TF-2015-0007

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March 9, 2015

FILED WITH
Executive Secretary
March 09, 2015
IOWA UTILITIES BOARD

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-2015-0007 and TF-2015-0008 (EEP-2012-0001)
Response

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Response to the Office of Consumer Advocate's Objections, as filed today on EFS.

Please note that because this response request arises from budgeting established in Docket EEP-2012-0001, IPL has electronically provided a courtesy copy of this Response to the service list in that docket.

Very truly yours,

/s/ Samantha C. Norris
Samantha C. Norris
Senior Attorney

SCN/tab
Enclosures

FILED WITH
Executive Secretary
March 09, 2015
IOWA UTILITIES BOARD

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NO. TF-2015-0007** **TF-2015-0008** **(EEP-2012-0001)**

RESPONSE

COMES NOW, Interstate Power and Light Company (IPL) and hereby files with the Iowa Utilities Board (Board), in compliance with the Board's February 27, 2015 Order Docketing Tariffs and Requiring Response in Docket Nos. TF-2015-0007 and TF-2015-0008, its Response to the Office of Consumer Advocate's (OCA) objections of February 18th and 19th to IPL's Energy Efficiency Cost Recovery (EECR) tariffs.

BACKGROUND

On January 29 and 30, 2015, IPL filed with the Board proposed tariffs relating to the annual reconciliation of its electric and natural gas EECR factors, pursuant to Iowa Code § 476.6(16) and the Energy Efficiency Plan (EEP or Plan) approved in Docket No. EEP-2012-0001.

The OCA filed a conditional objection to TF-2015-0007 on February 18, 2015 and an objection to TF-2015-0008 on February 19, 2015. The OCA, in both of its objections, expressed concern about whether IPL's proposed EECR factors sufficiently reflect the anticipated levels of direct assignment to IPL's large general service and general service classes. The OCA contends the direct assignment of incentive costs makes it difficult to compare IPL's direct assignment spending versus budget for the non-residential customer class. OCA said this comparison is used to determine whether a plan modification or spending waiver is required by 199 IAC 35.6(4).

Additionally, the OCA noted that IPL's residential class electric spending deviated from its 2014 energy efficiency electric budget. The OCA contends that in 2014, IPL spent $6 million less than its approved electric budget for the residential class, or 18 percent below its approved budget. OCA indicates that it is unable to determine the budget variance for the non-residential programs due to the change in the allocation factors used in the direct assignment of incentives between the general service and large general service classes as described above.

The OCA made a similar argument in the natural gas tariff docket, contending that IPL's natural gas residential spending was 14 percent less than its approved budget and IPL's total 2014 gas EEP spending was 28 percent less than its approved budget. The OCA argued that these deviations from budget should trigger either an EEP modification or a request for spending waiver. As with the electric budget, the OCA also indicated that it is unable to determine the budget variance for the non-residential programs due to the change in the allocation factors used in the direct assignment of incentives between the general service and large general service classes.

On February 27, 2015, the Board docketed IPL's tariffs for further review and ordered IPL to file a response to the OCA's conditional objections on or before March 9, 2015. IPL's Response follows.

RESPONSE

A. Neither a Waiver nor a Plan Modification are Appropriate.

As an initial matter, based on prior Board precedent and the language of the rules related to energy efficiency plans, IPL believes that neither a waiver nor a plan modification are appropriate. First, in its Order Granting Petition for a Waiver, issued June 7, 2013, in Docket No. WRU-2013-0011-0150 (EEP-008-1) (June 7 Order), the Board, at the OCA's request, mandated that any future IPL waiver requests be filed "at or about the time of the utility's energy efficiency cost recovery filings." When IPL filed its proposed tariffs on January 29, 2015 and January 30, 2015, it did not believe that either a waiver or a plan modification was warranted.

To that point, IPL has exceeded the impact goal for its electric energy efficiency plan and has missed its gas impact goal by approximately 4%. IPL did not spend as much as it had budgeted for electric or gas; however, this is not grounds for a waiver or a modification. As the Board stated in its June 7 Order at pp. 11-12, "IPL has not failed to meet budget targets … because a budget target implies there is a required spending goal. The statutory and Board-approved goals for IPL are to save specified amounts of energy and capacity, which may require expenditures at, above, or below the budgets estimated by IPL." IPL is in the first year of implementation of its five-year energy efficiency plan, as approved in Docket No. EEP-2012-0001. A single year's results from a new plan with numerous programmatic changes cannot reasonably form the basis for a trend in any direction, much less one that could adequately form the basis of an entire budget and plan modification.

IPL values meeting customer demand for programs and helping customers save energy and money. Customer demand and prudent implementation practices will determine the ultimate level of accomplishment of those goals. As such, IPL will continue to monitor and analyze demand, spending, and impacts so as to identify any potential Plan changes, ranging from individual measures to consideration of a Plan modification. As the Board recognized in its June 7 Order at p. 11, "energy efficiency programs can be (and are) altered throughout the plan period to change incentives, cope with changes in building codes, or add and delete specific energy efficiency measures. None of these changes require Board approval and the Board expects such program alterations to continue." IPL commits to an ongoing review of its Plan and will continue to do so while working with the interested stakeholders.

B. Response to the OCA's Objections

1. Allocation Method

The OCA states that it has some difficulty in comparing non-residential budgets to actual spending due to the change in the approved allocation methodology as resolved between IPL and Iowa Customers for Energy Efficiency in Settlement Issue 17 in Docket No. EEP-2012-0001, and as subsequently approved by the Board. IPL provides a comparison of 2014 actual spending to budget for the non-residential class in Table 1 below. The direct assignment of incentives is included in the "Actual Spend" column in Table 1.

The change in the approved allocation methodology only contemporaneously allocates incentive expenses directly between the general service and large general service rate classes. It did not change the allocation between residential and non-residential or the allocation of non-incentive costs. All of the non-residential programs (with the exception of the interruptible program) are available and marketed to both of the non-residential rate classes. The Board recognized on page 47 of the final Order in Docket No. EEP-2012-0001, that the direct allocation could provide more accurate cost allocation, dismissing the argument that the direct allocation method was a precursor to an opt-out program.

The direct assignment used for non-residential incentives was provided in Schedule A3 of each respective EECR tariff filing. IPL based this assignment on incentives paid in 2014 by program and rate schedule. Each of the non-residential rate classes received the direct assignment based upon the customer account number listed on the rebate claim form with each customer account number directly related to a particular rate schedule. The non-residential incentives were then further assigned based upon the summation of program specific incentives by rate schedule. Non-incentive costs were allocated to the non-residential rate classes on the basis of the non-residential allocator. The derivation of the non-residential allocator can be found on the workpaper “Common Allocator” included with the respective EECR tariff filings. The non-residential allocator for electric is based upon the pro-rata share of non-EECR revenue of each applicable rate class from the revenue verification in Docket No. RPU-2010-0001. The natural gas non-residential allocator is based upon the settlement pro-rata share of non-EECR revenue of each applicable rate class in Docket No. RPU-2012-0002.

2. Electric EEP Spend and Impacts

As shown in Table 1, IPL's 2014 actual spending for its electric EEP deviated from its budget by approximately 1%. In addition, IPL achieved over 100% of its impact goal.

Table 1 – 2014 Electric EEP Spending

Budget by Customer Class		**Actual Spend**	**Actual Spend less Budget**	**% Diff.**
Residential*	$ 24,383,191	$ 19,143,773	-$5,239,418	-21%
Nonresidential*	$ 47,128,166	$ 52,083,392	$4,955,226	11%
Outreach, Ed.& Train.(OET)	$ 2,339,013	$ 2,108,560	-$230,453	-9.8%
Other	$ 1,370,377	$ 1,505,445	$135,068	-10%
Total	$ 75,220,747	$ 74,841,170	-$379,577	-1%
* Includes energy efficiency, demand response and renewable programs. Actuals do not reflect out of period adjustments.				

Table 2 provides a comparison of plan impact goals by customer group for 2014.

Table 2 – 2014 Electric EEP Impacts

Savings Impact by Program (kWh)		**Actual Impacts**	**Actual Impacts less Budget**	**% Diff.**
Residential	38,761,368	60,589,544	21,828,176	56%
Non-Residential	113,026,592	155,902,595	42,876,003	38%
Other	26,024,198	26,201,073	176,875	1%
Total	177,812,157	242,693,212	64,881,055	36%
** Low-Income Program impact evaluations are estimates. Actuals will be reported in IPL's Annual Report filing due May 1, 2015.				

Table 3 includes a comparison of the electric EEP budget versus actual spending in 2014.

Table 3 – 2014 Electric EEP Spending

	Budget	Actual	Actual less Budget	% Diff.
Residential				
Planning and Design	$222,664	$38,489	-$184,174	-82%
Program Administration	$1,400,508	$1,198,092	-$202,415	-14%
Advertising and Promotion	$860,631	$569,819	-$290,811	-34%
Incentives	$10,781,037	$7,461,571	-$3,319,466	-31%
Equipment Costs	$601,138	$473,786	-$127,352	-21%
Installation Costs	$1,446,707	$1,023,440	-$423,267	-29%
Program Review and Assessment	$244,634	$104,580	-$140,053	-57%
Non-Residential				
Planning and Design	$421,816	$243,673	-$178,142	-42%
Program Administration	$704,168	$1,095,204	$391,035	56%
Advertising and Promotion	$1,101,010	$1,107,621	$6,611	6%
Incentives	$13,768,604	$15,882,882	$2,114,278	15%
Equipment Costs	$95,964	$28,160	-$67,803	-71%
Installation Costs	$1,925,209	$589,956	-$1,335,252	-69%
Program Review and Assessment	$455,435	$66,813	-$388,621	-85%
Demand Response				
Planning and Design	$53,185	$13,738	-$39,447	-74%
Program Administration	$840,366	$382,183	-$458,183	-54%
Advertising and Promotion	$26,592	$25,397	-$1,195	-4%
Incentives	$26,026,921	$25,292,344	-$734,576	-3%
Equipment Costs	$0	$204	$204	-
Installation Costs	$0	$0	0	-
Program Review and Assessment	$79,777	$15,676	-$64,101	-80%
Other**				
Planning and Design	$164,825	$206,324	$41,498	25%
Program Administration	$1,730,499	$2,098,718	$368,219	21%
Advertising and Promotion	$559,093	$588,343	$29,249	5%
Incentives	$11,421,829	$15,943,710	$4,521,880	40%
Equipment Costs	$191,816	$375,978	$184,162	96%
Installation Costs	$0	$0	$0	0%
Program Review and Assessment	$96,316	$14,997	-$81,318	-84%
Total	$75,220,745	$74,841,700	-$379,045	-1%

*Low-Income Program incentive spending not yet determined. Actuals will be reported in IPL's Annual Report filing due May 1, 2015.

**Includes Renewables

Spend in the residential class is largely driven by incentive budgets which include Incentives, Equipment Costs and Installation Costs representing over 80% of the budget within the class. IPL underspent its $12.8 million incentive budgets by $3.8 million despite its best efforts. It should be noted however, that IPL achieved 136% of plan impact goals while spending at these lower than budgeted incentive levels.

3. Natural Gas EEP Spend and Impacts

IPL's 2014 actual spending for its natural gas EEP plan deviated from spending goals by approximately 26% as noted in Table 4 below, while IPL was able to achieve 96% of impact goals.

Table 4 – 2014 Gas EEP Spending

Budget by Customer Class		**Actual Spend**	**Actual Spend less Budget**	**% Diff.**
Residential	$ 9,449,743	$ 8,416,546	-$1,033,171	-11%
Nonresidential	$ 4,137,714	$ 1,685,217	-$2,452,497	-59%
Outreach, Ed.& Train.(OET)	$ 905,482	$ 521,014	-$384,468	-42%
Other*	$ 329,623	$ 414,676	$85,053	-26%
Total	$ 14,822,562	$ 11,037,479	-$3,785,083	-26%
* Excludes out of period adjustment.				

Table 5 below provides a comparison of plan impact goals by program versus actual impacts achieved in 2014. As with the electric budget, the primary driver for the natural gas budget shortfalls in individual groupings was incentives (Incentives, Equipment Costs and Installation Costs).

Table 5 – 2014 Natural Gas EEP Impacts

Savings Impact Goals by Program (Thm)		**Actual Impacts**	**Actual Impacts less Budget**	**% Diff.**
Residential	1,006,605	1,402,887	396,282	39%
Non-Residential	1,083,353	704,029	-379,324	-35%
Other	247,350	140038	-107,312	-43%
Total	2,337,308	2,246,954	-90,354	-4%
** Low-Income Program impact evaluations are estimates. Actuals will be reported in IPL's Annual Report filing due May 1, 2015.				

Table 6, below, includes the natural gas EEP budget versus actual spend in 2014.

Table 6 – 2014 Natural Gas EEP Spending

	Budget	Actual	Actual less Budget	% Diff.
Residential				
Planning and Design	$103,019	$27,768	-$75,251	-73%
Program Administration	$1,170,941	$987,149	-$183,791	-16%
Advertising and Promotion	$377,138	$372,774	-$4,364	-1%
Incentives	$4,605,916	$4,118,066	-$487,849	-11%
Equipment Costs	$2,065,912	$2,345,404	$279,492	14%
Installation Costs	$901,916	$501,045	-$400,870	-44%
Program Review and Assessment	$224,899	$64,340	-$160,558	-71%
Non-Residential				
Planning and Design	$77,944	$46,032	-$31,911	-41%
Program Administration	$128,873	$161,975	$33,102	20%
Advertising and Promotion	$154,297	$259,620	$105,322	-68%
Incentives	$2,797,680	$1,148,269	-$1,649,410	-59%
Equipment Costs	$49,355	$7,084	-$42,270	-86%
Installation Costs	$851,008	$50,945	-$800,062	-94%
Program Review and Assessment	$78,559	$11,292	-$67,266	-86%
Other**				
Planning and Design	$46,503	$23,504	-$22,998	-49%
Program Administration	$427,358	$441,057	$13,699	3%
Advertising and Promotion	$148,195	$179,464	$31,268	21%
Incentives	$255,058	$174,218	-$80,840	-32%
Equipment Costs	$341,006	$109,846	-$231,159	-68%
Installation Costs	$0	$0	$0	0%
Program Review and Assessment	$16,981	$7,967	-$9,014	-53%
Total	$14,822,561	$11,037,819	-$3,784,737	-25%

** Low-Income Program incentive spending not yet determined. Actuals will be reported in IPL's Annual Report filing due May 1, 2015.

IPL achieved 96% of plan impact goals while spending 71% of the incentive budget with most of the shortfall related to non-residential programs. In particular, non-residential prescriptive rebates and new construction programs were short in achieving impact goals and, thus, incentive budgets. The shortfall may be related to the lower prices for natural gas commodity, which comprises almost 75% of a customer's energy bill, and could impact a customer's economics in their decision-making process for the selection of energy efficient measures. As a result, customers may be more sensitive to incentive levels. IPL will study this potential sensitivity for the gas programs to determine prudent programmatic adjustments to achieve future plan impact goals.

WHEREFORE, for the reasons stated above, IPL respectfully requests that the Board give due consideration to IPL's Response to the OCA's objections to its electric and natural gas EECR tariff filings**.**

Dated this 9th day of March, 2015.

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

By: *<u>/s/ Samantha C. Norris</u>*

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