

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

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IN RE: )  
 ) DOCKET NO. RPU-2023-0002  
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INTERSTATE POWER AND LIGHT )  
COMPANY )  
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 )  
 ) SURREBUTTAL TESTIMONY  
 )

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**SURREBUTTAL TESTIMONY OF**  
**STEVEN C. GUYER**  
**ON BEHALF OF**  
**ENVIRONMENTAL LAW & POLICY CENTER**  
**IOWA ENVIRONMENTAL COUNCIL**

**MAY 28, 2024**

1 **I. INTRODUCTION**

2 **Q. Please state your name, business name and address, and role in this**  
3 **proceeding.**

4 A. My name is Steven C. Guyer. I am the Energy Policy Counsel with the Iowa  
5 Environmental Council, located at 505 Fifth Ave, Suite 850, in Des Moines, Iowa.  
6 I appear here in my capacity as a witness on behalf of the Environmental Law and  
7 Policy Center, and the Iowa Environmental Council.

8 **Q. What is the purpose of your Surrebuttal testimony?**

9 A. My Surrebuttal Testimony responds to the Rebuttal testimony of Amanda J.  
10 Yocum, Zachary D. Fields, and Brent R. Kitchen.

11 **Q: How will you proceed with your Surrebuttal Testimony?**

12 A. My testimony will focus on three areas. First, I will explain how IPL's incentive  
13 compensation plans drive a clear imbalance between customer and shareholder  
14 interest. Next, I will address why transparent participatory planning processes  
15 consistent with the recommendations provided by EI witness Devi Glick and EI  
16 witness Cody Davis are necessary to balance the interests of ratepayers with the  
17 interests of investors. Finally, I will address the issue of regulatory burden  
18 conjecture.

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20 **II. IMBALANCE OF CUSTOMER AND SHAREHOLDER INTERESTS**

21 **Q: Did you discuss balancing the interests of the ratepayers and shareholders in**  
22 **your Direct Testimony?**

1 A: Yes. As addressed in my direct testimony, it is clear from investor materials and  
2 presentations that executive incentive compensation is based 70% on earnings per  
3 share and only 30% on ESG and customer metrics. Disproportionately  
4 incentivizing investor earnings per share (EPS) targets clearly prioritizes  
5 shareholders over customers.

6 **Q: Did IPL witness Yocum provide an explanation for executive compensation**  
7 **that is heavily weighted towards earnings per share?**

8 A: Yes. IPL witness Yocum testified that IPL used benchmarking from Pay  
9 Governance with a median weighting for financial of 65 percent, and “(t)he reason  
10 IPL has a weighting of 70 percent is because it provides equal weighting of 5  
11 percent on our other metrics and the balance is 70 percent.” (Yocum Rebuttal at 4-  
12 5.)

13 **Q: Do you agree with IPL witness Yocum that this explains how 70% is the**  
14 **appropriate balance?**

15 A: No. It just confirms that customer interests are weighted at only 30%, and that  
16 shareholder interest are disproportionately weighted higher than the Pay  
17 Governance median weighting of 65%.

18 **Q: Is there other evidence of IPL disproportionately prioritizing shareholders?**

19 A: Yes. In Energy and Policy Institute’s analysis of executive compensation and  
20 incentives of the largest U.S. investor-owned utilities, Pollution Payday (September  
21 2020), it found the Alliant Energy Board of Directors further incents management  
22 in order:

23 to align management interests with shareholder interest over a  
24 sustained period,” according to the company’s 2020 proxy

1 statement. *The Board incentivizes company management to achieve*  
2 *a 7% three-year compounded annual growth rate of net income. If*  
3 *executives achieve that threshold, they are awarded a 200% payout.*  
4 *The Board additionally wants Alliant to achieve greater*  
5 *shareholder return than its peers, measured by the Edison Electric*  
6 *Institute (EEI) Stock Index. If Alliant is in the 90th percentile or*  
7 *greater, executives again receive a 200% value payout. (emphasis*  
8 *added)*<sup>1</sup>

9 This means that management is not only incentivized to act on behalf of  
10 shareholders with a disproportionate EPS 70% weighting but is further  
11 incentivized to take actions benefitting shareholders by doubling the incentives  
12 when thresholds for annual growth rate of net income and achieving greater  
13 shareholder return are met.

14 **Q: Do incentive plans of this nature prioritize the interests of shareholders over**  
15 **the interests of customers?**

16 A: Yes. Plans that are heavily weighted on EPS targets clearly prioritize maximizing  
17 shareholders' earnings. IPL acknowledges prioritizing earnings:

18 The Compensation and Personnel Committee approved earnings per  
19 share as the financial goal to reward earnings growth. This aligns  
20 with our strategy and rewards meeting the **expectations of our**  
21 **shareowners**. Operational goals related to customer experience,  
22 environment, diversity and safety **reflect our corporate purpose**  
23 **and values.**<sup>2</sup>

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<sup>1</sup> Pollution Payday, p. 35 (Sep. 2020), available at  
<https://energyandpolicy.org/wp-content/uploads/2020/09/Pollution-Payday-Analysis-of-executive-compensation-and-incentives-of-the-largest-U.S.-investor-owned-utilities.pdf> (last visited May 20, 2024)

<sup>2</sup>Alliant Energy 2024 Proxy Statement, p. 28, available at  
<https://d18rn0p25nwr6d.cloudfront.net/CIK-0000352541/cbe85bbe-e28d-4563-874a-42c6c8880628.pdf>  
(last visited May 28, 2024) (emphasis added).

1 The 70% EPS metric is a shareowner expectation, with a 30% weighting of  
2 operational goals to benefit customers. This expresses a lesser standard of interest  
3 for customers, reflecting corporate purpose and values.

4 **Q: Does IPL management make decisions and take actions to ensure that**  
5 **adequate earnings are generated for IPL’s shareholders?**

6 A: Yes. IPL witness Fields in his Rebuttal Testimony explains that:

7 once customer base rates are set IPL must manage its O&M  
8 expenses such that it can attempt to earn its authorized return on  
9 equity... The most accessible “lever” IPL has that it can use to  
10 attempt to earn its authorized return between rate reviews is O&M.  
11 As such, *IPL does execute initiatives* to manage O&M including  
12 *suspending O&M activities* that can be (temporarily) paused,  
13 *temporarily sustaining a lower headcount, suspending activities and*  
14 *initiatives in collaboration with outside vendors among other*  
15 *strategies* to manage costs.<sup>3</sup>

16 This excerpt demonstrates that IPL’s plan is designed to place shareholders’  
17 interests first—that is, the Company will ensure target shareholder earnings levels  
18 are satisfied by using O&M activities approved as a part of the rate base and being  
19 recovered from ratepayers, as a financial hedge strongly encouraged by incentive  
20 compensation. From a ratemaking perspective, this means that money collected  
21 from ratepayers for the purpose of paying employees and performing maintenance  
22 may not be paid or performed but instead may be diverted, if needed, to bolster  
23 shareholders’ return on investment.

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25 **III. TRANSPARENT PARTICIPATORY PLANNING PROCESSES**

26 **Q: Did you make specific recommendations regarding integrated resource and**

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<sup>3</sup> IPL Fields Rebuttal Testimony, p. 7, lines 2-16 (emphasis added).

1           **distribution system planning?**

2    A:    Yes. As discussed in my direct testimony, IPL needs to conduct transparent  
3           participatory planning processes consistent with the recommendations provided by  
4           EI witness Devi Glick and EI witness Cody Davis. Balancing the interests of  
5           ratepayers with the interests of investors requires processes to protect ratepayer  
6           interests where it is clear that IPL has a primary objective to benefit shareholders.  
7           The resource and distribution plans should have a minimum planning horizon  
8           through 2032, and proposed capital expenditures should be based on need and  
9           prioritized based on value to the system.

10   **Q:    Did IPL comment on your recommendation?**

11   A:    Yes. IPL witness Kitchen agrees that an IRP process is a key aspect to sound  
12           decision making and that IPL and its predecessor companies have been performing  
13           resource plans since the 1990's. However, witness Kitchen is against resource  
14           planning participatory processes, stating:

15                   IPL's resource planning process is continuously ongoing and *not*  
16                   *confined or constrained to the more rigid, participatory processes*  
17                   seen in IPL's 2020 Clean Energy Blueprint and current 2024  
18                   Resource Evaluation Study... Intervenors' requests for a  
19                   *burdensome IRP* simply amounts to an *ever-raising performance*  
20                   *bar.*<sup>4</sup>

21           This suggests that the customers' interest of ensuring that proposed capital  
22           expenditures are based on need and prioritized based on value to the system with a  
23           longer-term view of the future doesn't need to be shared with customers because it  
24           is too burdensome.

25   **Q:    Do you agree with IPL witness Kitchen that participatory processes are key to**

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<sup>4</sup> Kitchen Rebuttal at 3 (emphasis added).

1           **sound decision making?**

2    A:    Yes. However, contrary to witness Kitchen’s view that an IRP is burdensome  
3           simply amounting to an ever-rising performance bar, my direct testimony explains  
4           why it is necessary to balance the interests of shareholders and customers. IPL is  
5           advising shareholders that it expects to invest upwards of 23 billion through 2032.<sup>5</sup>  
6           This level of investment, in fact, is the very reason that participatory planning  
7           processes are essential. The failure to conduct transparent participatory planning  
8           processes allows IPL’s decisions to be driven first by establishing capital  
9           investment levels to support investor expectations and allocating the investment  
10          capital based on internal decisions devoid of transparent comprehensive planning.  
11          Integrated resource and distribution system planning assist in correcting the  
12          imbalance of shareholder interests prioritized over customer interests and provide  
13          transparency to ensure investments are in the best interest of the customers.

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15    **IV.    REGULATORY BURDEN CONJECTURE**

16    **Q:    What is IPL required to provide its customers?**

17    A:    Iowa code section 476.8 requires IPL to provide reasonably adequate service and  
18          facilities at reasonable and just rates. IPL rates should be set such that they balance  
19          the interests of the ratepayer with the interests of the shareholder.

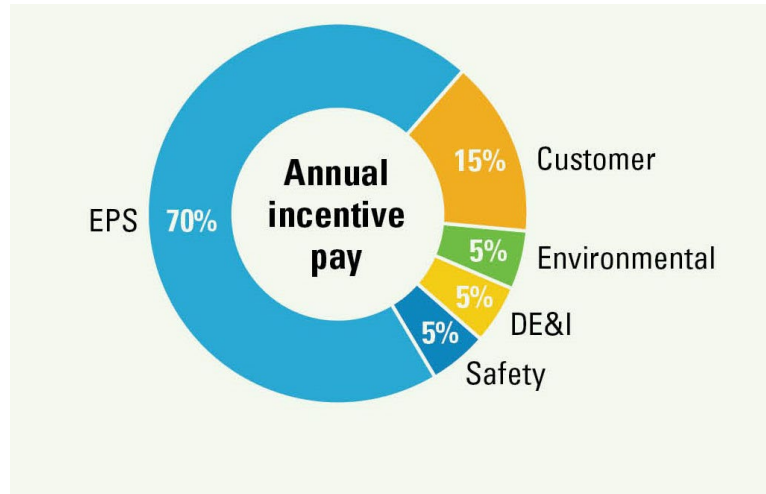
20    **Q:    Has IPL described how it incentivizes actions on behalf of customers?**

21    A:    Yes. IPL witness Yocum testified that providing good customer service, maintaining  
22          reliability, environmental stewardship, and doing so in a safe and affordable manner

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<sup>5</sup> Guyer Direct, p. 5.

1 are all important pillars of IPL’s incentive compensation plans and further align with  
2 the core purpose to serve customers and build strong communities.<sup>6</sup> Further  
3 descriptions of the customer-focused 30% is quoted below.<sup>7</sup>



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- The customer experience goals are linked to our customer-focused strategy and guided by our purpose to offer superior service to our customers. The customer interaction target measures our efforts to create a simple, personalized experience for our customers by soliciting feedback after customer interactions and averaging the feedback responses. The System Average Interruption Duration Index (SAIDI) measures outage duration and the System Average Interruption Frequency Index (SAIFI) measures outage frequency. Both of these goals measure our current year reliability compared to our 10-year historical average.
- Other operational goals are linked to our strategy and include emissions reductions, diversity, equity and inclusion, and safety.
- The emissions reduction goal emphasizes our commitment to clean energy and rewards annual progress toward the Company’s long-term aspiration of a 50% reduction in CO emissions by 2030 from 2005 levels.
- Our diversity goals support and reward an inclusive culture. They measure our achievement on three metrics that we believe are important in creating a culture of inclusivity and belonging. Each component is worth ten points and is measured on a pass/fail scale. The components include: developing and advancing diverse talent in succession pools for director and above positions, prevalence of female and people of color promotions, and diverse candidate slates for salaried roles filled externally.

<sup>6</sup> IPL Yocum Rebuttal Testimony, p. 4, lines 4-8.

<sup>7</sup> Alliant Energy 2024 Proxy Statement, p. 22, 28-29, available at <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000352541/cbe85bbe-e28d-4563-874a-42c6c8880628.pdf>



- 1           • Our safety goals measure our most important value - safety. They reward  
2           reductions in injuries compared to our three-year average and reductions in  
3           lost-time incidents compared to last year.

4   **Q:    Would participatory planning processes facilitate serving customers in a**  
5   **reliable, safe and affordable manner?**

6   A:    Yes. Contrary to IPL witness Kitchen’s unfounded and unsubstantiated conjecture  
7           that an IRP is “burdensome,” participatory planning processes provide a systematic  
8           approach to satisfying customer service expectations with public stakeholder  
9           involvement and buy-in on the future actions and timing necessary to provide  
10          reliable, safe and affordable service.

11   **Q:    Do you have Iowa examples of utilizing an IRP process to accomplish the goal**  
12   **of providing reliable, safe and affordable service?**

13   A:    Yes. Central Iowa Power Cooperative (CIPCO) and North Iowa Municipal Electric  
14          Cooperative Association (NIMECA) both utilize a formal IRP process to  
15          accomplish the goal of reliable, safe and affordable service.<sup>8 9</sup>

16   **Q:    Does CIPCO discuss how the IRP facilitates providing safe, reliable, and**  
17   **economical service?**

18   A:    Yes. In the 2022 IRP, the CIPCO process is described as follows:<sup>10</sup>

19                   As a consumer-owned, non-profit cooperative, *CIPCO has always*  
20                   *been committed to providing safe, reliable, and economical service*  
21                   to its membership. *Integrated resource planning is a key process by*  
22                   *which CIPCO accomplishes this goal on behalf of its member*  
23                   *systems. Through its assessment of a broad range of available*  
24                   supply-side and demand-side resource options, the *integrated*  
25                   *resource planning process supports CIPCO’s efforts to select the*

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<sup>8</sup> North Iowa Municipal Electric Cooperative Association Integrated Resource Plan (July 2023) available at <https://www.wapa.gov/wp-content/uploads/2023/11/nimeca-cooperative-2023-irp-5-year-report.pdf>

<sup>9</sup> Central Iowa Power Cooperative 2022 Integrated Resource Plan (April 2022) available at [https://www.cipco.net/sites/default/files/documents/PDF%20Linked%20Files/2022%20IRP\\_2022-03.pdf](https://www.cipco.net/sites/default/files/documents/PDF%20Linked%20Files/2022%20IRP_2022-03.pdf)

<sup>10</sup> *Id.* at 2, 70-71 (emphasis added).

1                    *optimal mix of resources and programs to meet the needs of its*  
2                    *membership.*

3    **Q:    Does CIPCO include participation by others in its planning process?**

4    **A:**    Yes. CIPCO specifically engages the public and seeks its input as shown in the  
5                    following excerpt from its IRP.

6                    *CIPCO and any partners* involved in development of new  
7                    generation or transmission infrastructure impacting the general  
8                    public *will engage the public* through information dissemination,  
9                    public meetings and forums, regulatory processes, and other  
10                    avenues that are typically available as part of resource development.  
11                    *These public input opportunities will gather and share public*  
12                    *information, seek to identify key concerns of the public, and respond*  
13                    *to those comments and concerns.* Some of these activities will be  
14                    coordinated directly by CIPCO, while others will involve project  
15                    partners, regional planning organizations, or regulatory bodies at the  
16                    state or county level. *(emphasis added)*

17    **Q:    Do you believe an IRP would pose a regulatory burden for IPL?**

18    **A:**    No. CIPCO is a generation and transmission electric cooperative with member  
19                    systems that serve a population of nearly 300,000 rural and urban residents and  
20                    more than 13,000 small and large commercial and industrial accounts across Iowa.  
21                    CIPCO has 110 employees with 2023 energy sales of 3,010,210 MWh.<sup>11</sup> IPL is part  
22                    of an organization serving almost 1,000,000 electric customers with 3281  
23                    employees and 2023 energy sales of 33,000,000 MWh.<sup>12</sup> If CIPCO can develop an  
24                    IRP to meet the objectives of safe, reliable and affordable and finds the IRP to be a  
25                    key process in doing so, then any conjecture of a burdensome process by IPL, with  
26                    substantially more resources, lacks credibility and ignores the customer benefits of  
27                    participatory planning processes. Even if a formal IRP requires nominal costs or

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<sup>11</sup> [CIPCO at a Glance | Central Iowa Power Cooperative](#)

<sup>12</sup> [Alliant Energy - Operations, Values and Compliance](#)

1 time, those costs are almost certainly outweighed by the benefits to the utility,  
2 board, and customers that flow from a transparent and robust planning process that  
3 can help identify and avoid significant resource costs and risks before they are  
4 incurred.

5 **Q: What participatory planning processes are recommended for IPL?**

6 A: Although CIPCO and NIMECA use Integrated resource planning, that doesn't  
7 mean that their process is sufficient for IPL. Unlike CIPCO and NIMECA, IPL is  
8 an investor-owned utility with a commitment to shareholders of maintaining an  
9 earnings per share (EPS) with a 6% compound annual growth rate (CAGR).  
10 Importantly, as discussed, management is disproportionately incented to act on  
11 behalf of shareholders. To ensure that planned future investments are prudent, IPL  
12 needs to conduct robust and routine participatory planning processes consistent  
13 with the recommendations provided by EI witness Devi Glick and EI witness Cody  
14 Davis.

15 **Q: Does this conclude your testimony?**

16 A: Yes.

AFFIDAVIT OF STEVEN GUYER

STATE OF Iowa )  
 ) ss.  
COUNTY OF Polk )

I, Steven Guyer, being duly sworn on oath, state that I am the same Steven Guyer identified in the testimony being filed with this affidavit, that I have caused the testimony to be prepared and am familiar with its contents, and that the testimony is true and correct to the best of my knowledge and belief as of the date of this affidavit.

/s/ Steven Guyer  
Steven Guyer

STATE OF Iowa  
COUNTY OF Polk

Subscribed and Sworn before me this 28th day of May 2024.

/s/ Kassai Jean Manwarren  
Notary Public