ICC and LEG are each a "Party" and collectively referred to as "Parties."

ARTICLE I

Introduction

This Settlement Agreement resolves issues raised in the above-captioned dockets regarding IPL's recovery of costs for a revised power purchase agreement (PPA) for the output of the Duane Arnold Energy Center (DAEC) at a significantly reduced cost as compared to the prior PPA. In Docket Nos. SPU-2005-0015 and TF-2012-0577, IPL committed to work with the Parties to resolve concerns

regarding potential over-recovery of capacity costs raised in those dockets. As part of this commitment, and prior to the Parties reaching agreement to settle, IPL filed a Corporate Undertaking on January 13, 2014 in Docket No. RPU-2014-0001, which the Iowa Utilities Board (Board) approved on February 19, 2014. This Corporate Undertaking contained a refund obligation that would be triggered if the potential over-recovery issue could not be resolved by the parties and a rate case was filed by IPL in the first quarter of 2014.

In addition to addressing the concerns of potential over-recovery of DAEC PPA costs, the Parties sought agreement on a plan to extend the rate case moratorium ordered by the Board in Docket No. RPU-2010-0001.

The Parties have reached agreement on settlement terms that resolve the issue of potential over-recovery of DAEC PPA costs raised in the above-referenced dockets. The Parties have also reached agreement on terms that allow IPL's electric base rate case moratorium to continue through 2016, subject to certain exceptions described in this Settlement Agreement. Given this Settlement Agreement, the Parties have agreed that it is not necessary for IPL to file a rate case in the first quarter of 2014. The Parties are filing this Settlement Agreement with the Board pursuant to Iowa Code § 17A.12(5) (2014) and 199 IAC § 7.18 (2014).

ARTICLE II

Purpose

This Agreement has been prepared and executed by the Parties for the sole purpose of resolving all issues and settling on a mutually-acceptable outcome in the above-captioned dockets. The Agreement is applicable to these dockets only, except to the extent necessary to implement this Agreement in relevant future proceedings in accordance with its terms. The Parties hereto understand and agree that the proposals, positions and adjustments made or obtained in this Agreement, whether express or implied, are made or obtained only through the spirit of compromise and are made subject to Article V herein. The Parties have entered into this Agreement in order to avoid the burden, expense, delays, and uncertainties of further litigation with respect to the settled issues. This Agreement has been executed as a compromise settlement of disputed claims, and the execution of the Agreement does not constitute admission or concession on the merits of those claims on the part of any Party. In consideration of the mutual agreement hereinafter set forth, the Parties hereby agree as follows:

ARTICLE III

Joint Motion

The Parties request the Board to either enter an order approving this Settlement Agreement without condition or modification in its entirety or promptly schedule a hearing should the Board determine it needs to further develop the record before ruling on the Settlement Agreement.

ARTICLE IV

Condition Precedent

This Settlement Agreement shall not become effective unless and until the Board enters an order approving this Agreement in its entirety without condition or modification.

ARTICLE V

Privilege and Limitation

This Settlement Agreement shall become binding upon the Parties upon its execution; provided, however, if this Agreement does not become effective in accordance with Articles III and IV above, it shall be null and void. This Settlement Agreement represents a settlement on a mutually-agreeable outcome without resolution of specific issues of law or fact that were raised by the Parties. This Agreement is intended to relate only to the specific matters referred to herein; no Party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein. No Party will be deemed to have approved, accepted, agreed, or consented to any ratemaking principle or treatment, any method of cost-of-service, cost-of-capital, or capital structure determination, or any method of cost allocation underlying the provisions of this Settlement Agreement, or be prejudiced or bound thereby in any other current or future proceeding before the Board. No Party or representative thereof shall directly or indirectly refer to this Agreement or any part of any Order of the Board referring to this Agreement as precedent.

ARTICLE VI

Integrated Agreement

The Parties have negotiated this Settlement Agreement as an integrated document. This Agreement supersedes all prior oral and written agreements on issues addressed herein. Accordingly, the Parties request that the Board accept this Agreement in its entirety.

ARTICLE VII

Electric Base Rate Case Moratorium

For settlement purposes, the Parties agree to an electric base rate case moratorium through December 31, 2016. No Party shall seek or support an electric base rate increase or decrease prior to January 1, 2017, except as set forth below. The Company will not file for an electric base rate increase during this time period, except in the event of a force majeure situation as provided for in the Board's Final Decision and Order in Docket No. RPU-2010-0001 (p. 77). Absent a force majeure situation, IPL's first opportunity to file an electric base rate case would be 2017, with a 2016 test year. OCA, ICC, and LEG agree not to file a show cause proceeding or other filing to seek a decrease in base rates before January 1, 2017, unless the Company's Iowa electric jurisdictional ROE exceeds 11 percent (calculated in accordance with the revenue sharing methodology agreed to by MidAmerican Energy Company in Docket No. RPU-2013-0004, or in such other manner as agreed to by the Parties). If the Company's Iowa electric jurisdictional ROE exceeds 11%, OCA, ICC, and/or LEG would have the opportunity, but not the obligation, to file a show cause proceeding to seek a

decrease in base rates. The Company will file with the Board annual calculations of its Iowa electric jurisdictional ROE for the preceding calendar year on or before March 31st of each year. The Company is not prohibited from filing revenue neutral rate design changes during the base rate case moratorium so long as any such changes are revenue neutral by customer class. With this Agreement for a base rate case moratorium, the Parties agree, and ask the Board to order, that the non-standard customer notice that the Board approved with modifications in Docket No. RN-2014-0001 is no longer required, and no other customer notice of this Settlement Agreement is required. The Parties also agree to, and ask the Board to order, cancellation of the customer comment hearings set for June 2014 in Docket No. RN-2014-0001.

ARTICLE VIII

Continuation of Riders

The Parties agree that the Company's energy adjustment clause (EAC) and regional transmission service (RTS) cost recovery riders will continue. OCA, ICC and LEG reserve the right to oppose these riders in any future rate filing.

ARTICLE IX

Customer Credits

For settlement purposes, the Parties agree that the Company will provide annual, calendar year, rate credits to electric customers in the following amounts: credits of \$70 million in calendar year 2014; credits of \$25 million in calendar year 2015; and credits of \$10 million in calendar year 2016. In 2014, the credits will be

provided over the eight-month period from May through December. In 2015 and 2016, the credits will be provided over a 12-month period.

The credits will be allocated as follows: for each year, 2014-2016, existing customers who are currently receiving standby service under the Standby and Supplemental Service Rider (Standby Customers) will receive, on an annual basis, \$5 million of the rate credits set forth above to address their concern regarding transmission charges associated with standby service. The credit for Standby Customers is only available for existing customers who are receiving standby service as of December 31, 2013. The mechanism for allocating the \$5 million annual credits among Standby Customers is described below.

The remaining credits will be passed through to customers monthly as a credit via a separate EAC factor by customer class and will be allocated to customer classes as follows:

Residential Service:	39.0%
General Service:	18.3%
Large General Service (excluding High Volume/High Load Factor):	34.5%
LGS High Volume/High Load Factor/Bulk Service:	7.0%
Lighting Service:	1.2%

Within customer classes, with the exception of the \$5 million credit for Standby Customers, the credits will be distributed based on energy usage.

Credit factors for all customers other than Standby Customers will be calculated based on expected sales for each calendar year. The Company will

monitor calendar-year credits, based on actual sales as each calendar year progresses, with any adjustments to the credit factors to be made within the respective calendar year, with Board approval.

For Standby Customers, the monthly standby service-specific credit will be derived by taking the \$5 million credit, dividing by 12 months (except for 2014, which will be divided by eight months) and allocating to customers based on a combination allocator that is based 50% on each Standby Customer's existing contract demands in calendar year 2013 and 50% on each Standby Customer's existing billing demands over calendar year 2013. The credit for Standby Customers will be a fixed amount per month and will be reflected as a separate line item on customer bills. Once established, the allocation of credits to Standby Customers will not change. If a Standby Customer discontinues taking service under the standby tariff, the customer will no longer receive Standby Customer credits, and any resulting shortfall will be reflected in the final reconciliation of credits for the remaining Standby Customers.

The credits will end on December 31, 2016, with a final reconciliation to ensure that each customer class has been fully credited their settlement amounts. For all customers other than Standby Customers, any over- or under-credited amount by customer class will be debited or credited in the first quarter of 2017 as a one-time adjustment to each customer class's EAC factor. For Standby Customers, any over- or under-credited amount will be debited or credited, as applicable, in the first quarter of 2017 as a one-time adjustment to each customer, allocated on the same basis as the original credit amounts. IPL will make a tariff

filing contemporaneously with the filing of this Agreement, setting forth the credits to customers described in this Agreement. The Parties request concurrent approval of this tariff filing in order to effectuate the terms of this Agreement.

If prior to January 1, 2017, the Company files a rate case due to force majeure, or if other parties file a proceeding to decrease IPL's rates, the credits set forth in this section will cease on the date a refund obligation relating to such case or proceeding is created. IPL will undertake a final reconciliation, in the manner described above, to ensure all credits owed as of the date of cessation are credited to customers.

ARTICLE IX

Resolution of Recovery of DAEC Costs

The Parties agree that this Agreement satisfies the commitment made by the Company to address the claim of double recovery of DAEC PPA costs and resolves all issues related to DAEC PPA costs raised in these dockets and the January 31, 2013 Order in Docket Nos. SPU-2005-0015 and TF-2012-0577 (January 31 Order). The Agreement removes the obligation of the Company to file a rate case in the first quarter of 2014 and to remove DAEC costs from base rates in that case. This Agreement renders null and void the Corporate Undertaking filed by Company on January 13, 2014, in Docket No. RPU-2014-00-1, and the refund obligation associated with the Corporate Undertaking, as well as any refund obligation pursuant to IPL's current EAC tariff; and the Parties agree that no refund shall be due to any of the Company's customers pursuant to the Corporate

Undertaking filed on January 13, 2014. Notwithstanding the above, if a rate case is filed prior to 2017 or if the Company fails to fully credit to customers the amounts set forth above, the double-recovery claim will not be deemed to have been resolved and may be litigated.

The Parties also request Board approval of revised tariffs, to be filed contemporaneously with the filing of this Agreement, that remove the footnotes required by the Board on pages 31-33 of the January 31 Order, which language was added as additional protection to customers until the Parties reached resolution of the DAEC issues.

ARTICLE XI

Tax Benefit Rider

The Parties agree that credits passed through to customers through the Company's Tax Benefit Rider (TBR) will be passed through to customers on an energy basis, based on filings to be made with the Board in the future, with such credits to continue at least through 2016.

ARTICLE XII

Waivers

To the extent necessary to support this Settlement Agreement, the Parties support any and all waivers from Board rules necessary to effectuate this Settlement Agreement.

ARTICLE XIII

Timeliness of Approval

In entering into this Settlement Agreement, the Settlement Agreement is now ready for Board review and approval. The Parties request expedited approval of this Settlement Agreement as well as the contemporaneously filed tariff by the Board so that the tariffs referenced herein may become effective, and customer credits may begin, on May 1, 2014.

Respectfully submitted,

OFFICE OF CONSUMER ADVOCATE

INTERSTATE POWER AND LIGHT COMPANY

/s/ Ronald C. Polle

Ronald C. Polle
Attorney
1375 East Court Avenue
Des Moines, IA 50319-0063
Tel.: (515) 725-7224

/s/ Krista Tanner

Krista Tanner
Director -- Regulatory Policy
Alliant Energy
500 E. Court Ave., Ste. 300
Des Moines, IA 50309
Tel.: (515) 558-9703

Dated this 24th day of March, 2014

Dated this 25th day of March, 2014

IOWA CONSUMERS COALITION

LARGE ENERGY GROUP

/s/ Daniel E. Frank

Daniel E. Frank
Attorney
Sutherland Asbill & Brennan LLP
700 Sixth St., N.W., Suite 700
Washington, D.C. 20001-3980
Tel.: (202) 383-0838

/s/ Philip E. Stoffregen

Philip E. Stoffregen
Attorney
BrownWinick
666 Grand Avenue
Suite 2000 Ruan Center
Des Moines, IA 50309
Tel: (515) 242-2415

Dated this 24th day of March, 2014

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