STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE:

HOUSE FILE 617 REVIEW OF SPECIFIED PROVISIONS AND UTILITY RATEMAKING PROCEDURES

DOCKET NO. NOI-2023-0001

FINAL COMMENTS ON POLICY CHARRETTE NO. 1

COMES NOW, Interstate Power and Light Company (IPL), and provides its Final Comments on Policy Charrette No. 1 pursuant to the Order Establishing Schedule and Delegating Authority issued by the Iowa Utilities Board (Board) on August 7, 2023. IPL appreciated the opportunity to participate in Policy Charrette No. 1 on August 30-31, 2023, and provides these additional comments to the topics discussed at the stakeholder meeting, as well as in response to certain previously filed initial comments.

IPL provides affordable and reliable utility service to customers under Iowa’s current ratemaking framework, while continuing to expand its renewable generation fleet. These efforts focus on important priorities for Iowans—reliable utility service, energy at an affordable price, and promotion of in-state generation assets. IPL believes all customers require safe, reliable, and affordable utility service—and the manner in which regulated utilities achieve these goals varies across the state, due to a wide range of differences between the utilities. As a result, the Board should continue to innovate with regulatory processes to address the unique situations of its investor-owned utilities across water, gas, and electric service, while continuing to provide those utilities an opportunity to earn a fair and
reasonable return. IPL provides the following recommendations in furtherance of this goal.

1. **IPL Supports the Adoption of Multi-Year Rate Plans.**

   Multi-year rate plans provide a variety of benefits to customers and should be an option available to Iowa’s rate-regulated utilities.

   Multi-year rate plans improve rate stability and predictability in a dynamic electricity market.¹ The electric grid is increasingly impacted by a reduction in dispatchable baseload power plants and an increase in intermittent renewable resources. Iowa utilities are at the forefront of this transition, for good reason. This transition provides long-term economic value to customers, increased opportunity for Iowa-based economic development, and an overall reduction in the state generations’ air emissions. But the addition of smaller-sized generation (when compared to baseload) spread over multiple sites and the need for utility (and regulatory) nimbleness in the changing environment are not supported by the current single test year model. Changes in utilities’ costs, and the need to respond to technological advancements (see, e.g., large-scale battery storage) require mechanisms that eliminate or minimize regulatory lag. Multi-year rate plans better align cost recovery with infrastructure investment, and when designed properly, result in gradual and predictable changes in customer rates while incenting prudent utility decisions. They also provide the practical value of a utility “staying out,”

---

¹ See, e.g., Solution Set, Identifying Promising Practices, Processes and Structures to Enable Innovation, Smart Electric Power Alliance Renovate Initiative, February 2020, at Section 3.2 and Navigating Utility Business Model Reform, Rocky Mountain Institute, November 2018, at 1b (both describing the value to customers and utilities of multi-year rate plans).
thereby mitigating rate case transactional costs that ultimately are borne by customers.

Multi-year rate plans also provide additional transparency into a utility’s planning process. A utility must explain its anticipated costs and revenues over a period longer than the traditional 12-month future test year, which allows the Board, customers, and interested stakeholders to take a similar long-term analysis of the utility. Under a multi-year rate plan approach, stakeholders would have greater visibility into a utility’s capital plans.

The Board should further explore and advocate for the use of multi-year ratemaking. It already has valuable tools necessary to implement this approach, including the use of riders for costs that are substantial, unpredictable, volatile, recurring, or beyond a utility’s control. Fuel costs, transmission costs from third-party providers, and other expenses out of the utility’s control necessarily must be adjusted in a timely manner to avoid sacrificing performance and long-run costs impacts for customers. This is particularly important when a utility stays out for a longer period of time. The Board’s successful use of riders has benefited IPL’s customers in the timely return to customers of benefits that otherwise would be delayed or missed through the application of non-rider treatment. A Board initiative to support multi-year ratemaking should preserve existing riders to ensure that costs and benefits timely and fairly flow to customers. Other elements utilized in multi-year rate plans, such as earnings sharing and attrition relief mechanisms, should be discussed as part of a move to multi-year rate plans.

Filed with the Iowa Utilities Board on September 8, 2023, NOI-2023-0001
2. IPL Supports Resource and Size Neutral Advance Ratemaking.

As highlighted in its initial comments to the Board, IPL supports the continued use and expansion of advance ratemaking in Iowa. Since the law’s enactment, there has been significant investment in new electric generation in Iowa, bolstering the economy and allowing Iowa to become a leader in reliable and affordable renewable energy. IPL has used the advance ratemaking law to build assets (both baseload and renewable) that are needed, timely, and flexible. Advance ratemaking is an important policy tool that incentivizes investment in new generation technologies to diversify and modernize Iowa’s electric grid, all while keeping dollars and cutting-edge technology in Iowa.

IPL continues to support the need to allow advance ratemaking to be resource and size neutral, and to apply to stand-alone energy storage, including battery energy storage systems (BESS). Advance ratemaking provides predictability and certainty to customers and utilities, benefits that should not be limited to certain types of generation. IPL agrees with MidAmerican Energy Company’s (MidAmerican) suggested improvements to Iowa’s advance ratemaking law. MidAmerican too supports expansion of the law to all types of

---


3 London Economics International, through a Board-issued letter of September 6, 2023, sought input on whether advance ratemaking is no longer necessary in Iowa, and in the alternative, whether it should be revised. As described fully in IPL’s Initial Comments and these comments, advance ratemaking is still critical to advance Iowa’s generation needs, and needs minor statutory modification to remain robust and effective.

4 Id. at 4-5.
generation.\(^5\) IPL discussed the importance of adding standalone utility-scale BESS and natural gas-fired peaking plants to Iowa’s advance ratemaking law in its initial comments on Policy Charrette No. 1.\(^6\) A resource and size neutral law would allow utilities to more efficiently plan for other evolving generation and storage technologies, when such technologies become commercially available. Further, MidAmerican’s suggestion that the law be modified to provide a decision deadline for advance ratemaking projects makes sense.\(^7\) Time is often of the essence when a utility seeks to build a new project, with labor and construction costs, tax benefit eligibility, and other factors supporting a decision from the Board in a reasonable timeframe. The Board and intervenors are familiar with mandatory timelines from the current ratemaking process, and implementation of something similar (for example ten months) in advance ratemaking would ensure that decisions are issued expeditiously, to customers’ benefit.

3. **A Mandatory Integrated Resource Plan is Neither Required Nor Beneficial.**

Certain comments in this docket suggest that an integrated resource plan (IRP) established through a contested case should be mandatory for utilities.\(^8\)

---


\(^6\) IPL Initial Comments at 4-5. In addition to comments previously made, the ability to plan and build for new generation of all sizes, quickly and reliably, is supported by the MISO reliability construct. As MISO updates and changes its definitions for resource adequacy, the ability to advance new technologies that provide reliability at different scales will be more important. The reasons why IPL may need new resources will likely change, for example meeting peak load at all hours, or providing fast response to balance renewables. The absence of advance ratemaking for certain assets could delay needed investments in reliability.

\(^7\) MidAmerican Initial Comments at 3-4.

IPL’s existing internal IRP process is robust, and Board procedures, particularly if enhanced as suggested by IPL, provide adequate public, stakeholder, and Board review of generation planning decisions.

IPL is committed to performing robust generation planning and provides as evidence its strong record of keeping the lights on while working to keep rates affordable. And IPL recognizes that transparency in utility resource planning is a priority for the Board and stakeholders. Specifically, IPL agreed to a substantial resource planning exercise with all parties in its last rate proceeding. This included involving stakeholders in all stages of IPL’s resource planning process. Based on stakeholder feedback, IPL revised its assumptions on its future scenarios and developed additional scenarios at the request of stakeholders. Further, IPL incorporated stakeholder feedback and evaluated alternative portfolio options and retirement scenarios. This process resulted in clear evidence demonstrating the customer benefits of retiring certain aging fossil fuel assets and constructing new renewable generation in Iowa. All of the detailed modeling and supporting information was provided to the IUB and stakeholders in support of IPL’s application to install 400 MW of solar and 75 MW of battery storage in Docket No. RPU-2021-0003.

In IPL’s view, the presentation and review of detailed resource planning information is best provided in the context of decisions before the Board, such as in Docket No. RPU-2021-0003, where the information informs real-world decisions.

---


that affect customers. Rate proceedings and advance ratemaking proceedings are highly contested, with all sides fully engaged in probing the value of a specific asset (in the case of advance ratemaking) and IPL’s overall direction (in a ratemaking proceeding). IPL is not opposed to continue to engage stakeholders in the development and discussion of future resource planning activities to the extent that these discussions are collaborative, productive, and result in shared understanding of resource adequacy challenges. Further, and as previously noted, IPL supports the use of multi-year ratemaking, which provides significant planning transparency to stakeholders through a long-range focused process with the Board. In summary, a mandatory IRP process will only result in additional regulatory proceedings that could be long, litigious, and costly with little additional value to customers.

Implicit (and at times explicit\textsuperscript{10}) in a request for a mandatory IRP is the inference that IPL is poorly run and cannot be trusted to plan for generation additions. This is plainly inaccurate. As described in detail in IPL’s last rate proceeding testimony, IPL has a keen focus on bringing value to customers, which includes affordability, innovative rate design, energy efficiency offerings, and the addition clean and sustainable energy generation options.\textsuperscript{11} And the Board has not imposed a management efficiency penalty against IPL, for good reason—none was warranted.\textsuperscript{12} To the extent the Board has concerns with IPL’s customer


\textsuperscript{12} \textit{Id.} at 18.
satisfaction, those are being addressed through the process established in the last rate review, which includes a Board-approved plan and frequent information reports. IPL has worked diligently and effectively on that process, with progress made across all key areas of Board concern.

Additionally, and also relevant to how IPL is run, are comments addressing a comparison of IPL’s rates with MidAmerican’s. As the Board has recognized, the comparison is inapt given the differences in corporate structure, service territory, and customers base. IPL’s rates are very competitive nationally and regionally. As a utility with a substantial rural customer base, it is no surprise that certain elements of IPL’s provision of good service cost more than that of utilities with a more urban focus (such as MidAmerican).

WHEREFORE, IPL requests that the Board accept IPL’s comments in response to the topics discussed at Policy Charrette No. 1.

Dated this 8th day of September 2023.

Respectfully Submitted,

Interstate Power and Light Company

By:/s/ Matthew J. Sowden
Matthew J. Sowden
Corporate Counsel
500 East Court Avenue, Suite 300
Des Moines, Iowa 50309
Telephone: 515-558-9703
Matthewsowden@alliantenergy.com

13 2020 Rate Case Order at 104-106.
14 See, e.g., OCA Initial Comments at 3-4.
15 2020 Rate Case Order at 104.
16 See Brummond Testimony at 26.