

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. RPU-2019-0001, TF-2020-0004
---	--

ORDER APPROVING TAX BENEFIT RIDER REFUNDS

PROCEDURAL BACKGROUND

On January 8, 2020, the Utilities Board (Board) issued a Final Decision and Order (Final Order) in Interstate Power and Light Company's (IPL) electric rate case, which is identified as Docket No. RPU-2019-0001. The Final Order approved a non-unanimous partial settlement agreement (Settlement Agreement). The Settlement Agreement provided that unprotected excess accumulated deferred income taxes (ADIT) and an interim rate refund of \$7.5 million would be credited back to customers through IPL's Tax Benefit Rider (TBR). The Settlement Agreement did not specify how the unprotected excess ADIT and interim rate refunds would be allocated among customer classes.

On January 17, 2020, IPL submitted compliance filings and associated tariff revisions in Docket No. TF-2020-0004 in response to the Board's Final Order. In addition to the unprotected excess ADIT balance and the interim rate refund, IPL also proposed to use the TBR to refund tax reform revenue from Docket No. INU-2018-0001 and to recover a reconciliation balance from Docket No. TF-2018-0021. Including those

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 2

refunds in the TBR was not discussed in the Settlement Agreement or in the Board's Final Order. The four categories of refunds and refund amounts that IPL proposed to flow through the TBR, according to its January 17, 2020 compliance filings, are shown below.

TBR Refund Category	Amount
TBR Tax Refund Reconciliation (Docket No. TF-2018-0021)	(\$75,805)
Tax Reform Revenue Reserve (Docket No. INU-2018-0001)	\$13,285,407
Interim Rate Refund	\$7,500,000
Unprotected Excess ADIT	\$27,616,838
Total	\$48,326,440

IPL developed one factor to apply to all kilowatt-hour (kWh) sales units regardless of class, with the exception of an interim rate refund adjustment that the Board required for the Standby class.

On January 28, 2020, Archer Daniels Midland Company (ADM) filed a motion for reconsideration regarding several aspects of the Final Order. On February 4, 2020, ADM filed an objection to IPL's compliance filings, reiterating the same arguments it made in its motion for reconsideration. ADM argued that the Board erred in approving the Settlement Agreement without specifying a methodology for distributing unprotected excess ADIT that would ensure each customer class receives its proportionate share of the refund. (ADM Objection, p. 5.)

On February 7, 2020, IPL filed a response to ADM's motion for reconsideration.

On February 14, 2020, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed a reply to IPL's response.

On February 18, 2020, ADM filed a reply to IPL's response.

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 3

On February 20, 2020, the Board issued an order that approved IPL's compliance filings and proposed tariff revisions with the exception of the proposed revisions to the TBR tariff. The Board concluded that additional review was warranted regarding the methodology that should be used to distribute the four categories of refunds through the TBR. The Board stated that it would continue to review IPL's proposed TBR tariff and would address it in a separate order.

On April 30, 2020, the Board issued an order that rejected IPL's proposed revisions to the TBR tariff. The order instructed IPL to develop separate factors for each of the four categories of refunds that would flow through the TBR. For each of the four categories, the Board instructed IPL how to allocate the refund among customer classes.

On May 20, 2020, IPL submitted proposed TBR tariff revisions in response to the Board's April 30, 2020 order.

On June 1, 2020, the Large Energy Group (LEG) filed an objection to IPL's May 20, 2020 proposal. OCA filed an objection on June 8, 2020.

On June 12, 2020, IPL filed a reply to LEG's and OCA's objections. On the same date, OCA supplemented its objection with additional information.

DISCUSSION

The Board's April 30, 2020 order instructed IPL how to allocate each of the four refund categories among customer classes. For each of those categories, the Board will review its instructions, IPL's response, and the objections of the parties, if any.

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 4

A. TBR Tax Refund Reconciliation (-\$75,805)

For this category, the Board ordered IPL to calculate a single factor, based on total estimated kilowatt-hour sales, which applies to all customer classes. IPL's May 20, 2020 proposal accurately carries out this instruction. No parties objected to this element of IPL's proposal. The Board finds that IPL's proposal for this category is acceptable.

B. Tax Reform Revenue Reserve (+\$13,285,407)

For this category, the Board ordered IPL to calculate a separate factor for each customer class. The remaining 2018 tax reform revenue reserve amount of \$3,563,057 was to be allocated among customer classes based on the customer class total final revenue established in Docket No. RPU-2017-0001, after determining the amount that has already been distributed to each customer class. The 2019 tax reform revenue reserve amount of \$9,722,350 was to be allocated to customer classes based on each customer class's total final revenue established in Docket No. RPU-2017-0001.

IPL's May 20, 2020 proposal accurately carries out these instructions. No parties objected to this element of IPL's proposal. The Board finds that IPL's proposal for this category is acceptable.

C. Interim Rate Refund (+\$7,500,000)

For this category, the Board ordered IPL to calculate a separate factor for each customer class. The Board instructed IPL to calculate the actual increase for each customer class that resulted from interim rates and allocate the refund based on each class's percentage of the total interim rate increase.

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 5

IPL's May 20, 2020 proposal allocates the \$7.5 million interim rate refund based on each customer class's assigned percentage of the projected \$89 million interim rate increase, not each class's actual percentage of the increase that actually resulted from the interim rates. LEG objected to this element of IPL's proposal as being inconsistent with the Board's April 30, 2020 order.

The Board finds that IPL's proposal is a reasonable implementation of the instructions the Board provided in the April 30, 2020 order. The difference between IPL's proposal and a strict implementation of the Board's instructions does not appear to be significant. Requiring IPL to revise its proposal would unduly delay the issuance of the refunds. The Board finds that IPL's proposal for this category is acceptable.

D. Unprotected Excess ADIT (+\$27,616,838)

For this category, the Board ordered IPL to develop a separate factor for each customer class which allocates the refund balance in proportion to each customer class's contribution to the balance. IPL's May 20, 2020 proposal allocates the unprotected excess ADIT balance among customer classes using the net plant allocator approved in Docket No. RPU-2017-0001. IPL explained that it proposes to use the net plant allocator to allocate the refund because that is the allocator IPL used to bill deferred income tax expenses to customer classes. IPL stated that returning the balance to customers in the same manner in which it was collected is consistent with the Board's instructions in the April 30, 2020 order.

LEG objected to this element of IPL's proposal. LEG argued that the net plant allocator is heavily weighted by utility plant balances that are associated with protected

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 6

excess ADIT. LEG argued that the net plant allocator is therefore not a sound basis for refunding the unprotected excess ADIT balance, and that it is not consistent with the Board's instructions that the refund should be allocated in proportion to each class's contribution to the balance. LEG argued that the unprotected excess ADIT balance should instead be allocated using the operations and maintenance (O&M) allocator from Docket No. RPU-2017-0001. LEG argued that the O&M allocator is more appropriate because it was derived using a variety of cost of service allocations and because it excludes depreciation expense.

OCA also objected to IPL's proposal to use the net plant allocator to allocate the unprotected excess ADIT balance. Like LEG, OCA argued that use of the net plant allocator is not appropriate because the unprotected excess ADIT balance is not related to utility plant. However, OCA did not support LEG's proposal to use the O&M allocator. Instead, OCA argued for use of the revenue allocator from Docket No. RPU-2017-0001. OCA stated that the revenue allocator was established during the same time period as the passage of the federal tax reform legislation that created the unprotected excess ADIT balance. OCA argued that there is no single contributor to the unprotected excess ADIT balance and that the revenue allocator is therefore the simplest and fairest way to allocate the refund.

IPL's reply to LEG's and OCA's objections acknowledged that the unprotected excess ADIT balance is not directly related to utility plant. However, IPL reiterated that the net plant allocator was the basis on which deferred income tax expenses were assigned to each customer class, and that it is therefore the most appropriate way to

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 7

carry out the Board's instruction that the refund balance should be allocated in proportion to each class's contribution. IPL argued that deferred income tax expenses were not assigned to customers based on the O&M or revenue allocators and that neither is directly related to income taxes.

The Board finds that IPL's proposal is a reasonable implementation of the instructions the Board provided in the April 30, 2020 order. IPL's proposal is consistent with the Board's April 30, 2020 order because it allocates the refund balance among classes on the same basis that deferred income tax expenses were assigned. The unprotected excess ADIT balance is not directly related to utility plant; however, it is not directly related to the allocators suggested by LEG and OCA either. None of the parties has suggested a perfect approach for refunding the unprotected excess ADIT balance; however, the differences in the amounts due to each customer class under the various proposals are not significant enough to warrant further delaying the implementation of the refunds. The Board finds that IPL's proposal for this category is acceptable.

RECONCILIATIONS

The interpretation sheet IPL submitted with its May 20, 2020 proposal indicates that at the end of the 12-month TBR refund period, IPL intends to file "final" reconciliations for the Docket No. INU-2018-0001 refund, the interim rate refund, and the unprotected excess ADIT refund. The interpretation sheet does not mention filing a reconciliation for the Docket No. TF-2018-0021 refund.

The Board reminds IPL that ordering clauses 11 and 12 of the April 30, 2020 order require IPL to file a final customer class reconciliation of the Docket No. TF-2018-

DOCKET NOS. RPU-2019-0001, TF-2020-0004
PAGE 8

0021 refund for informational purposes and to file customer class reconciliations of the other three refund categories, as well as updated tariff sheets, to collect or distribute the reconciled amounts by customer class over another 12-month period. The Board will decide whether further reconciliations and refund periods are needed after the conclusion of the second 12-month period.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Interstate Power and Light Company's proposed revisions to Ninth Revised Sheet No. 88 and Third Revised Sheet No. 89 of its electric tariff, filed on May 20, 2020, in Docket Nos. RPU-2019-0001 and TF-2020-0004, are approved effective as of the date of this order, subject to complaint or investigation.

2. Interstate Power and Light Company shall comply with the customer class reconciliation requirements established in ordering clauses 11 and 12 of the Utilities Board's April 30, 2020 order issued in Docket Nos. RPU-2019-0001 and TF-2020-0004.

UTILITIES BOARD

Geri Huser Date: 2020.06.26
12:03:49 -05'00'

Nick Wagner Date: 2020.06.26
09:42:04 -05'00'

ATTEST:

Anna Hyatt Date: 2020.06.26
15:26:44 -05'00'

Richard W. Lozier, Jr. Date: 2020.06.25
15:26:00 -05'00'

Dated at Des Moines, Iowa, this 26th day of June, 2020.