

STATE OF IOWA  
BEFORE THE IOWA UTILITIES BOARD

IN RE:	)	
	)	
	)	DOCKET NO. RPU-2019-0001
INTERSTATE POWER AND LIGHT	)	
COMPANY	)	

DIRECT TESTIMONY  
OF  
KARL R. RÁBAGO

On Behalf of

Environmental Law & Policy Center and  
Iowa Environmental Council

August 1, 2019

**TABLE OF CONTENTS**

<b>TABLE OF CONTENTS .....</b>	<b>2</b>
<b>I. INTRODUCTION AND OVERVIEW .....</b>	<b>3</b>
<b>II. COMPANY PROPOSAL TO INCREASE FIXED CUSTOMER CHARGES AND IMPLEMENT SUMMER RESIDENTIAL DECLINING BLOCK RATES.....</b>	<b>7</b>
<i>Declining Block Rates for Residential Customers .....</i>	<i>7</i>
<i>The Company's Increased Fixed Charge Proposals .....</i>	<i>12</i>
<i>Relationship between Customer Income and Electricity Usage in Iowa.....</i>	<i>28</i>
<b>III. OTHER RATE DESIGN ISSUES.....</b>	<b>35</b>
<i>Optional Demand Rates.....</i>	<i>35</i>
<i>Proposed Rates for Large General Service Customers .....</i>	<i>36</i>
<i>Fixed Amount Bill Pilot Program Proposal .....</i>	<i>38</i>
<i>Transportation Electrification Incentives .....</i>	<i>41</i>
<i>Solar Program Proposals .....</i>	<i>45</i>
<i>Energy Efficiency Cost Recovery Rider.....</i>	<i>49</i>
<i>Regional Transmission Service Rider.....</i>	<i>61</i>
<b>IV. RETURN ON EQUITY ISSUES .....</b>	<b>63</b>
<b>V. TRADE ASSOCIATION DUES THAT FUND LOBBYING &amp; ADVOCACY .....</b>	<b>65</b>
<b>VI. SUMMARY OF RECOMMENDATIONS.....</b>	<b>84</b>

**I. INTRODUCTION AND OVERVIEW**

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

A. My name is Karl R. Rábago. I am the principal of Rábago Energy LLC, a New York limited liability company, located at 62 Prospect Street, White Plains, New York. I appear here in my capacity as an expert witness on behalf of Environmental Law & Policy Center (“ELPC”) and Iowa Environmental Council (“IEC”) (collectively, “ELPC/IEC”).

**Q. Please summarize your experience and expertise in the field of electric utility regulation and the renewable energy field.**

A. I have worked for nearly 30 years in the electricity industry and related fields. I have been actively involved in a wide range of electric utility issues across the United States as an expert witness and, in my capacity as Executive Director of the Pace Energy and Climate Center, as a party in New York rate cases and in Reforming the Energy Vision proceedings.

My previous employment experience includes Commissioner with the Public Utility Commission of Texas, Deputy Assistant Secretary with the U.S. Department of Energy, Vice President with Austin Energy, and Director with AES Corporation, among others.

My experience includes making hundreds of decisions on the record in cases involving avoided costs, rates, tariffs, certificates of need, rulemakings, and other proceedings. I have also held executive responsibility for managing public and private budgets ranging to the hundreds of millions of dollars. A detailed resume is attached as Attachment ELPC/IEC Rábago Direct Exhibit 1.

1   **Q.    Have you ever testified before the Iowa Utilities Board (“Board” or “IUB”) or other**  
2       **regulatory agencies?**

3    A.    Yes. I testified in IUB Docket No. RPU-2017-0001. I supported ELPC and coalition  
4       partners in development of comments in IUB NOI-2014-0001 and provided comments on  
5       pilot rate proposals by both Alliant and MidAmerican in that same proceeding. In the past  
6       six years, I have submitted testimony, comments, or presentations in proceedings in  
7       Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Florida,  
8       Georgia, Guam, Hawaii, Indiana, Iowa, Kansas, Kentucky, Louisiana, Massachusetts,  
9       Michigan, Minnesota, Missouri, Nevada, New Hampshire, New York, North Carolina,  
10      Ohio, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia, and Wisconsin. I  
11      have also testified before the U.S. Congress and have been a participant in comments and  
12      briefs filed at several federal agencies and courts. A listing of my previous testimony is  
13      attached as Attachment ELPC/IEC Rábago Direct Exhibit 2.

14   **Q.    What is the purpose of your testimony?**

15    A.    In this testimony I will review and offer recommendations to the Board regarding rate  
16       design issues, renewable energy programs, the proposed fixed bill pilot program, electric  
17       vehicle charger rebates, the EECR rider, the RTS rider, rate of return on equity, and trade  
18       association dues.

19   **Q.    What information did you review in preparing this testimony?**

20    A.    I reviewed relevant pre-filed testimony of Company witnesses, filed Company schedules  
21       and tables, and relevant Company responses to information requests submitted by ELPC  
22       and IEC and other parties, previous Board decisions, and previous Company testimony,  
23       as well as testimony of my own. I reviewed relevant provisions of the Iowa

Administrative Code and the Iowa Code.

**Q. Please summarize your recommendations to the IUB.**

A. Based on my review of the evidence in this proceeding and the findings and conclusions that I have reached, I make the following recommendations to the IUB:

- Regarding the Company's residential rate proposals, I recommend that the Board direct the Company to:
  - Withdraw its proposal for declining block rates for the summer season for residential customers and continue the current practice of flat rates, or better, design and propose inverted block rates.
  - Further reduce the declining block first-to-tail block differential for winter rates and propose a reasonable schedule for eliminating the differential entirely within three years.
  - Cease assigning uncollectible expenses to the customer cost category.
  - Reduce the remaining meter- and customer service-related costs assigned to customer cost category by 50%.
  - Assign pole rental revenues to the customer cost category.
  - Recalculate the resulting customer costs for residential customers.
  - Allocate any increased prudently-incurred distribution-related costs for residential customers to volumetric rate elements.
- The Board should direct the Company to withdraw and terminate the Optional Demand Rates as a bad idea unwanted by customers.
- The Board should direct the Company to eliminate the differences in charges between LGS and LGSS customers.

- 1       • The Board should reject the Company's FABPP proposal.
- 2       • The Board should direct the Company to conduct an open and comprehensive effort
- 3       to assess the value of solar generation and other distributed energy resources in order
- 4       to establish a uniform and full avoided cost basis for its solar programs.
- 5       • The Board should adopt the recommendations submitted by ELPC/IEC witnesses
- 6       Johannsen, Kenworthy, and Volkmann in their testimony.
- 7       • The Board should condition approval of any utility-owned distributed solar project
- 8       within any of the Company's proposed programs on the Company interconnecting at
- 9       least one additional project of the same kind that is owned and operated by parties
- 10      other than the Company.
- 11      • The Board should strongly reject the Company's EECR Rider proposal as unjust and
- 12      unreasonable.
- 13      • The Board should reject the Company's proposed new charge on NM and AEP
- 14      customers through the RTS Rider.
- 15      • The Board should award the Company a ROE at the low end of the range it finds
- 16      reasonable or reduce the ROE that the Company would otherwise be awarded in order
- 17      to properly account for the very low regulatory risk and very supportive advance
- 18      ratemaking principles that the Company enjoys.
- 19      • The Company should be prohibited from seeking recovery from rate payers for any of
- 20      the costs associated with membership in the Class of '85 Regulatory Response Group,
- 21      the Cross-Cutting Issues Group, the Iowa Business Council, the Iowa Utility
- 22      Association, and the Business Roundtable.
- 23      • The Board should disallow the total amount of requested operating expense costs

relating to membership dues in EEI and to USWAG through EEI.

**II. COMPANY PROPOSAL TO INCREASE FIXED CUSTOMER CHARGES AND  
IMPLEMENT SUMMER RESIDENTIAL DECLINING BLOCK RATES**

***Declining Block Rates for Residential Customers***

**Q. Does the Company propose regressive rates on residential customers?**

A. Yes. In addition to the increased fixed customer charges, discussed later in this testimony, the Company proposes to punish low-energy users and reward excess use of electricity with severely declining block rates, adding new declining block rates in the summer and maintaining such rates in the winter. As summarized in Figure 1, below, the Company proposes to increase the charge for the first 500 kWh of consumption while significantly reducing the charge for consumption greater than 1,200 kWh per month. The resulting first-to-tail block ratio proposed is 1.43:1.00 for the summer rates. Overall, the Company proposes to heavily penalize low-users of electricity through a 20% increase on the volumetric rate for those who use 500 kWh or fewer each month, but a nearly 17% *reduction* in the volumetric rates for extremely high users.

The Company already had an extreme 2.54:1.00 ratio between charges for the first 500 kWh and for usage greater than 1,200 kWh per month for winter rates. The Company proposes a slight reduction in that ratio, to 2.34:1.00, for winter residential rates.

1 **Figure 1**

Proposed Residential Rates vs. Present Rates (2020 Units)								
Present Revenue - 2020 Units				Proposed Revenue - 2020 Units		Proposed v. Present		
	Usage Level	Rate/kWh	Revenue	Rate/kWh	Revenue	Revenue Change	Percent Change	
Summer	0-500	\$ 0.11311	\$ 73,364,409	\$ 0.13495	\$ 87,523,600	\$ 14,159,191	19.3%	
	501-1200	\$ 0.11311	\$ 48,935,188	\$ 0.11495	\$ 49,726,621	\$ 791,433	1.6%	
	1200+	\$ 0.11311	\$ 16,163,092	\$ 0.09430	\$ 13,475,197	\$ (2,687,895)	-16.6%	
	Ratio First Block Rate to Tail Block Rate 1.00		\$ 138,462,689	Ratio First Block Rate to Tail Block Rate 1.43		\$ 150,725,418	\$ 12,262,729	8.9%
Winter	0-500	\$ 0.09649	\$ 116,065,373	\$ 0.11662	\$ 140,268,043	\$ 24,202,670	20.9%	
	501-1200	\$ 0.07474	\$ 47,200,299	\$ 0.09357	\$ 59,089,430	\$ 11,889,131	25.2%	
	1200+	\$ 0.03804	\$ 11,842,180	\$ 0.04978	\$ 15,496,944	\$ 3,654,764	30.9%	
	Ratio First Block Rate to Tail Block Rate 2.54		\$ 175,107,852	Ratio First Block Rate to Tail Block Rate 2.34		\$ 214,854,417	\$ 39,746,565	22.7%
			\$ 313,570,541			\$ 365,579,835	\$ 52,009,294	16.6%

2 Source: Company witness Vognsen Exh. 3 Final

3 **Q. What is the impact of the proposed changes on the summer bill of the average**  
 4 **residential customer?**

5 A. Assuming a usage level of 756 kWh per month, the average customer would face an  
 6 \$11.39 increase in the volumetric charge under the Company's proposed summer rates.  
 7 Most of this amount, equal to \$10.92 per month, results from the increase in the charge  
 8 for the first 500 kWh being increased from \$0.11311 per kWh to \$0.13495 per kWh. The  
 9 resulting impact on residential customer is like an additional fixed customer charge of  
 10 more than \$11 per customer per month. That is, the charge is regressively imposed on  
 11 lower use customers in order to provide discounts for high use customers of some 17%  
 12 on usage above 1,200 kWh per month and increases the average customer's summer bill  
 13 by 13% to pay for it. The table in Figure 2 shows the impact of the Company's proposed  
 14 summer declining block rate design on the average customer. The table in Figure 3 shows  
 15 the impact of the proposed energy rates on a sample of customer usage levels and  
 16 dramatically demonstrates the regressive results of the Company's proposal. The



customer using 500 kWh or fewer each month suffers a 19.3% increase in charges, while the customer using 2,000 kWh per month enjoys an 11.4% decrease in charges.

Figure 2 – Monthly Bill Impact on Average Residential Customer

**Monthly Bill Impact of Summer Declining Block Rate Proposal, Average Use (756 kWh/mo) Residential Customer**

Usage Level	Usage - kWh	Current Energy Charge per kWh	Energy Bill under Current Rates	Proposed Energy Charge per kWh	\$ Increase (Decrease) in Rate	Energy Bill under Proposed Rates	\$ Increase (Decrease) in Bill	Percent Increase (Decrease) in Rate and Charge
0-500	500	\$ 0.11311	\$ 56.56	\$ 0.13495	\$ 0.02184	\$ 67.48	\$ 10.92	19.3%
501-1200	256	\$ 0.11311	\$ 28.96	\$ 0.11495	\$ 0.00184	\$ 29.43	\$ 0.47	1.6%
1200 +	0	\$ 0.11311	\$ -	\$ 0.09430	\$ (0.01881)	\$ -	\$ -	-16.6%
	<b>756</b>		<b>\$ 85.51</b>			<b>\$ 96.90</b>	<b>\$ 11.39</b>	

Source: Company witness Vognsen Exhibit 3

Figure 3 – Monthly Bill Impact under Sample Usage Levels

**Monthly Bill Impact under Sample Usage Levels**

Monthly Usage	Energy Bill under Current Rates	Energy Bill under Proposed Rates	Change in Monthly Energy Charge	Percent Change in Monthly Charge
<b>100</b>	\$ 11.31	\$ 13.50	\$ 2.18	19.3%
<b>500</b>	\$ 56.56	\$ 67.48	\$ 10.92	19.3%
<b>1000</b>	\$ 113.11	\$ 124.95	\$ 11.84	10.5%
<b>1500</b>	\$ 169.67	\$ 153.24	\$ (16.43)	-9.7%
<b>2000</b>	\$ 226.22	\$ 200.39	\$ (25.83)	-11.4%

Source: Company witness Vognsen Exhibit 3

**Q. Please summarize the overall residential rate design proposal from the Company.**

A. Overall, the Company proposes an extremely regressive package of residential rates and changes to make them even more regressive than they already are. The Company proposes that low users of energy bear the brunt of costs assigned to the residential class and that high users receive discounted rates and an incentive to use even more. Because usage correlates with economic status, age, and ethnicity in Iowa, the proposed rates are

1 the opposite of just and reasonable—they are unjustly discriminatory. Furthermore, the  
2 rates proposed by the Company significantly diminish the benefits that customers can  
3 realize through efficient use of energy.

4 **Q. Does the Company offer a justification for its regressive and discriminatory rate**  
5 **design proposal?**

6 A. Yes, but the Company justification is unsubstantiated and inadequate to support a finding  
7 of just and reasonable rates. Company witness Vognsen presents a case of statistical  
8 misrepresentation and misdirection in an effort to justify the proposed rate design. Mr.  
9 Vognsen asserts that the new steeply declining summer rates and the still even more  
10 severely declining winter rates are appropriate because the witness found a statistical  
11 correlation between load factor and increased energy use in the residential class.<sup>1</sup> That is  
12 to say, the witness observes that the load factor of a residential dwelling that uses the  
13 outrageously high amount of 6,500 kWh per month—about 8 times as much electricity as  
14 the average user—has a load factor that is 50%, or twice as good as the 25% load factor  
15 of the average residential customer. Though 50% is better than 25% for an individual  
16 customer's load factor, it is not likely to be significant in terms of system costs—and it is  
17 still a poor load factor. The observation of a correlation of high use levels with increased  
18 load factor is insufficient as a justification for declining rates with 1:43:1 summer rate  
19 ratio and 2.34:1 winter rate ratio. There is no principle of sound rate making that supports  
20 reliance on the single factor of correlation between usage level and load factor as a basis  
21 for extremely regressive rate design.

---

<sup>1</sup> IPL Vognsen Direct Testimony at 19-21.

1   **Q.    Please explain.**

2    A.    The Company's declining block proposals disregard elasticity of demand and that the  
3          proposed rates send a price signal for wasteful consumption. Because low rates targeted  
4          at high users are almost certain to result in more increased use and are supported in this  
5          by the punitive effects of non-bypassable fixed customer charges, the Company's  
6          proposed rates are irresponsibly anti-efficiency—a violation of fundamental rate design  
7          principles.

8   **Q.    In what ways could increased and wasteful consumption lead to increased costs?**

9    A.    First, the fact that increased use correlates with increased load factor does not support the  
10       existence of a causal relationship that can or should be supported with sharply declining  
11       block rates. That is, not all increased use improves the efficiency of demand, and as the  
12       Company observes, even if demand increases at a decreasing rate, demand is still  
13       increasing with load.<sup>2</sup> And increasing demand still drives increasing system costs to serve  
14       the higher loads. Second, there is no reason to assume that the correlation observed by the  
15       Company between higher demand and better load factor will continue if all customers are  
16       encouraged to increase demand with the declining block rates *going forward*. The  
17       Company's analysis is solely historical and not based on analytical modeling about the  
18       kinds of loads that would be added by customers under steeply declining block rates.  
19       Further increases in demand by high-use and other customers may actually reverse the  
20       correlation and lead to worsening load factors. Third, if efficiency of demand—improved  
21       load factor—is the Company's goal, and it should be, there are a host of energy  
22       efficiency, demand response, and other programs and rates that can more efficiently

---

<sup>2</sup> *Id.*

1 target peak demand and resulting load factor without regressive impacts and the  
2 encouragement of electricity waste. Fourth, the Company produced no analysis of the  
3 costs of meeting increased demand that will result from increased usage. Serving  
4 customers with very high demand, even if they have better load factors, still implies  
5 expensive distribution system infrastructure investments with utilization rates that remain  
6 at or below 50%--because demand continues to increase with consumption.

7 ***The Company's Increased Fixed Charge Proposals***

8 **Q. What is the Company's proposal to increase fixed customer charges?**

9 A. The Company proposes an overall net Base Rate increase of nearly \$90 million, equating  
10 to about a 6% increase in the Company's all-in retail electric revenues.<sup>3</sup> Of this amount,  
11 the Company proposes to recover about \$7.2 million through an increase in the  
12 residential customer service charge from \$11.50 per customer per month to \$13.00 per  
13 customer per month.<sup>4</sup> This equates to an increase of 13% in the fixed charge, more than  
14 twice the increase in all-in electric rates.<sup>5</sup>

15 The Company also proposes to increase the General Service fixed customer charge from  
16 \$19.00 to \$20.00 per customer per month, or by 5%.

17 **Q. What is the monthly bill impact of the proposed increase fixed customer charge?**

18 A. The Company did not conduct any bill impact analysis for customers that varied by  
19 customer usage levels, income, or other demographic characteristics.<sup>6</sup> However, based on

---

<sup>3</sup> IPL Michek Direct Testimony at 5; IPL Vognsen Direct Testimony at 18.

<sup>4</sup> *Id.*

<sup>5</sup> Calculated as  $13\% / 6\% = 2.2$ .

<sup>6</sup> IPL response to OCA 14 SUPP, attached as ELPC/IEC Rábago Direct Exhibit 3.

1 my analysis of the rate proposals, the impact of the proposed customer charge increase is  
2 economically regressive. That is, the proposed increase impacts those less able to pay  
3 more than other more affluent customers because low-income customers tend to be low-  
4 users of energy. The proposed fixed customer charge will be greater as a percentage of  
5 the total bill for low energy users, who tend to be low income customers, retired  
6 customers on fixed incomes, students, and renters.

7 **Q. Did the Company evaluate the relative impacts of any alternative rate designs for**  
8 **recovery of approved costs?**

9 A. The Company did not evaluate any alternative rate designs to its current proposal.

10 **Q. Does the Company have alternatives to allocating increased costs to fixed customer**  
11 **charges?**

12 A. Yes. A fixed customer charge is not the only mechanism for recovering fixed costs.  
13 Precisely because of the concerns that I cover in this testimony, utilities and regulators  
14 throughout the country have typically allocated a large proportion of fixed costs to  
15 volumetric rate elements for residential and small commercial customers. The notable  
16 exceptions to this approach are the customer costs related directly to connecting a  
17 customer to the grid, as these costs do vary with the number of customers served. This  
18 process starts with a more reasonable basic customer cost approach to cost classification.

19 **Q. How does the Company assign costs to the customer charge for residential and**  
20 **general service customers?**

21 A. The Company asserts that it assigns to customer charges those costs which it would incur  
22 regardless of whether connected customers used any energy, and asserts that these are

1 costs that the Company incurs “simply to have the customer connected to the electric  
2 distribution system; therefore, the customer should pay for these costs regardless of the  
3 amount of energy the customer uses.”<sup>7</sup> An examination of the schedules and work papers  
4 submitted by the Company reveals that instead of assigning costs based on the cost to  
5 connect, the Company assigns costs to the customer charge based on the label of the  
6 category in which it places its costs.<sup>8</sup> If the cost is a meter, it is assigned entirely to  
7 customer costs, even though with advanced meter infrastructure, new expensive meters  
8 with enhanced capabilities are used to support demand- and energy-related services and  
9 functions. If the cost is related to services—the equipment that connects the customer to  
10 the grid, it is all assigned as customer costs, even if services are orders of magnitude  
11 more expensive for new suburban homes with high demand and usage than for low-use  
12 and low-demand customers merely switching accounts on an existing service in a small  
13 multi-family dwelling. If the cost is an uncollectible expense, the Company assigns it to  
14 the customer cost, even though uncollectible expenses are not created by the connection  
15 of customers to the grid and are directly correlated with usage of energy and demand.  
16 Finally, the Company also includes costs related to customer sales and services as  
17 customer costs notwithstanding the fact that much customer service engagement is a  
18 product of energy and demand use, payment difficulties, new products and services, and  
19 other functions not limited or directly related to connecting a customer to the grid. In  
20 other words, there is little about the method by which the Company assigns costs to the  
21 customer costs category that honors the Company’s stated definition of customers

---

<sup>7</sup> IPL Vognsen Direct Testimony at 19, ll: 1-5.

<sup>8</sup> IPL Vognsen Direct Exhibit 5 & associated workpapers.

1 costs—costs that the Company *incurs* simply by the connection of the customer to the  
2 distribution system.

3 **Q. What analysis and explanation does the Company offer to address these issues?**

4 A. The Company testimony in support of its proposed fixed charge increases is unreasonably  
5 brief—eight lines in all—and from a regulatory perspective wholly inadequate to sustain  
6 the Company’s burden of proving that it has proposed just and reasonable rates. The  
7 testimony of the Company witness is in the form of a straw-man argument. Company  
8 witness Vognsen states that when a customer charge is set below its functionalized cost,  
9 fixed costs must be recovered through volumetric rates, and that automatically means  
10 unfair intra-class subsidization of low users by high users. This is not an argument; it is  
11 merely an unvalidated assumption that the Company’s functionalization exercise was  
12 done properly. As already pointed out, the Company doesn’t even honor its own  
13 definition of customer costs in conducting functionalization.

14 Then the witness concludes by stating that increasing fixed charges to collect more fixed  
15 costs mitigates or eliminates intra-class subsidies.<sup>9</sup> The witness does not support these  
16 assertions with evidence. There is no evidence presented by the Company that a subsidy  
17 exists, or that its customer charge and volumetric charge proposals are corrections that  
18 are just, reasonable, and in the public interest.

19 Rather, the witness offers only conclusory statements and a reference to testimony in a  
20 prior proceeding that did not involve or result in Board endorsement of the Company’s

---

<sup>9</sup> IPL Vognsen Direct Testimony at 19, ll: 6-13.

1 approach on these issues.<sup>10</sup>

2 **Q. Why is the evidence and testimony inadequate?**

3 A. First, the Company fails to show that current customer charges are set below the  
4 functionalized costs. As already summarized and set forth in detail later in this testimony,  
5 there is evidence the Company has *over-allocated* costs to the customer charge. Second,  
6 the Company has provided no evidence that volumetric rate recovery of fixed costs  
7 results in intra-class subsidization. The Company witness confirms that demand-related  
8 costs increase with increased consumption. Third, there is no regulatory principle to  
9 support the assertion that the economic efficiency of electric rates is improved when  
10 fixed costs are recovered through fixed charges—there is no correlation between  
11 alliteration and economic efficiency.

12 **Q. Does the Company offer any additional support for its position beyond the narrative**  
13 **testimony?**

14 A. Yes, but it is neither accurate nor probative. Company witness Vognsen states in Exhibit  
15 9 filed with his testimony that the Company’s approach to assigning costs to the customer  
16 costs category has been “[a]ccepted by the Board in the IPL’s last fully litigated rate case  
17 involving CCS issues. Docket Nos. RPU-2017-0001, RPU-2010-0001, RPU-02-3/RPU-  
18 02-8.”<sup>11</sup> The witness cites his testimony in RPU-2017-0001 in order to justify his  
19 methodologies used in this proceeding.<sup>12</sup>

---

<sup>10</sup> IPL responses to ELPC/IEC-DR-120, ELPC/IEC Rábago Direct Exhibit 4; IPL Response to ELPC/IEC DR 121, attached as ELPC/IEC Rábago Direct Exhibit 5

<sup>11</sup> IPL Vognsen Direct Exhibit 9, at 2.

<sup>12</sup> IPL response to ELPC/IEC-DR- 96.b, attached as ELPC/IEC Rábago Direct Exhibit 6.



1 **Q. Is it your understanding that customer cost of service issues were fully litigated in**  
2 **the most recent rate case, Docket No. RPU-2017-0001?**

3 A. No, and I am surprised that the Company witness would so brazenly mischaracterize the  
4 Boards decision and final order. My understanding is that the case was settled without a  
5 full litigation of CCS issues, and the Board's final order in that case did not address the  
6 Company's CCS issues except to say that "[g]enerally, the Board observes that IPL's  
7 CCOSS is consistent with previously approved methodologies."<sup>13</sup> The fixed customer  
8 charge in that case was settled and was not addressed other than as a part of the  
9 settlement.

10 **Q. Does the Company establish that the costs it proposes to assign to the customer**  
11 **charge do not vary with changes in customer energy use or demand?**

12 A. No. When the Company asserts that "adjusting the customer charges to recover more of  
13 the fixed costs through a customer charge will mitigate or eliminate the intra-class  
14 subsidies that otherwise result,"<sup>14</sup> it advances an argument that all fixed costs should be  
15 recovered through fixed charges, which is both economically unsound and inconsistent  
16 with Iowa ratemaking standards in 199 IAC § 20.10(2). The Company's agenda appears  
17 to be a departure from limiting customer costs to costs incurred when connecting a  
18 customer to the grid, and to replace that approach with nothing less than straight fixed-  
19 variable rates. That agenda is bad for the Company's customers and bad for energy policy  
20 in Iowa.

21 **Q. Please explain.**

---

<sup>13</sup> Final Order in RPU-2017-0001 at 25.

<sup>14</sup> IPL Vognsen Direct Testimony at 19, ll: 11-13.

1 A. First, it is important to understand that the Company position describes the kind of  
2 thinking that underlies straight fixed variable rate design. That is, the Company appears  
3 to argue that all sunk, or embedded, fixed distribution system costs should be assigned to  
4 the customer category because once incurred, sunk costs do not vary with usage. I  
5 address the flaw in this approach later in this testimony. Second, when pressed to explain  
6 how it decides which costs it assigns to the customer charge, the Company only  
7 referenced prior cases.<sup>15</sup>

8 **Q. Are there other factors besides cost functionalization and allocation that guide**  
9 **sound rate design?**

10 A. Yes. In fact, James Bonbright articulated several more objectives that must be  
11 considered. A review of these objectives from “Principles of Public Utility Rates” reveals  
12 additional objectives not addressed by the Company. While different commentators  
13 group these objectives differently, all full lists of rate design principles generally include:

- 14 • Sound rate design characteristics include simplicity, understandability, public  
15 acceptability, and feasibility of application and interpretation;
- 16 • Rates should be effective in yielding total revenue requirements;
- 17 • Rates should support revenue and cash flow stability on a year-over-year basis;
- 18 • Specific rates should be stable and unexpected changes that are seriously adverse to  
19 customers should be avoided or minimized to prevent “rate shock;”
- 20 • Rates should fairly apportion cost of service among different customers;
- 21 • Rates should avoid “undue discrimination;” and

---

<sup>15</sup> ELPC/IEC Rábago Direct Exhibit 6

- Rates should promote efficient use of energy and competing services and products.<sup>16</sup>

**Q. How do price signals to customers relate to customer preferences for electricity services?**

A. The Company produced substantial evidence that customers have a strong preference for increased information and options to better manage their electricity.<sup>17</sup> High fixed costs subvert these desires by reducing the impact that customers can have on their bills through the use of efficiency, conservation, energy management, and distributed generation. That is, the more revenue collected in fixed charges, the less that customers are able to manage costs. The Company even proposes to take this disconnection of bills and usage management to an unreasonable extreme with its proposal for a Fixed Customer Bill Payment Plan pilot, discussed later in this testimony.

**Q. When costs associated with distribution systems are classified as fixed, should they be collected through the fixed customer charge?**

A. Not necessarily, and not if the result is that low usage customers are disproportionately impacted, or that energy efficiency, conservation, and renewables are adversely and unnecessarily impacted. I am not aware of any evidence or analysis, and see none in this record, proving that increasing fixed customer charges improves system-wide economic efficiency or the efficiency of *customer* decisions. A proper goal of rate design is economic efficiency, but the Company proposals not only fail to advance efficiency, they

---

<sup>16</sup> James Bonbright, “Principles of Public Utility Rates,” available at: [http://media.terry.uga.edu/documents/exec\\_ed/bonbright/principles\\_of\\_public\\_utility\\_rates.pdf](http://media.terry.uga.edu/documents/exec_ed/bonbright/principles_of_public_utility_rates.pdf).

<sup>17</sup> IPL Confidential response to OCA-DR-21 attached as ELPC/IEC Rábago Direct Exhibit 7 (includes data marked confidential).

1 frustrate it.

2 Absent evidence of system-wide or customer efficiency benefits, fixed customer charges  
3 should not be increased, and costs should instead be allocated to variable charges. Again,  
4 the differences in costs that lead to labeling them as fixed or variable do not, standing  
5 alone, tell us anything about the rate design that should be used to recover them.

6 **Q. Does 199 IAC 20.10 stand for the proposition that rate design structure should**  
7 **mimic Company cost structure in order to advance economic efficiency, or that**  
8 **straight fixed variable rates are preferable?**

9 A. Absolutely not. The language in 199 IAC 20.10 is consistent with traditional rate making  
10 practices in stating that “[r]ates charged by an electric utility for providing electric  
11 service to each class of electric customers shall be designed, to the maximum extent  
12 practicable, to reasonably reflect the costs of providing electric service to the class.” This  
13 language affirms that class rates should reflect class costs, not Company cost structure.  
14 Moreover, 199 IAC 20.10 also provides that “the design of rates should reasonably  
15 approximate a pricing methodology for any individual utility that would reflect the price  
16 system that would exist in a competitive market environment.” In competitive markets, a  
17 great many businesses, including airlines, hotels, bus service, and others that are  
18 characterized by high fixed costs rely upon purely volumetric charges for recovery of  
19 costs in prices.<sup>18</sup> Long-run marginal costs, and not a focus on embedded costs, are  
20 preferred under 199 IAC 20.10 for the purposes of determining rate designs within

---

<sup>18</sup> See Editor, Getting It Right on Electricity Rate Design, *New Explainer Video on Utility Fixed Charges (and Donuts)*, Medium.com (Nov. 9, 2018). The video is available at: <https://medium.com/getting-it-right-on-electricity-rate-design>.

1 customer classes. The Company proposal to disproportionately increase the fixed  
2 customer charge and thereby result in a reduction in average rates as usage increases also  
3 runs afoul of the intent of the 199 IAC 20.10(3), which prohibits declining block rates,  
4 especially in light of Company evidence that increasing energy use is correlated with  
5 increases in demand. As the economist Steve Kihm, who served for more than twenty  
6 years as an analyst with the Wisconsin Public Service Commission succinctly  
7 summarized the issue, “[h]igh fixed charge pricing steers the economy away from  
8 efficient resource allocation, not toward it.”<sup>19</sup>

9 **Q. How do residential and small general service customers exercise control over their**  
10 **variable and fixed costs?**

11 A. When volumetric rates are used to recover fixed and variable demand and energy costs,  
12 residential customers have meaningful, practical, and realistic opportunities to exercise  
13 control over their energy bills and costs—something they really want to do, according to  
14 the Company’s survey data—and to contribute to support reduction in the cost-drivers of  
15 fixed cost infrastructure. As discussed below, reductions in use through efficiency,  
16 conservation, and/or self-generation all contribute to reductions in variable energy costs.  
17 Moreover, these behaviors also reduce high peak demand, and by doing so customers  
18 directly contribute to reducing fixed costs going forward. All of these options are  
19 frustrated by shifting cost recovery from volumetric to fixed charges and by installing  
20 steeply declining block rates, as proposed by the Company.

---

<sup>19</sup> Kihm, S., “Economic Concerns about High Fixed Charge Pricing for Electric Service,”  
available at: <http://americaspowerplan.com/wp-content/uploads/2014/10/Economic-analysis-of-high-fixed-charges.pdf>

1 **Q. Did the Company evaluate how customer demand would or might change in**  
2 **response to changes in rates?**

3 A. No. The Company has not performed any analysis of the impact of the proposed  
4 increased customer charge on customer investments, past and future, in energy efficiency,  
5 demand response, and distributed generation.

6 **Q. Is there any reason to be concerned about the demand response that could be**  
7 **associated with declining block rates?**

8 A. Yes. The Company offers the discount for increased and wasteful use in the proposed and  
9 modified rate structures regardless of when that use occurs. That means the rates drive  
10 increases in expensive on-peak demand. Proposing rate designs that increase costs might  
11 create profits for shareholders, but it is not in the public interest.

12 **Q. Is the Company's proposed rate design justified as a mechanism to remedy**  
13 **unfairness in existing rate design?**

14 A. No. No unfairness in existing rate design has been demonstrated or substantiated in the  
15 record in this case. The Company implies that existing residential and general service rate  
16 design currently reflects improper intra-class subsidies.<sup>20</sup> The Company has not  
17 demonstrated its rate design proposed to be fairer than existing rate design.

18 **Q. Should the Board also be concerned about how the proposed increased fixed**  
19 **customer charges discourage customer investment in energy efficiency and**  
20 **conservation?**

21 A. Increases in fixed customer charges create powerful price signals *against* investment in

---

<sup>20</sup> IPL Vognsen Direct Testimony at 19.

1 energy efficiency. Again, the Company undertook and offered no analysis of these  
2 impacts in this proceeding or prior proceedings.

3 **Q. Why should the IUB be concerned about approving a rate design that is detrimental**  
4 **to energy efficiency, conservation, and renewables?**

5 A. Energy efficiency, conservation, and renewables offer many benefits to the people and  
6 State of Iowa. These benefits include resource diversification, grid resiliency, future cost  
7 reductions associated with increased volume of deployment (economies of scale), job  
8 creation, system-wide cost reductions, and leveraging of non-utility investment dollars,  
9 among others.

10 In addition, rates that unnecessarily frustrate the economics of distributed energy  
11 resources like efficiency, conservation, and distributed generation are out of step and a  
12 direct rejection of the preferences of the Company's own customers. By overwhelming  
13 margins, the Company's customers support clean energy solutions, customer  
14 empowerment and information, and the opportunity to reduce energy bills. They expect  
15 the Company to lead in these areas.<sup>21</sup>

16 **Q. How do energy efficiency and conservation, in particular, produce these benefits?**

17 A. Energy efficiency and conservation generate benefits to the utility, ratepayers, and  
18 society in general in many ways, including lower cost than traditional generation and  
19 infrastructure investments, downward pressure on rates over the mid- and long-term,  
20 persistent and consistent savings, nearly endless resource potential due to economies of  
21 manufacturing scale and technological innovation, broad availability to all classes of

---

<sup>21</sup> ELPC/IEC Rábago Direct Exhibit 7

customers, and significant externalized benefits often not accounted for in ratemaking.

**Q. Can affected customers avoid fixed charges with more efficient energy use?**

A. No. The proposed increase in fixed charges cannot be avoided by customers through reductions in energy use. The proposed increase in the fixed customer charge also makes it somewhat more difficult for the average residential customer to offset the bill increases with energy efficiency investments. The steeply declining block rates proposed by the Company compound these negative impacts.

**Q. Do these proposed changes impact customers who plan to invest in energy efficiency improvements?**

A. Yes. Fixed charges are “unavoidable” and reduce the marginal value and the ultimate bill value to those customers who plan to take action to reduce their energy consumption. These changes, and the fact that the Company repeatedly seeks increases in fixed customer charges in its rate case applications, also have a chilling impact on customers who are contemplating such energy efficiency investments.

**Q. How do higher fixed charges impact prior customer investments in energy efficiency?**

A. Allocation of costs to fixed, non-bypassable charges imposes an extraordinary burden and destroys investment-backed savings expectations on energy users who have made significant prior investments in order to lower their bills. Customers and communities that invested in weatherization, equipment improvements, and building remodeling did so both to save money at the then-existing rates as well as to reduce exposure to future rate increases.



1 By breaking with best practices that have been long considered settled matters, the  
2 increased fixed charge is like a regulatory taking. Customers who have made good faith  
3 investments in greater efficiency based on established rates and ratemaking practices  
4 would experience significant and unfair bill increases under the Company's proposal.

5 The Company's proposal sends a price signal that customers who invested to reduce their  
6 use and the need for capital investments in the distribution system will be punished with  
7 charges that they can't even try to avoid. This is irreversible damage to the customers that  
8 could be avoided without harm to the Company by simply allocating the revenues  
9 associated with the fixed charge increase to volumetric rates.

10 **Q. What is the ultimate impact of reduced energy efficiency, conservation, and**  
11 **development of renewable energy?**

12 A. Inefficient use in society means uneconomically high levels of energy consumption.  
13 These in turn lead to demand for more expensive infrastructure. The Company indicates  
14 that it has seen a relatively high correlation between high energy use and demand.<sup>22</sup> The  
15 costs of these investments are levied on consumers and raise their rates. Following the  
16 Company's logic in this rate application, a significant share of these costs would be  
17 allocated to fixed charges, creating higher non-bypassable charges, and so on. The  
18 Company proposal seems likely to start and accelerate a death spiral of electric service  
19 unaffordability.

---

<sup>22</sup> IPL response to ELPC/IEC-DR-98.a.,c attached as ELPC/IEC Rábago Direct Exhibit 8.

1   **Q.    Do IUB-approved rates have any potential impact, like price signals, on the**  
2       **Company?**

3    A.    Yes. Tariffed rates are a form of contractual relationship between a utility and its  
4       customers. As a result, rates induce behavioral responses by both. The proposal to  
5       disproportionately allocate distribution-related costs to the fixed customer charge will  
6       insulate the Company from the impact of variable and declining retail sales to residential  
7       customers resulting from the adoption of distributed energy resources such as energy  
8       efficiency and distributed generation. In tandem with the volumetric rate design  
9       proposals, the Company appears intent on forcing low-use customers to support the high-  
10      use of other customers. Customers seek to reduce their bills. Monopolists seek to increase  
11      their rates.

12   **Q.    What “price signal” do fixed charges communicate to utilities?**

13   A.    Fixed prices for monopoly services communicate to the utility that regardless of the  
14      utility’s spending levels, operational efficiency, or choice of resources for meeting  
15      demand for energy services, they can pass costs on to customers that cannot be avoided  
16      by reductions or efficiency in use by those customers. Declining block rates, in addition,  
17      insulate high-use customers from the economic consequences of electricity waste,  
18      increasing short-term sales revenues for the Company at the expense of energy  
19      affordability for Iowa in the future.

20   **Q.    Earlier you said that the Company assigns costs by category. How is the Company’s**  
21       **categorical assignment of costs to the customer category less reliable than a cost-**  
22       **based approach that would focus on costs incurred to connect the customer?**

23   A.    The Company’s categorical approach ignores the expanding range of services and

1 functions performed by equipment and personnel in the provision of electric distribution  
2 services. It declares all meter costs customer costs regardless of the function supported by  
3 the cost—simply because the cost is accounted for in the metering category. But modern  
4 “smart” meters do not just measure consumption in the way that old analog mechanical  
5 meters did when the Company first decided to propose including all meter costs in the  
6 customer charge. These modern meters also support energy efficiency, demand response,  
7 demand charges, and, in the future, the scheduling of electric vehicle charging and  
8 appliance controls when the meter serves as a communications platform for a modern  
9 electric grid. As such, categorizing all meter costs as customer-related is a simple answer  
10 that is simply wrong to the extent that any costs higher than the cost of consumption-  
11 logging associated with meters are assigned to the customer category. Likewise, the costs  
12 associated with customer service staff include costs of staff being increasingly engaged in  
13 referring customers to energy efficiency and bill management programs and assisting  
14 those customers in taking advantage of programs designed to reduce energy use and  
15 demand. Regardless of accounting label, these are not simply customer costs incurred by  
16 connecting the customer to the grid or that do not vary with usage.

17 **Q. Does that mean the Company has assigned excessive costs to the customer charge?**

18 A. Yes. In particular, the meter-related and customer service costs are excessive to the extent  
19 that they relate to costs beyond the basic customer connection costs. As a result, those  
20 costs should be reduced to include only the basic costs associated with initiating service.  
21 More detailed information is required to determine the exact amount, but conservatively  
22 speaking the meter-related costs and customer service costs should be reduced by 50% in  
23 the calculation of the customer charge.

1 **Q. Are there other ways in which the Company has improperly inflated the customer**  
2 **charge?**

3 A. Yes. In particular, the Company assigns nearly \$12 million in costs of uncollectible  
4 revenues to the customer service component of the metering expenses. These costs do not  
5 arise simply because a customer establishes a connection to the grid for service and they  
6 do not vary directly with the number of customers. Rather, these costs are related to rates  
7 and usage and demand and a host of economic factors—but not customer count. At best,  
8 the Company might allocate to the customer charge the amount unpaid customer charges  
9 reflected in uncollectible balances. In the absence of that data, and because the vast  
10 majority of the uncollectible balances would be related to energy and demand, those costs  
11 should be eliminated from the calculation of the customer charge entirely.

12 ***Relationship between Customer Income and Electricity Usage in Iowa***

13 **Q. You have emphasized the economically regressive effects of the Company's fixed**  
14 **and volumetric charge proposals. What data is available about energy usage levels**  
15 **and income in Iowa?**

16 A. The Company has in the past asserted that it has no data about energy usage levels and  
17 income for its customers.<sup>23</sup> The Company provided no information in response to a  
18 request for bill impact analysis other than a bill frequency table that showed raw  
19 consumption data.<sup>24</sup> Since the Company would have provided any analysis that it had  
20 conducted in response to ELPC/IEC's data request, it is safe to assume that the Company

---

<sup>23</sup> IPL response to ELPC-DR-40 in RPU-2017-0001, attached as ELPC/IEC Rábago Direct Exhibit 9.

<sup>24</sup> ELPC/IEC Rábago Direct Exhibit 3.

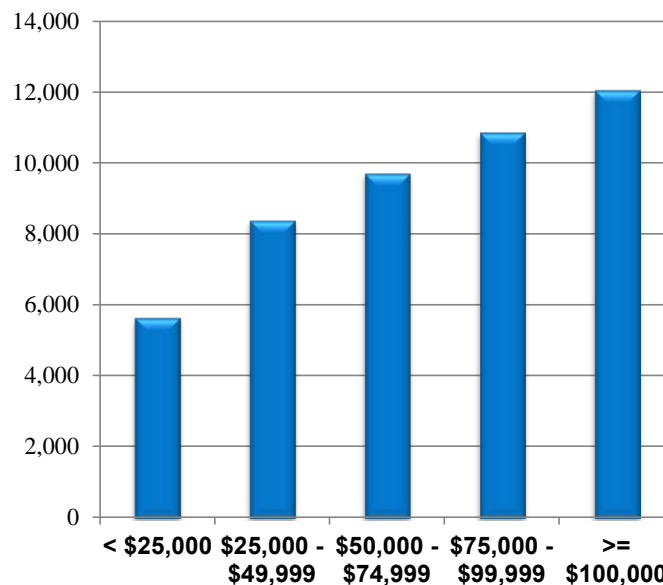
does not have and has not bothered to perform such an analysis. Given the lack of analysis from IPL, the Board should consider the best data that is available.

**Q. What data is available about the relationship between income and electricity usage?**

A. According to data obtained from the U.S. Energy Information Administration's Residential Energy Consumption Survey ("RECS") for 2009, the most recent geographically granular data available, and published by the National Consumer Law Center ("NCLC"),<sup>25</sup> and covering the states of Iowa, Minnesota, North Dakota, and South Dakota, energy usage is directly related to household income. This relationship is depicted in Figure 4, below.

Figure 4: Relationship between Consumption & Income

**Median 2009 Residential Electricity Usage (KWH), by Income**



In addition, according to the NCLC analysis of US EIA data, median electricity usage is

<sup>25</sup> "Utility Rate Design: How Mandatory Monthly Customer Fees Cause Disproportionate Harm," available at: [http://www.nclc.org/images/pdf/energy\\_utility\\_telecom/rate\\_design/IA-FINAL2.pdf](http://www.nclc.org/images/pdf/energy_utility_telecom/rate_design/IA-FINAL2.pdf).

also lower for households with residents older than 65 years, and for the homes of racial minorities. This data is shown in Figure 5, below.

Figure 5: Residential Consumption by Demographic Category

**2009 Residential Energy Consumption by Income, Race/Ethnicity, & Age**

HOUSEHOLD INCOME	MEDIAN ELECTRICITY USAGE (KWH)
< \$25,000	5,653
\$25,000 - \$49,999	8,401
\$50,000 - \$74,999	9,719
\$75,000 - \$99,999	10,871
>=\$100,000	12,067

HOUSEHOLD RACE	MEDIAN ELECTRICITY USAGE (KWH)
Asian	8,927
African American	8,530
Caucasian	9,062
Latino	7,672

HOUSEHOLD AGE	MEDIAN ELECTRICITY USAGE (KWH)
65 years or older	7,306
Less than 65 years	9,401

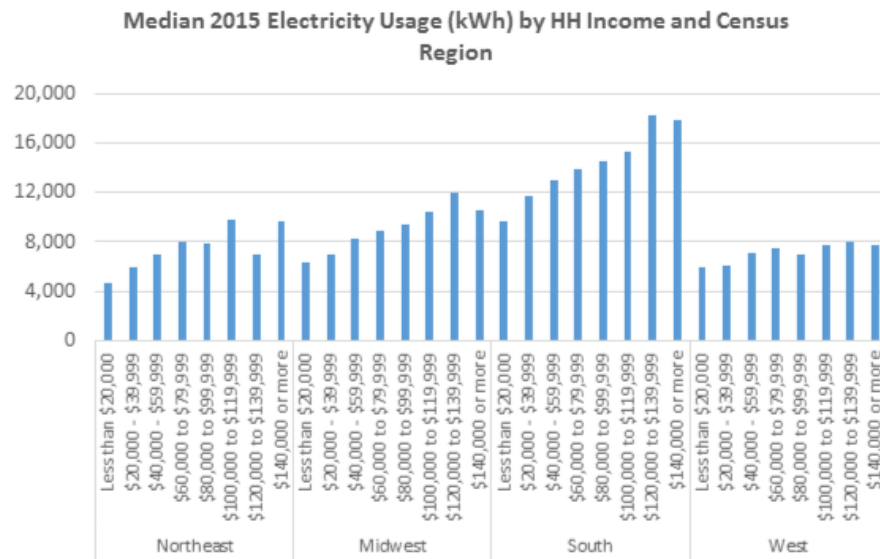
Source: U.S. Energy Information Administration's Residential Energy Consumption Survey, 2009 (most recent data available)

**Q. Why do you rely on the 2009 RECS results rather than more recent 2015 RECS data?**

A. After 2009, the RECS was most recently conducted in 2015. The 2015 RECS cannot be filtered by geographic areas as small as those reflected in the 2009 RECS, due to significantly reduced sampling. Iowa is now included in the census region of the Midwest. In addition, the 2015 RECS did not include the ratio of income to poverty or household income brackets that are narrow enough to allow for calculation of household income-to-poverty ratios. Notwithstanding the lack of geographic granularity, the relationship between median electricity usage and household income identified using the 2009 RECS is confirmed in the 2015 survey. This relationship is illustrated in Figure 6 below and confirms the basic premise that, on average, shifting cost recovery from volumetric charges to fixed charges disproportionately harms lower-income electricity

customers:<sup>26</sup>

## 6: Regional Relationship between Income and Electricity Usage, 2015 RECS



**Q. Is additional information available about the regressive impacts of increases in fixed energy costs?**

**A.** In addition to the data from NCLC, the American Coalition for Clean Coal Electricity (“ACCCE”) published data based on several U.S. government sources that confirms that low energy use is closely correlated with low income customers, the elderly, and minority households in Iowa.<sup>27</sup> According to the ACCCE, energy costs represent about 9% of the

<sup>26</sup> Testimony of John Howat, Duke Energy Progress rate application, Docket No. 2018-318-E, Pub. Svc. Comm’n of SC (Mar. 4, 2019) at 14. Chart based on analysis by National Consumer Law Center of microdata published in Energy Information Agency 2015 Residential Energy Consumption Survey. See also, J. Howat, J. Colgan, W. Gerlitz, M. Santiago-Mosier, and K. Rábago, *Reversing Energy System Inequity: Urgency and Opportunity during the Clean Energy Transition*, National Consumer Law Center (2019) at 2. Available at: [https://www.nclc.org/images/pdf/special\\_projects/climate\\_change/report-reversing-energy-system-inequity.pdf](https://www.nclc.org/images/pdf/special_projects/climate_change/report-reversing-energy-system-inequity.pdf).

<sup>27</sup> Eugene M. Trisko, “Energy Cost Impacts on Iowa Families,” American Coalition for Clean Coal Electricity (Mar. 2015), available at: <http://www.americaspower.org/wp-content/uploads/2015/08/IOWA-Energy-Cost-Analysis-315R.pdf>

average Iowa pre-tax household income, while these costs represent 22% of household pre-tax income for households earning less than \$30,000 per year. While Iowa household incomes are roughly equivalent to national median levels, at \$52,228 per year in 2015, the 48% of Iowa households earning less than \$50,000 before taxes devote an estimated 16% of their after-tax incomes to residential and transportation energy costs. Iowa's Black and Hispanic families are 45% and 26%, respectively, below the U.S. median household income. The median pre-tax income of Iowa's senior households is 30% below the U.S. median. These are the customers most vulnerable to a fixed customer charge increase in electric rates. This data is summarized in the table, below, taken from the ACCCE report. Such increases would be on top of a 24% increase in current dollars (or about 2% in constant dollars) in residential electricity prices in Iowa between 2005 and 2014.

Figure 7 – Pre-Tax Household Income Levels

U.S. and Iowa Median Pre-tax Household Incomes, 2013

	Median Household Income	IA Pct. Diff. Vs. U.S. Median	Pct. of Households
U.S.	\$52,250		
Iowa	\$52,229	0%	
IA: Black	\$28,526	-45%	3%
IA: Hispanic	\$38,892	-26%	4%
IA Age 65+	\$36,690	-30%	25%

Source: U.S. Bureau of the Census, American Community Survey 2013 (2014)

**Q. Based on the foregoing, what changes should the Company make to properly develop the residential customer charge?**

**A.** The Company should recalculate its fixed customer charges with the following changes:  
First, uncollectible costs should be eliminated from the customer cost category and



recovered through class costs as a whole. Second, the amount of costs associated with meters and related customer service and accounting that is assigned to the customer cost category should be reduced by 50% to reflect the fact that modern meters do far more than just measure basic consumption, and therefore at least half the cost for this infrastructure should be functionalized as demand- and energy-related. These enhanced meter functions address costs that do not and increasingly will not vary solely with the number of customers or be incurred solely as a result of connecting a customer. Finally, because the Company assigns the costs of poles to the customer cost category,<sup>28</sup> it should also reduce the cost by pole attachment revenues in order to honor cost-based rate principles. Those revenues average \$1,265,891 per year,<sup>29</sup> and about \$1 million of that amount should be applied to further reduce the amount assigned to the customer cost category.

**Q. What is the result of these modifications in the calculation of the customer charge?**

A. The Company should perform its own calculation to ensure the calculation is done correctly and completely, but it appears that with these modifications, the correct customer charge for residential customers should be approximately \$6.59 per customer per month.<sup>30</sup>

**Q. What rate design approach would recover increased costs that the Company proposes to collect through increased fixed customer charges?**

---

<sup>28</sup> IPL Vognsen Direct Exhibit 12 WP – G3

<sup>29</sup> IPL response to ELPC/IEC-DR-133, attached as ELPC/IEC Rábago Direct Exhibit 10.

<sup>30</sup> Calculation reflects elimination of \$11,567,634 in uncollectible expenses from customer cost calculation, and 50% reduction in remaining meter-related total costs of \$26,277,021 to \$13,138,511, resulting in \$32,879,448 in customer costs for residential customers.

1 A. The prudently incurred distribution-related costs above those strictly associated with the  
2 cost of connecting the customer to the grid that the Company proposes to allocate to fixed  
3 customer charges should be allocated to volumetric rate elements unless and until the  
4 Company demonstrates the reasonableness of its proposed rate design in light of the  
5 potential adverse impacts discussed below, and after consideration of the relative impacts  
6 of alternative rate designs.

7 **Q. Why is it appropriate to continue recovering fixed costs through volumetric rates?**

8 A. It is appropriate because of the price signal function of properly designed rates. Properly  
9 designed rates *reflect* properly allocated costs *and* send signals for efficient consumption  
10 in the future. Sunk fixed costs, which appears to be the focus of the Company's concern  
11 in its customer charge proposal, can be reflected and recovered in *either* the fixed charge  
12 or a volumetric charge. An efficient price signal relating to future fixed costs can *only* be  
13 communicated with a volumetric charge. That is why a volumetric charge is the optimal  
14 rate design in this case for demand-related distribution fixed costs.

15 **Q. What do you recommend to the Board regarding the Company's residential rate**  
16 **design proposals?**

17 A. I recommend that the Board direct the Company to:

- 18 • Cease assigning uncollectible expenses to the customer cost category.
- 19 • Reduce the remaining meter- and customer service-related costs assigned to customer  
20 cost category by 50%.
- 21 • Recalculate the resulting customer costs for residential customers.
- 22 • Prudently incurred distribution-related costs for residential customers should be

1 allocated to volumetric rate elements.

- 2 • Reject the Company's proposal for declining block rates for the summer season for  
3 residential customers and continue the current practice of flat rates, or better, design  
4 and propose inverted block rates.
- 5 • Further reduce the declining block first-to-tail block differential for winter rates and  
6 propose a reasonable schedule for eliminating the differential entirely within three  
7 years.

### 8 **III. OTHER RATE DESIGN ISSUES**

#### 9 ***Optional Demand Rates***

10 **Q. Are you familiar with the Company's Optional Demand Rates for residential**  
11 **customers?**

12 A. Yes. It is my understanding that no customers are receiving service under the rates, and  
13 that the Company lacks the technical capability to serve a customer on the rates.<sup>31</sup>

14 **Q. Are demand charge-based rates a just and reasonable rate design for residential**  
15 **customers?**

16 A. Absolutely not. Demand charges for residential customers fail on both economic  
17 efficiency and equity grounds.<sup>32</sup>

18 **Q. What do you recommend regarding the Company's Optional Demand Rates?**

19 A. The Board should direct the Company to withdraw and terminate the Optional Demand

---

<sup>31</sup> IPL response to ELPC/IEC-DR-105; Company report to Board titled "Optional Demand Rate Annual Report," dated 15 Jan. 2019, attached as ELPC/IEC Rábago Direct Exhibit 11

<sup>32</sup> See S. Borenstein, *Are Demand Charges Fair?*, Energy Institute Blog, UC Berkeley (Jul. 8, 2019). Available at: <https://energyathaas.wordpress.com/2019/07/08/rethinking-demand-charges/>.

1 Rates as a bad idea unwanted by customers.

2 *Proposed Rates for Large General Service Customers*

3 **Q. Are you aware of the Company's proposed rate changes for Electric Large General**  
4 **Service ("LGS") and Electric Large General Service Supplementary ("LGSS")**  
5 **customers?**

6 A. Yes. The Company proposes to reduce energy charges and increase demand charges for  
7 LGSS customers as compared to LGS customers.

8 **Q. What are the characteristics of LGSS customers versus LGS customers?**

9 A. LGS customer are customers that use or expect to use more than 20 MWh for twelve  
10 consecutive billing months. LGSS customers are LGS customers that take supplementary  
11 service—they are large customers who are also self-generators. These customers are not  
12 in the power generation business primarily. Rather, they have installed on-site distributed  
13 generation to reduce a portion of their electric bills. Supplementary service customers  
14 seldom if ever fully offset their consumption with self-generation, and as such, maintain a  
15 load profile that is substantially the same as before they added self-generation.

16 **Q. What changes in LGSS rates does the Company propose?**

17 A. The Company proposes to increase demand charges by about \$2 per kW of demand in the  
18 winter and about \$4 per kW in the summer for LGSS customers. In addition, the  
19 Company plans to reduce energy charges for customers on this rate.

20 **Q. What would be the effect of the proposed changes?**

21 A. I would expect the rate to have a substantial chilling effect on the market for distributed

1 generation serving large customers. Solar generation cannot effectively reduce demand  
2 charges without the addition of relatively costly battery systems. Very large customers  
3 with very high demand would be the most seriously impacted and disincentivized from  
4 investing in solar distributed generation. And reductions in energy charges reduce the  
5 value of reductions in energy purchases.

6 **Q. Does the Company propose similar changes in the proposed rates for LGS**  
7 **customers as for LGSS customers?**

8 A. No. The Company proposes a structure that creates a substantial divergence between  
9 LGSS and LGS rates. The Company proposes demand charges that are higher for LGSS  
10 than for LGS and energy charges that are lower for LGSS customers.

11 **Q. Is there evidence that the costs to serve LGSS customers with either energy or**  
12 **demand differ markedly from the costs to serve or usage patterns of LGS**  
13 **customers?**

14 A. No. The difference appears to be that the Company is proposing rates to make distributed  
15 solar generation less attractive for LGS customers. But the Company provides no  
16 justification for the differences in this case. Company witness Vognsen provides  
17 testimony relating to a rebalancing of demand and energy charges to reflect assignment  
18 of more costs as demand-related, but offers no explanation as to why a rate design that  
19 differentiates between LGS and LGSS customers is appropriate.

20 **Q. What do you recommend?**

21 A. In the absence of a cost-based and adequate justification, there is no fair reason to  
22 discriminate between large general service customers that install distributed generation

1 and those that do not. The Board should direct the Company to eliminate the differences  
2 in charges between LGS and LGSS customers.

3 ***Fixed Amount Bill Pilot Program Proposal***

4 **Q. What issues do you wish to point out regarding the Company's Fixed Amount Bill**  
5 **Pilot Program ("FABPP") proposal?**

6 A. The Company proposes to offer a rate for residential electric service customers on a pilot  
7 basis that would be charged as a fixed monthly bill amount for twelve months at a time.<sup>33</sup>  
8 The Company asserts that the FABPP program is being offered because "customers want  
9 more control over their energy bills and are looking for simple and predictable billing  
10 options that can allow them to use energy "worry-free."

11 **Q. How does the proposed FABPP rate plan work?**

12 A. The Company proposes to calculate the average of and inflate the customer's last twelve  
13 months of energy bills and offer the inflated average as the fixed monthly bill for the next  
14 twelve months. After eleven months, the Company will recalculate a new weather-  
15 normalized average for the coming year. Customers who enroll in the program cannot  
16 opt-out of the program between the second and twelfth month,<sup>34</sup> and the Company  
17 proposes automatic re-enrollment at the end of twelve months.

18 **Q. What are your major concerns with the FABPP proposal?**

19 A. If a customer uses exactly the same amount, on a weather-normalized basis, from year to

---

<sup>33</sup> IPL Nielsen Direct Testimony at 24-29.

<sup>34</sup> IPL's description of this term of service is confused. While witness Nielsen's testimony states that customers cannot opt-out after a 30-day grace period and before the end of the 12-month contract period (p. 26, ll. 16-21), but also states that customers that withdraw from the program prior to the end of the term must pay or be credited with true-up billing balances (p. 27, ll. 1-5.).

1 year, the FABPP program is nothing more than a bill levelization program. Of course, the  
2 chances of perfect year-over-year matching of usage, even with weather normalization,  
3 are practically zero. That means that every FABPP customer is likely to face one of two  
4 consequences: First, customers who use less in the FABPP program than they used  
5 historically will be paying a “sucker fee” and be free-drivers for the Company’s revenue  
6 recovery. The Company provide little or no opportunity for such customers to return to  
7 cost-based billing during the contract term. For customers that use more under the  
8 FABPP and become free-riders, the Company will experience revenue requirement  
9 shortfalls that it presumably will seek to recover those revenues from other customers or  
10 in future rates. Either way, the program stands as an intentional and unreasonable  
11 deviation from cost-based rates that actually creates cross-subsidization.<sup>35</sup>

12 **Q. Does the Company intend to apply any provisions to limit run-away consumption by**  
13 **customers during the FABPP contract term?**

14 A. Yes. While customers who use less than their historical amount of electricity are trapped  
15 into paying more, the Company intends to preserve the option to unilaterally remove  
16 extremely high users from the program and impose withdrawal charges.<sup>36</sup>

17 **Q. Does the proposed FABPP create a conservation incentive for customers?**

18 A. If there is a conservation incentive, it is a weak one, and one that is overwhelmed by the

---

<sup>35</sup> See 20 IAC § 20.10(2) Cost of Service, “Rates charged by an electric utility for providing electric service to each class of electric consumers shall be designed, to the maximum extent practicable, to reasonably reflect the costs of providing electric service to the class. The methods used to determine class costs of service shall to the maximum extent practical permit identification of differences in cost-incurrence, for each class of electric consumers, attributable to daily and seasonal time of use of service, and permit identification of differences in cost-incurrence attributable to differences in demand, energy, and customer components of cost.”

<sup>36</sup> IPL Nielsen Direct Testimony at 29, ll: 5-8.

1 likelihood of increased use. The FABPP is essentially an extreme version of a fixed  
2 customer charge. It eliminates all of the short-term bill-reduction benefits of energy  
3 conservation and efficiency. It defers and dilutes the bill-reduction benefits of any energy  
4 efficiency until the next year. Rather than encourage efficiency and conservation when  
5 the weather is hot and the utility is experiencing high peak demand, there is no optimal  
6 time for an FABPP customer to install efficiency—too early in the year, and the customer  
7 pays against the old usage level all year long; too late in the year, and the efficiency  
8 measure doesn't reduce the average consumption level; done in conjunction with severe  
9 weather, and the savings value will be diluted by weather normalization.

10 **Q. Would the FABPP make electricity service less complicated and more worry-free**  
11 **for participating customers?**

12 A. No. The FABPP almost completely decouples bill price signals from behavior and would  
13 require extensive, constant, and continuous monitoring by customers in order to realize  
14 any benefits. The post-hoc weatherization adjustments proposed by the Company would  
15 make bill understanding, management, and prediction even harder for customers. The  
16 FABPP makes control over electricity bills harder and more worry-filled.

17 **Q. Doesn't the experimental nature of the proposed FABPP and the chance that a few**  
18 **customers might want to try it justify its approval?**

19 A. Absolutely not. The Company's FABPP proposal is just a bad idea. It separates rather  
20 than engages customers in more efficiency and informed energy usage. It is inconsistent  
21 with sound rate making and market development. Implementing the proposed FABPP  
22 through a pilot would not alleviate any of the problems in the program, which are  
23 inherent in its conception and design.



1 **Q. Does the Company already offer a billing program that allows customers to levelize**  
2 **their monthly bills?**

3 A. Yes. The Company offers “Budget Billing” that, like the FABPP, develops a monthly  
4 average bill amount from historical bills.<sup>37</sup> However, unlike the ill-considered FABPP,  
5 the Company’s Budget Billing option includes true-ups every six months, charges for  
6 excess use, and refunds for use below average levels. In other words, the current Budget  
7 Billing option gives customers an option to manage bills without compromising price  
8 signals.

9 **Q. How do you recommend that the Board respond to the Company’s FABPP**  
10 **proposal?**

11 A. The Board should reject the Company’s FABPP proposal. The Board should also direct  
12 the Company to focus on rates and billing initiatives that are reasonably designed to  
13 advance the public interest, including efficiency in use, understandability in design and  
14 implementation, fairness, and economic efficiency overall. In addition, the Board should  
15 direct the Company to review the information provided to customers on Budget Billing  
16 and establish program communication elements that alert customers to higher-than-  
17 average and lower-than-average usage.

18 *Transportation Electrification Incentives*

19 **Q. What issues do you wish to point out regarding the Company’s Transportation**  
20 **Electrification Incentives proposal?**

21 A. The Company’s Transportation Electrification Incentives (“TEI”) proposal, sponsored by

---

<sup>37</sup> “Budget Billing” available at  
<https://www.alliantenergy.com/BillPayOptions/PaymentPrograms/BudgetBilling>.

1 Company witness Nielsen,<sup>38</sup> is the Company's effort at supporting vehicle electrification  
2 in its service territory. The TEI involves a menu of incentives for the installation of  
3 electric vehicle and equipment chargers or the purchase of electric equipment. The  
4 Company proposes to issue rebates under certain conditions and under certain  
5 requirements, and to recover the costs of the rebates on a dollar-for-dollar basis, but  
6 without a return.<sup>39</sup> I will comment on (1) the level and rate treatment of rebates, (2) the  
7 opportunity to support the economics of EV adoption with time-of-use ("TOU") rates, (3)  
8 the relationship between the TEI proposals and the Company's ill-considered declining  
9 block rates proposals, and (4) data acquisition, reporting, and sharing.

10 **Q. Do you have any specific experience in transportation electrification issues from an**  
11 **electric utility perspective?**

12 A. Yes. When I served as the vice president for distributed energy services at Austin Energy,  
13 the City of Austin's municipal electric utility, I secured federal funding to develop and  
14 install a city-wide network of about 140 public Level 2 chargers for electric vehicles. I  
15 also administered a rebate program for home chargers, a program for Vehicle-to-Grid  
16 research, and the development of a regional transportation electrification plan for central  
17 Texas.

18 **Q. What issues do you want to address relating to the rebate levels and proposed rate**  
19 **recovery of rebate expenses?**

20 A. In my experience, rebates are an effective way to get customers to consider and  
21 purchase/lease electric transportation options. Most charging takes place at the

---

<sup>38</sup> IPL Nielsen Direct Testimony at 29-39.

<sup>39</sup> *Id.* at 31, ll. 12-14.

1 customer's home or business, so supporting the purchase and installation of chargers at  
2 the customers' premises is effective, especially if part of a plan for public charging  
3 network development and installation. Customers want to leave their home or business  
4 with full batteries, and want to know that they can top-off on the road. So I support the  
5 Company's proposal to launch a rebate program.

6 However, I am concerned that the Company has not offered any analytical support for the  
7 rebate levels it proposes in this proceeding, nor has it detailed its plans for adjusting  
8 rebate levels based on market response. Because the Company wants to socialize a  
9 largely private benefit as a public cost, and because the market for electric transportation  
10 and equipment is emerging and dynamic, the Company must demonstrate that it will  
11 constantly be monitoring and sensing the market, and making reasonable and appropriate  
12 adjustments to rebate levels to ensure that it is neither over-paying or under-paying on  
13 customer rebates.

14 I have a specific concern that a \$500 rebate for a "dumb" Level 2 residential charger,<sup>40</sup> or  
15 any "dumb" charging infrastructure, is a waste of money. An incentive for smart chargers  
16 is appropriate because of the distributed energy resources ("DER") value of managed  
17 charging for electric vehicles and equipment. Smart charging is essential because, again,  
18 the Company proposes to socialize rebate costs to all customers. The Company must  
19 require that all chargers are "smart," and capable of data acquisition, communication, and  
20 control.

---

<sup>40</sup> *Id.* at 31, l. 1.

1     **Q.     What role should TOU rates play in the Company’s TEI program design?**

2     A.     The Company should support the adoption of electric vehicles and equipment with  
3           complementary *optional* TOU rates that provide an incentive for off-peak charging. In  
4           particular, the Company should encourage customers, perhaps with additional incentives,  
5           to enroll in the optional TOU rate and renewable energy supply when they purchase a  
6           smart charger and apply for that rebate. If enrollment in the optional TOU rate is limited,  
7           it should also be made available on a priority basis for customers taking the rebate for  
8           installing a smart charger. This incentive must be meaningful and effective at inducing  
9           customer action even under flat or inclining block rates. It should also be cost-based. It  
10          should be optional until such time that a mature market has developed and customer  
11          awareness and understanding of electric transportation and equipment options is high.

12    **Q.     What are your concerns about the interaction between the Company’s proposed**  
13          **declining block rates and rate adjustments and the design and potential of its TEI**  
14          **proposals?**

15    A.     As previously discussed, the Company’s declining block proposals and structures are  
16           inimical to all manner of DER investment economics. They make batteries, energy  
17           efficiency, distributed generation, load management, and other DERs less economical.  
18           Moreover, they are even likely to discourage electric vehicle adoption.

19           It is also important to note another fundamental flaw in the declining block rate  
20           structures—they are *not* targeted to or away from peak energy consumption. As such, the  
21           declining block rates will frustrate optional TOU rates by sending contradictory price  
22           signals to customers about the importance and value of off-peak charging with renewable  
23           energy.

1 Off-peak electric vehicle charging with renewable energy supply reduces pollution,  
2 diversifies system load, and avoids increases in on-peak demand associated with electric  
3 vehicle charging. Sending a price signal to electric vehicle users to achieve those results  
4 should be a clearly-communicated rate design priority for the Company.

5 **Q. What issues do you want to raise about data collection, reporting, and sharing?**

6 A. Because the transportation electrification markets are so new, small, and dynamic in  
7 Iowa, and because the Company proposes to charge customers more than \$2 million for  
8 charging equipment, it is absolutely essential that the Company's initiatives be  
9 accompanied by robust data collection, reporting, and sharing. This is one reason why  
10 smart charging should be absolutely essential in order to receive a rebate, as should the  
11 release and compilation of anonymized data on charging patterns, levels, and frequency.  
12 Because this information can also inform markets for other DERs, like distributed  
13 generation, on-site storage, and energy management, it must also be comprehensively  
14 reported to the Board, shared with stakeholders, and made available to customers  
15 themselves. In other words, if everyone is going to pay for it, everyone should benefit  
16 from the knowledge gained.

17 ***Solar Program Proposals***

18 **Q. Have you reviewed the Company's various solar and other program and rate**  
19 **proposals?**

20 A. Yes, I have. The Company proposes solar rate programs in the sponsored testimony of  
21 Company witness Nielsen, relating to a community solar ("Community Solar Program"),  
22 solar direct access/retail wheeling for general service and large general service customers  
23 ("Renewable Energy Partner Program"), and utility solar roof leasing ("Customer-Hosted

1 Renewables Pilot Program”).

2 Company witness Vognsen advances the fixed customer charge increases, declining  
3 block rates proposals, and rates for large general service customers, which I have already  
4 addressed. This testimony also addresses the Company’s proposal, advanced by witness  
5 Vognsen for an additional EECR Rider tax on self-generation customers, which I address  
6 in this section of my testimony.

7 This testimony addresses issues raised by the solar program proposals at a high level and  
8 in regard to a very few of the many issues raised by the proposals. The programs are also  
9 addressed in much more detail in the testimony of witnesses Kerri Johannsen, on behalf  
10 of Iowa Environmental Council; Will Kenworthy, on behalf of Vote Solar; and Curt  
11 Volkmann, on behalf of ELPC. Ms. Johannsen addresses the competitive and market  
12 development issues raised by the Company’s solar programs. Mr. Kenworthy addresses  
13 these programs as well, from the perspective of best practices in utility solar program  
14 design and operation. Mr. Volkmann addresses the Company’s plans for distribution  
15 spending and grid modernization, and the Company’s failure to take advantage of  
16 customer-owned distributed energy resources (“DER”) as a means for avoiding or  
17 reducing distribution spending requirements. I endorse those testimony submissions as  
18 complementary to mine.

19 **Q. What is your overall impression of the Company’s several proposals for rate and**  
20 **technology programs?**

21 A. My assessment, based in large part on my own experience as a utility executive  
22 responsible for distributed energy services, is that while the various programs offered by

1 the Company sound attractive and positive, they are plagued by an inadequate foundation  
2 of experience, research, and experimentation; by inconsistencies between programs; by  
3 lack of specificity in program proposals; and by potentially anti-competitive designs.

4 **Q. What issues in particular do you want to address regarding the Company's solar**  
5 **program proposals?**

6 A. On behalf of myself, ELPC, and EI, I have submitted extensive commentary and  
7 testimony before the Board on the importance of fully valuing the costs and benefits of  
8 distributed solar generation based on actual operating experience.<sup>41</sup> Understanding and  
9 transparently revealing the full range of costs and benefits of distributed resources is  
10 critical to pricing program options and terms. The Company has not undertaken such an  
11 evaluation, and as a result the programs lack consistency and a foundation in actual costs  
12 and benefits. For example, the Company proposes a rooftop leasing program that sets the  
13 lease payment based on MISO cost-of-new-entry ("CONE") value, when it should be  
14 setting the payment on the locational marginal distribution capacity cost for the feeder  
15 where the solar system is sited. The charges and credits for the solar direct access/retail  
16 wheeling program should likewise account for the customer-specific and system-wide  
17 benefits and costs associated with the proposed solar facility. Finally, it is not clear that  
18 the Company is not setting rates and charges for its solar programs at levels that are  
19 aimed at undercutting and out-competing private solar provider costs.

20 **Q. In light of the issues, what do you recommend?**

---

<sup>41</sup> See Rábago Comments in IUB NOI-2014-0001; ELPC Comments on Pilot Rate Proposals by MidAmerican & Alliant in IUB NOI-2014-0001; EI Testimony in IUB Docket No. RPU-2017-0001.

1     A.     I recommend that the Board direct the Company to conduct an open and comprehensive  
2           effort to assess the value of solar generation and other distributed energy resources in  
3           order to establish a uniform and full avoided cost basis for its solar programs. The effort  
4           should engage and involve a broad range of stakeholders in a collaborative process of  
5           establishing a DER-valuation methodology and framework. In addition, I endorse and  
6           support the recommendations submitted by ELPC/IEC witnesses Johannsen, Kenworthy,  
7           and Volkmann in their testimony, and urge the Board to adopt them in full.

8           A DER (including solar) valuation methodology would enable the Company to better  
9           satisfy the principles Mr. Kenworthy articulated for well-designed utility distributed  
10          generation programs.

11          I also note that the fundamentally flawed and unjust Company proposals to charge Net  
12          Metered (“NM”) and Alternative Energy Production (“AEP”) customers with energy  
13          efficiency program charges and transmission charges for energy *not used* through riders  
14          EECR and RTS should be disapproved, and cost-based charges, or more likely, *credits* to  
15          distributed generation would be revealed as appropriate rate modification.

16          In addition, I am especially concerned about the potential anti-competitive impacts of the  
17          Company’s proposals. In order to reduce these impacts, I again reference the  
18          recommendations of witnesses Kenworthy and Johannsen. In addition, I recommend that  
19          the Board condition approval of any utility-owned distributed solar project within any of  
20          the Company’s proposed programs. That condition should be that the Company must  
21          interconnect at least one additional project of the same kind that is owned and operated  
22          by parties other than the Company.



***Energy Efficiency Cost Recovery Rider***

**Q. What issues arise from the Company's Energy Efficiency Cost Recovery ("EECR") Rider proposed changes?**

A. I address the EECR proposal in this section of my testimony even though it is not a solar program proposal because it represents a targeted and unreasonable attack on customers who invest in non-utility distributed generation. I also address the Company's proposed RTS Rider (for transmission charges) in this section for the same reason. The first major issue with the proposed changes in the Company's changes to the EECR is that they are poorly written and unclear. Company proposed Twenty-Second Revised Sheet No. 60 adds the following sentence: "Cost recovery factors will be applied to all kilo-Watt hours consumed by the customer and delivered by the Company."<sup>42</sup> In ordinary English language the use of the word *and* in the sentence in the Rider means that the EECR charge will be applied to kWh that meet *both* criteria of being consumed by the customer *and* being delivered by the Company.

**Q. How does the Company appear to intend to apply the proposed EECR Rider change?**

A. The Company proposes to implement the EECR change by applying it to delivered kWh *and* to an assumed level of self-generated kWh that the customer uses on site. In both testimony and in response to a request for clarification submitted through discovery, it appears that the Company also intends to apply the EECR Rider to charge customers for kWh that the customer does not use, but only if the non-use results from the customer reducing energy delivery from the Company as a result of the operation of on-site net

---

<sup>42</sup> IPL redline tariff filing dated Mar. 1, 2019, TF-2019-0018.

metered or alternative energy generation—Rate NM and Rate AEP customers.

**Q. How does the Company indicate that contrary to the plain language of its proposed tariff change it intends to charge DG net metering customers with the EECR Rider for the kWh that they do not use?**

A. The Company’s position is either confused or intentionally deceptive. First, in direct testimony, Company witness Vognsen states that customers who invest in and operate DG and reduce their deliveries of energy from the Company. Based on an entirely unreasonable interpretation of the Iowa Code, the witness asserts that these reduced deliveries, which result in reduced EECR charges, amount to an unlawful opting-out from the EECR rate.<sup>43</sup> This suggests that the Company intends to somehow charge customers for the EECR charges they would have paid had they not reduced their deliveries from the Company. Confusingly, the Company witness then states that “IPL’s EECR tariff will be applied on a uniform basis to all customers based upon each kWh *delivered* by IPL to the customer.”<sup>44</sup> This suggests that the Company intends to apply the EECR only to deliveries by IPL to the customer *net* of self-generation.

**Q. Did ELPC/IEC take any action to clarify the confusion in the Company’s position?**

A. Yes, in order to clarify the confusion in the witness’ testimony, ELPC/IEC submitted a discovery request asking the Company to describe the impacts and average bill amounts of the proposed change in the EECR Rider on customers on Rate NM, Rate AEP, and Rate CSPP.<sup>45</sup> The Company did not provide the requested information. However, the

---

<sup>43</sup> IPL Vognsen Direct Testimony at 43, ll: 12-15.

<sup>44</sup> *Id.* at 43, ll. 16-18.

<sup>45</sup> IPL response to ELPC/IEC-DR- 66, ELPC/IEC Rábago Direct Exhibit 12

1 Company did provide a partial explanation of its approach that seems to confirm the  
2 Company's intention to charge customers based on EECR Rider rates that self-generating  
3 customers—as a group—do not pay when they reduce their use through investment in  
4 and operation of distributed generation.<sup>46</sup>

5 **Q. How did they Company explain its approach to applying the EECR Rider to DG**  
6 **customers taking service under Rates NM and AEP?**

7 A. Company witness Vognsen's testimony appears to be that the Company will charge NM  
8 and AEP customers \$1.83 per month for residential customers, \$13.16 per month for  
9 general service customers, and \$82.68 per month for large general service customers, all  
10 in addition to the EECR Rider charges that are recovered through the volumetric charge  
11 based on energy delivery by the Company to the customer, based on the current EECR  
12 levels.<sup>47</sup>

13 Witness Vognsen explains that these numbers were derived by subtracting the average  
14 number of kWh delivered to NM and AEP customers from the average number of kWh  
15 delivered to non-DG customers for residential customers and then multiplying the  
16 number of kWh not delivered times the current EECR rate. For residential customers, the  
17 Company witness states that the charge is developed by assuming an average residential  
18 customer's delivery level and an average residential NM or AEP customer's usage level  
19 and multiplying the difference times the EECR rate to develop a monthly charge. The

---

<sup>46</sup> *Id.*

<sup>47</sup> The charges are based on the current system-wide EECR rate levels of \$0.0046/kWh for residential customers, \$0.0063/kWh for general service customers, and \$0.0037/kWh for large general service customers.

1 Company apparently intends to apply the result of the calculation of hypothetical average  
2 delivery levels to every NM or AEP customer regardless of actual usage. This method  
3 therefore has absolutely no relationship to the actual usage by NM and AEP customers.

4 Moreover, the Company has to make further hypothetical calculations in order to come  
5 up with a new charge amount for general service and large general service customers.

6 This is because the average NM or AEP general service or large general service customer  
7 actually uses much more energy than the average general service or average large general  
8 service customer. If the Company were consistent and non-discriminatory, it would  
9 actually calculate a rebate on EECR charges to these customers because they pay more  
10 than the average amount for customers in their class toward EECR rates. Undaunted by  
11 this reality in class consumption levels, the Company makes a few further assumptions to  
12 create a method for coming up with a charge to be discriminatorily applied to NM and  
13 AEP general service and large general service customers. Company witness Vogensen  
14 explains that in order to come up with the charge, he used the average ratio of demand  
15 between NM/AEP customers and other customers to develop a value for an assumed  
16 number of kWh that the NM or AEP general service or large general service customer  
17 would have used if they had average usage.<sup>48</sup>

18 **Q. How will the Company's proposed additional EECR charges for NM and AEP**  
19 **customers be calculated in the future?**

20 A. It is not entirely clear from the Company's filings how the charge will be calculated,  
21 assessed, or modified. The proposed EECR charges for NM and AEP customers

---

<sup>48</sup> ELPC/IEC Rábago Direct Exhibit 12

1 discussed by Company witness Vognsen in response to EI 66 are based on the current  
2 system-wide EECR rate levels of \$0.0046/kWh for residential customers, \$0.0063/kWh  
3 for general service customers, and \$0.0037/kWh for large general service customers. The  
4 Company's filed tariff changes in TF-2019-0018 indicate that the Company proposes  
5 new EECR rates of \$0.0058 per kWh for residential customers, \$0.0064 per kWh for  
6 general service customers, and \$0.0030 per kWh for large general service customers. If  
7 everything else in the Company's calculation remained the same, the new monthly  
8 charges for NM and AEP customers would be \$2.30 per month for residential customers,  
9 \$13.38 per month for general service customers, and \$67.04 per month for large general  
10 service customers. The actual rate changes intended by the Company are unclear because  
11 the Company does not indicate whether it plans to recalculate the average customer and  
12 average DG customer usage levels every year.

13 **Q. What is your overall assessment of the Company's apparent intention to charge NM**  
14 **and AEP customers for EECR rates based on kWh not delivered to the customer?**

15 A. The Company's proposed changes in the EECR Rider, and in the RTS Rider—discussed  
16 later in this testimony, constitute one of the most outrageous violations of sound cost-of-  
17 service rate making that I have seen in nearly 30 years working in the industry. The  
18 Company's statutory argument is ridiculous and unsupported by a plain reading of law.  
19 The method of calculating the proposed charge bears absolutely no relationship to costs  
20 experienced by the Company. The proposed charge is discriminatory, unjust, bad rate  
21 making, and bad policy, as well.

22 **Q. What is the Company's flawed statutory argument about "opting out?"**

23 A. The first major flaw in the Company's approach is in characterizing a reduction in

1 delivered energy due to self-generation as an “opting out” from the EECR rate within the  
2 meaning of Iowa law relating to energy efficiency implementation.<sup>49</sup> Company witness  
3 Vognsen asserts that any customer on rates NM or AEP is opting out of paying for energy  
4 efficiency programs by reducing their purchases of energy from the Company,<sup>50</sup> because  
5 their reduced use of electricity from the Company reduces their charges for energy  
6 efficiency programs cost recovery paid to the Company. The Iowa statute is very clear. It  
7 pertains to customers requesting an exemption from participation in any five-year energy  
8 efficiency plan under one specific circumstance. Reading the statute to mean that any  
9 customer that reduces their use through self-generation and only through self-generation  
10 is opting out is an interpretation unsupported by the law.

11 **Q. Does the Company’s proposed EECR rate change account for the fact that from a**  
12 **grid perspective, self-generated kWh that a customer consumes and excess**  
13 **generation that serves nearby load have the same grid impact of energy efficiency-**  
14 **induced reductions in load?**

15 A. No. In singling out NM and AEP customers for charges based on assumed levels of  
16 reduced delivery, the Company proposes to charge those customers for producing energy  
17 efficiency-like benefits to the entire grid.

18 **Q. Having wrongly assumed that customers who install and operate DG are “opting**  
19 **out” of the EECR charge for the kWh the Company no longer has to deliver, where**  
20 **does the Company take the argument next?**

21 A. The Company witness further asserts that this opting out through use reduction is

---

<sup>49</sup> Iowa Code § 476.15.a.(1)(b).

<sup>50</sup> IPL Vognsen Direct Testimony at 43, ll: 12-13.

prohibited unless the Board has first approved a five-year energy efficiency plan for the Company that has a cumulative rate payer impact test result of less than one, citing Iowa Code § 476.15.a.(1)(b). Since the Company has filed an energy efficiency plan with a RIM test result greater than one, the Company asserts that customers that reduce their usage through distributed generation use will effectively opt out of the EECR. As a result, the Company has proposed a change in the EECR rider that would apply the charge not only to all kWh that the DG customer buys from the Company, but also add a charge on all NM and AEP customers based on a hypothetical reduction in EECR charges for hypothetical usage levels of the average customer compared to an average self-generating customer.<sup>51</sup>

**Q. Are the Company’s proposed increased EECR charges for NM and AEP customers derived from metered data that establishes cost-causation and allows customer reasonable attribution of costs to those customers?**

A. The Company’s proposed increased EECR charges for NM and AEP customers bear no reasonable relationship to actual metered data. By the Company’s own admission, the proposed EECR charges bear no such relationship to meter data.<sup>52</sup> The Company has previously reported to the Board that:

IPL cannot determine bill impacts for customers by month, because the data it receives through the meter reflects only the excess consumption and generation. IPL does not obtain separate data representing the total amounts of consumption and production, and without this information, IPL cannot ascertain whether a customer has actually increased or decreased consumption. If IPL customers were to allow IPL to directly meter the customer’s private generation, then IPL would be able to determine the bill impacts for a customer based on the increase or decrease

<sup>51</sup> Company proposed Twenty-Second Revised Sheet No. 60 adds the following: “Cost recovery factors will be applied to all kilo-Watt hours consumed by the customer and delivered by the Company, Company redline tariff filing dated Mar. 1, 2019, TF-2019-0018.

<sup>52</sup> ELPC/IEC Rábago Direct Exhibit 12

in consumption.<sup>53</sup>

The Company reconfirmed this lack of a meter data foundation for its proposed new EECR (and RTC) charges for NM and AEP customers when it stated that it has no estimates for capacity or energy supplied from behind the meter DER resources:

In IPL's response to OCA DR 312, it stated, "IPL does not utilize production meters for behind the meter (btm) distributed energy resource (DER) installations, therefore does not have a total, estimated or actual, generation supplied by these resources."

A production meter would allow for the DER's gross energy production to be observed prior to being consumed by the customer's load. The observed amount of electricity captured by IPL's electric retail bi-directional meter only captures generation in excess of what has already been consumed by customer load. Customer load profiles can differ greatly; therefore, IPL does not attempt to estimate gross energy and/or capacity potential for btm DER installations. We do estimate capacity based upon nameplate.<sup>54</sup>

**Q. Are the Company's proposed increased EECR charges for NM and AEP customers cost-based?**

A. No. The Company's proposed increased EECR charges for NM and AEP customers are the exact and polar opposite of cost-based. Therefore, they violate Iowa law.<sup>55</sup> The charge the Company proposes is for not using electricity and costs incident to that use. The Company's proposal is to charge the customers for EECR payments that a hypothetical customer would have paid if the Company's assumptions were valid, and if every NM

<sup>53</sup> IPL, *Provision of Net Metering Pilot Data*, IUB Dkt. Nos. TF-2016-0321, -0322 (May 1, 2019).

<sup>54</sup> IPL response to OCA-DR-418, attached as ELPC/IEC Rábago Direct Exhibit 13.

<sup>55</sup> See 199 IAC § 20.10(2), "Rates charged by an electric utility for providing electric service to each class of electric consumers shall be designed, to the maximum extent practicable, to reasonably reflect the costs of providing electric service to the class. The methods used to determine class costs of service shall to the maximum extent practical permit identification of differences in cost-incurrence, for each class of electric consumers, attributable to daily and seasonal time of use of service, and permit identification of differences in cost-incurrence attributable to differences in demand, energy, and customer components of cost."



1 and AEP customer behaved in exactly the manner the Company assumed they would  
2 behave and had exactly the load and usage profile the Company assumed they would  
3 have. As it applies to any specific individual customer, the Company appears to make no  
4 attempt to measure or meter the charge or its determinants. It is important to note that in  
5 order to conjure up its charge, the Company uses the difference between the average  
6 usage levels of two completely different groups of customers—there is nothing cost-  
7 based about assuming a level of non-consumption from these averages.

8 **Q. Does the Company's EECR proposal treat all NM and AEP customers fairly as a**  
9 **group?**

10 A. No. Based on the Company witness' explanation, the additional EECR charge for NM  
11 and AEP customers is based solely on the differentials between the average usage levels  
12 for non-NM and AEP customers and customers on the NM and AEP rates.<sup>56</sup> It calculates  
13 the proposed charge regardless of the fraction of the load that the individual customer  
14 offsets with DG. That is, it appears the Company intends to charge the same EECR up-  
15 charge to NM and AEP customers who offset most of their usage with self-generation  
16 and to such customers who offset only a fraction of their consumption load. It is  
17 absolutely unreasonable to impose a charge on the energy that a customer does not use as  
18 a result of their investment and operation of distributed generation. It is even worse to  
19 apply a group punishment to all DG customers that bears no relationship to cost-  
20 causation or usage levels.

21 **Q. Are the Company's proposed EECR charges for NM and AEP customers just?**

---

<sup>56</sup> ELPC/IEC Rábago Direct Exhibit 12.

1 A. No. The Company's proposed EECR charges for NM and AEP customers are unjustly  
2 discriminatory. The Company's assertion is that of all the customers who might reduce  
3 their use for any reason whatsoever, only customers who install distributed generation are  
4 "opting" out of EECR rate payments. These customers are unjustly singled out for higher  
5 charges in a proposal that is blatantly anti-competitive and unreasonable, and that are  
6 inconsistent with Iowa law.<sup>57</sup>

7 **Q. Are the Company's proposed additional EECR charges for NM and AEP customers**  
8 **good rate making?**

9 A. No. The Company proposes very real charges based on a counter-factual (missing a word  
10 here?). There is no precedent in sound rate making for such an approach. As already  
11 explained, the proposed additional EECR charges for NM and AEP customers bear no  
12 relationship to usage levels. They are not cost-based; they do not impose a charge for a  
13 cost created by the customer's usage of utility services; and they are founded entirely on  
14 a fundamentally flawed reading of Iowa law.

15 Even more unreasonably, the Company's EECR Rider proposal frustrates the Company's  
16 other solar program proposals and strongly suggests that the Company is insincere in any  
17 assertions that it supports customer investment in and operation of distributed generation.

18 **Q. If every customer were to self-generate, wouldn't that create a problem for energy**  
19 **efficiency program funding?**

20 A. The Company witness asserts that the proposed EECR changes would create a tax on

---

<sup>57</sup> See generally Iowa Code § 476.41 *et seq.*

self-generators for about 6 million kWh that he estimates self-generators do not use.<sup>58</sup> When compared to the total 14,366 million kWh the Company forecasts it will deliver<sup>59</sup> self-generation reduces by 0.043% the number of kWh over which efficiency program costs could be spread. The Company's proposed self-generation tax amounts to \$360,453 (or 0.020% of proposed total revenue) using current year numbers, or \$426,417 (or 0.024% of proposed total revenue) using propose sales and revenue numbers.<sup>60</sup> The proposed tax reduces the EECR charge for non-self-generation customers and for the volumes delivered to self-generation customers by about \$0.000028 per kWh.<sup>61</sup> In sum, self-generators are not creating a revenue recovery problem for energy efficiency programs in Iowa and the Company's service territory. And the market for self-generation would have to grow by many hundredfold before it did.

**Q. Does reduced funding for public purpose programs due to self-generation pose a policy problem for Iowa?**

A. No. First, the funding levels for energy efficiency programs are set based on program structure and then spread across kWh delivery charges. Self-generation customers do reduce their delivery charges—this is the objective of investment in and operation of self-generation systems. That is, from the perspective of the grid, these customers are self-funding their own reductions in use—the same result as energy efficiency programs seek to induce. These customers also leverage large amounts of private capital that serves and

---

<sup>58</sup> ELPC/IEC Rábago Direct Exhibit 12 Calculated as  $(2,230 * 397) + (1,972 * 2,090) + (60 * 22,347) = 6,347,610$  kWh.

<sup>59</sup> IPL Vognsen Direct Exhibit 1.

<sup>60</sup> ELPC/IEC Rábago Direct Exhibit 12 Calculated as  $\$48,971 + \$311,418 + \$59,530 = \$419,919$ .

<sup>61</sup> IPL Vognsen Direct Exhibit 1.

1 supports everyone connected to the grid. Self-generators help avoid expensive generation  
2 and infrastructure investments that the utility would otherwise have to make. Private  
3 customers investing in distributed generation deliver massive benefits that look like  
4 energy efficiency, including the local jobs and economic activity benefits; punishing  
5 them with a tax on their self-generation is illogical, unreasonable, counterproductive, and  
6 unjust.

7 **Q. Would the Company's proposed EECR charges for NM and AEP customers be**  
8 **reasonable if they were calculated for each individual NM and AEP customer**  
9 **through a charge on each kWh generated by the customer, that is through the**  
10 **monthly reading of a DG production meter?**

11 A. No. The Company does not appear to intend an EECR charge based on self-generation  
12 and production meter readings.<sup>62</sup> Even so, the energy efficiency statute does not support  
13 the creation of a charge for not using the amount of electricity the utility thinks a  
14 customer should or would. Given the massive differences in market power between the  
15 incumbent monopoly utility and individual customers, there is no good reason to allow  
16 the Company to charge customers for non-use. Moreover, a charge triggered by self-  
17 generation that has no basis in cost-causation is unjust discrimination against self-  
18 generators. The Company proposal would frustrate the growth of markets for distributed  
19 generation and cleaner energy generation. The Company is proposing a tax on self-  
20 generation, regardless of how it calculates it, and it has no authority for imposing a tax on  
21 self-generation.

---

<sup>62</sup> ELPC/IEC Rábago Direct Exhibit 12

1 **Q. What do you recommend the Board do in response to the Company's EECR Rider**  
2 **proposal?**

3 A. The Board should strongly reject the Company's EECR Rider proposal as unjust and  
4 unreasonable. Further, the Board should direct the Company to comprehensively review  
5 all its rates and programs to eliminate provisions and implementation approaches that  
6 frustrate distributed generation development, investment, and operation.

7 ***Regional Transmission Service Rider***

8 **Q. What does the Company propose to change about the Regional Transmission**  
9 **Service ("RTS") Rider as it relates to NM and AEP customers?**

10 A. The Company proposes to make changes to the RTS Rider that parallel those it proposes  
11 for the EECR Rider. The amount of this proposed charge is \$9.98 per customer per  
12 month for residential and \$54.86 per customer per month for general service NM and  
13 AEP customers. Specifically, the Company proposed to a punitive charge to the rates for  
14 NM and AEP customers for the transmission services that *they do not use*. For this  
15 reason, all the assessment of the proposed EECR Rider that I have discussed applies  
16 equally to the Company's proposed RTS Rider changes: The Company's proposals are  
17 egregiously discriminatory, unprofessional in their lack of data and policy support, and  
18 should be rejected outright by the Board.

19 **Q. How are the Company's intentions reflected in its proposed tariff changes?**

20 A. As with the grammatically confused changes it proposes in the EECR Rider, the  
21 Company proposes to charge NM and AEP customers a transmission charge for energy  
22 deliveries they do not receive through new tariff language that says the RTS rate applies

1 to energy “consumed by the customer and delivered by the Company.”<sup>63</sup> Once again,  
2 while standard English usage would mean the rate only applies to energy that is both  
3 consumed by the customers *and* delivered by the Company, the Company’s sponsoring  
4 witness, Mr. Vognsen, suggests rather obliquely that the Company intends to apply the  
5 charge to the *energy not used* by NM and AEP customers, stating that “the RTS Rider  
6 will be applied on a uniform basis to all IPL retail customers with no bypass or offset  
7 related to power fed back into IPL’s system from customers with their own generation.”<sup>64</sup>  
8 Still, the Company witness doubles down on ambiguity by adding that the “RTS rider has  
9 been revised to reflect that the amount to be charged will be for all energy delivered to  
10 the customer.”<sup>65</sup>

11 **Q. Would the Company’s proposed change to the RTS Rider result in unjust**  
12 **discrimination and anti-competitive behavior by the Company as it relates to self-**  
13 **generation customers and their facility providers?**

14 A. Yes. The proposed RTS Rider change is blatantly discriminatory and anti-competitive. EI  
15 witness Johannsen has detailed this issue in her testimony, and I adopt it by reference  
16 here.

17 **Q. Does the Company propose the same hypothetical and average method to calculate**  
18 **the charge it proposes to assess on NM and AEP customers under the RTS Rider**  
19 **that it did with the EECR Rider?**

20 A. Yes. All the reasons that I previously discussed relating to rate design for the proposed

---

<sup>63</sup> IPL proposed tariff amendments in Dkt. No. TF-2019-0018, Thirteenth Revised Sheet No. 86, at 43.

<sup>64</sup> IPL Vognsen Direct Testimony at 28, ll: 3-6.

<sup>65</sup> *Id.* at 28, ll: 6-8.

EECR Rider apply equally to the Company's proposed changes to the RTS Rider. In sum, the Company proposals for changes to the EECR and RTS Riders as apply to NM and AEP customers are spherically perverse—they make no sense, no matter which way you view them.

**Q. How do you recommend that the Board act on the Company's proposal to charge NM and AEP customers based on the energy that they do not get delivered from the Company?**

A. The Board should reject the Company's proposed new charge on NM and AEP customers through the RTS Rider.

#### **IV. RETURN ON EQUITY ISSUES**

**Q. Did you review the testimony of Company witness Roger Morin relating to the Company's proposed rate of return on common equity ("ROE")?**

A. Yes, I did. Witness Morin conducted analysis to arrive at a proposed 9.8% ROE for the Company.

**Q. What concerns do you have regarding the Company's ROE proposal?**

A. The witness characterizes his recommendation as "conservative" due to the Company's likely financing needs for new utility capital investments and due to his perception that regulatory risk will increase in the coming years due to a very large Company construction program.

**Q. Is the Company's ROE witness' assessment of the potential spending and impacts reasonable?**

A. No. First, the witness' analysis is flawed in failing to account for the almost unique

1 advance ratemaking principles for large generation projects in Iowa, which include  
2 extremely high rates of return. Second, the witness fails to account for the fact that much  
3 of the Company's proposed grid modernization spending is excessive and unjustified, as  
4 set forth in detail in the testimony of ELPC/IEC witness Curt Volkmann, and therefore  
5 the spending levels will likely not be as high as proposed. Finally, the Company's ROE  
6 witness fails to recognize that prudent grid modernization and other distribution level  
7 investments will have the effect of reducing operational risk and many costs relating to  
8 grid operations, which would justify a lower, not higher, ROE.

9 **Q. What do you conclude as a result?**

10 A. In my opinion, by failing to account for the nature of the investments the Company is  
11 planning, and the advance ratemaking principles associated with large generation  
12 construction, the Company's witness has proposed a higher than necessary ROE.

13 **Q. What are the potential problems associated with a ROE that is set too high?**

14 A. ROE translates into electric rates, so an unnecessarily high ROE imposes unnecessary  
15 hardships on all customers, especially those struggling to pay their electric bills.  
16 Moreover, setting a ROE too high exacerbates the already powerful incentive felt by  
17 utilities to overbuild and overinvest capital.

18 **Q. What do you recommend?**

19 A. In my opinion, the Board should award a ROE at the low end of the range it finds  
20 reasonable or reduce the ROE that the Company would otherwise be awarded in order to  
21 properly account for the very low regulatory risk and very supportive advance ratemaking  
22 principles that the Company enjoys.



**V. TRADE ASSOCIATION DUES THAT FUND LOBBYING & ADVOCACY**

**Q. Please summarize your testimony on the issue of rate recovery of trade association dues paid by the Company.**

A. This testimony addresses the Company’s “above-the-line” trade association dues—*i.e.*, dues recovered from ratepayers that, unbeknownst to most ratepayers, are subsidizing advocacy with which they may disagree and that is contrary to their interests. Such advocacy is undertaken by trade associations through lobbying that should be treated as “below-the-line” spending paid by shareholders and not ratepayer customers. The table below, Figure 8 represents the amount that the Company states that it charges to customers for its membership dues in various organizations.<sup>66</sup>

Figure 8: Association Dues Charged by IPL to Customers

	IPL Amount	IPL Electric Amount	IPL Gas Amount	IPL Other Amount
Electric Utility Industry Sustainable Supply Chain Alliance	\$ 6,696	\$ 5,838	\$ 763	\$ 94
Electric Utility Industry Sustainable Supply Chain Alliance	\$ 6,829	\$ 5,954	\$ 778	\$ 96
Baker Botts	\$ 41,409	\$ 36,104	\$ 4,721	\$ 584
Baker Botts	\$ 18,919	\$ 16,495	\$ 2,157	\$ 267
Iowa Business Council	\$ 20,000	\$ 17,438	\$ 2,280	\$ 282
Utility Analytics Institute	\$ 6,231	\$ 5,433	\$ 710	\$ 88
University of Wisconsin Foundation	\$ 8,497	\$ 7,409	\$ 969	\$ 120
University of Wisconsin Foundation	\$ 8,497	\$ 7,409	\$ 969	\$ 120
Iowa Utility Association	\$ 74,463	\$ 64,924	\$ 8,489	\$ 1,050
Business Roundtable	\$ 2,069	\$ 1,804	\$ 236	\$ 29
EEL - USWAG		\$ 23,306	\$ 3,047	\$ 377
EEL	\$ 394,499	\$ 394,499	\$ -	\$ -
Totals		\$ 586,613	\$ 25,119	\$ 3,107
Advocacy		\$ 554,570	\$ 20,929	\$ 2,589

The highlighted rows in Figure KRR-XX represent dues paid to organizations and groups that perform lobbying and advocacy on behalf of members like the Company. The Company asserts that the amounts charged to customers are net of below-the-line

<sup>66</sup> IPL response to LGSG-DR-59, Att. A, attached as ELPC/IEC Rábago Direct Exhibit 14

1 expenditures, but did not disclose those amounts.<sup>67</sup>

2 **Q. Does tax law or regulatory accounting (e.g., FERC Uniform System of Accounts<sup>68</sup>)**  
3 **address this issue and ensure that the utility does not charge customers for lobbying**  
4 **and regulatory advocacy?**

5 A. No. While tax law and accounting conventions impact the label that it used in describing  
6 monies spent on regulatory advocacy and lobbying and the tax treatment that the  
7 expenses receive on federal tax returns, these classifications do not dictate or control  
8 regulatory treatment by state regulatory authorities. It is up to the Board to determine  
9 which expenses are included in the revenue requirement recovered from captive  
10 customers.

11 **Q. Does Iowa law speak to lobbying and regulatory advocacy costs and their treatment**  
12 **by the Board?**

13 A. Yes. Iowa Code § 476.18 specifically prohibits a public utility from “including either  
14 directly or indirectly in their charges or rates to customers the costs of lobbying.”<sup>69</sup> In  
15 addition, public utilities subject to rate regulation in Iowa are also prohibited from  
16 “including either directly or indirectly in their charges or rates to customers the costs of  
17 advertising other than advertising which is required by the board or by other state or  
18 federal regulation.”<sup>70</sup>

19 **Q. Does Iowa law adopt the same definition of lobbying that is used in federal law?**

---

<sup>67</sup> IPL response to EPLC/IEC DR-134, attached as ELPC/IEC Rábago Direct Exhibit 15

<sup>68</sup> See Federal Energy Regulatory Commission Uniform System of Accounts, available at:  
<https://www.ferc.gov/enforcement/acct-matts/usofa.asp>.

<sup>69</sup> IA Code § 476.18(1.) (2016).

<sup>70</sup> *Id.* at § 476.18(3.)(a.).

1 A. No. The Iowa Code adopts an extremely broad definition of lobbying that includes action  
2 directed at legislators, agency officials, or any statewide elected official to influence  
3 legislation, rules, or executive orders, or representation of an organization that has the  
4 purpose of exercising such influence.<sup>71</sup> As a result, in order to comply with Iowa Code §  
5 467.18, the Company must carefully scrutinize the expenses and activities of  
6 organizations that it joins that carry out advocacy activities.

7 **Q. Does the Company scrutinize the expenses and activities of organizations that it**  
8 **joins in order to ensure that the organizations comply with the broader Iowa**  
9 **definition of lobbying in order to ensure that the Company does not violate Iowa**  
10 **Code § 476.18 by charging customers for lobbying activities as defined by Iowa law,**  
11 **or to ensure that customers are not being required to subsidize corporate speech**  
12 **with which they might disagree?**

13 A. The Company relies completely on the unverified and unexamined assertions of the  
14 organizations that it joins and supports ultimately with customer funds, and does not take  
15 any action to ensure that the membership dues amounts it charges to Iowa customers does  
16 not include lobbying under Iowa law or forced speech.<sup>72</sup> In the case of dues paid to Baker  
17 Botts, the Company asserts that the lobbying activities of Baker Botts attorneys may  
18 constitute up to 19.9% of the time spent, but no reporting is done because it is not  
19 required by federal law.<sup>73</sup>

20 **Q. What trade association dues are you addressing in particular?**

---

<sup>71</sup> Iowa Code § 68B.2.13.

<sup>72</sup> IPL response to ELPC/IEC DR-134, attached as ELPC/IEC Rábago Direct Exhibit 15

<sup>73</sup> IPL response to ELPC/IEC DR-134.b, attached as ELPC/IEC Rábago Direct Exhibit 15

1 A. The Company is a member of the Edison Electric Institute (“EEI”), and through EEI also  
2 pays dues to be part of the Utility Solid Waste Activities Group (“USWAG”).<sup>74</sup> This  
3 testimony also addresses Company membership dues paid to several other trade  
4 associations operating nationally and in Iowa, as listed in Figure 8, above. Trade  
5 associations receive a majority of their revenue from utility membership dues,<sup>75</sup> are  
6 highly political in nature, and promote policies that are not always in the best interests of  
7 ratepayers. Trade associations engage in lobbying activity in the interests of their  
8 membership. Trade associations spend membership dollars on advertising and on-line  
9 promotion of the association’s agenda and of its members. There is currently no  
10 comprehensive, independent framework or process for verifying the accuracy of the  
11 representations these entities make as to the portion of membership dues they bill their  
12 members that relates to lobbying activities.

13 **Q. What is your recommendation to the Board regarding rate treatment of the**  
14 **expenses associated with membership in these organizations?**

15 A. The Company should be prohibited from seeking recovery from rate payers for any of the  
16 costs associated with membership in the Class of ’85 Regulatory Response Group, the  
17 Cross-Cutting Issues Group, the Iowa Business Council, the Iowa Utility Association,  
18 and the Business Roundtable because these organizations engage in lobbying and  
19 regulatory advocacy and because the Company has taken no steps to ensure that rate  
20 payer funds are not used to fund lobbying and regulatory advocacy functions.

---

<sup>74</sup> IPL response to LGSG-DR-59, Att. A, attached as ELPC/IEC Rábago Direct Exhibit 14.

<sup>75</sup> See, e.g., EEI 2017 IRS Form 990 at 13, *available at*  
<https://www.documentcloud.org/documents/5218920-EEI-2017-Form-990.html>.

1 **Q. Please summarize your recommendation on this issue.**

2 A. As further explained in this testimony, to protect the interests of ratepayers, and to ensure  
3 just and reasonable rates, I recommend that the total amount of requested operating  
4 expense costs relating to membership dues in EEI and to USWAG through EEI be  
5 disallowed. These expenses must be disallowed because first, the Company has failed to  
6 demonstrate that the costs related to EEI and USWAG membership dues do not include  
7 expenses associated with lobbying activities; and second, the Company has failed to  
8 demonstrate that these costs are just and reasonable.

9 **Q. What is EEI, and what services does the trade association provide to its members?**

10 A. EEI is a trade association with a large operating budget (almost \$97 million in 2016, the  
11 majority of which—\$80,939,845—was supported by membership dues).<sup>76</sup> EEI represents  
12 U.S. investor-owned electric companies in all 50 states, and describes its mission as  
13 providing “public policy leadership, strategic business intelligence, and essential  
14 conferences and forums.”<sup>77</sup> EEI also provides a Mutual Assistance program in which  
15 member utilities can access assistance during storms to restore power to affected  
16 customers.<sup>78</sup> Most of EEI’s work involves promoting its utility members’ policy agenda  
17 and bottom line through political action and legal intervention.<sup>79</sup> Notwithstanding this  
18 fact, EEI asserts that only a small fraction of the dues paid by the Company to EEI is

---

<sup>76</sup> *Id.*

<sup>77</sup> See EEI, *About EEI*, <http://www.eei.org/about/Pages/default.aspx> (last visited May 21, 2019).

<sup>78</sup> See EEI, *Mutual Assistance*, <http://www.eei.org/issuesandpolicy/electricreliability/mutualassistance/> (last visited May 21, 2019).

<sup>79</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>.

related to lobbying activity.<sup>80</sup>

**Q. Is the Company a member of EEI?**

A. Yes, the Company is a member of EEI.<sup>81</sup>

**Q. Does the Company seek to recover any portion of its allocated share of EEI membership dues from ratepayers?**

A. Yes.

**Q. How does the Company determine what portion of the EEI dues to recover from ratepayers?**

A. The Company relies solely on invoices provided by EEI.<sup>82</sup>

**Q. What portion of the Company's membership dues identified on those invoices are listed as lobbying expenses?**

A. The Company did not disclose the amount of membership dues that it identified as lobbying-related and that it charged to shareholders, rather than customers.<sup>83</sup>

**Q. What amount of EEI membership dues does the Company seek to recover from ratepayers?**

A. The Company charged \$394,499 as general expenses under FERC Account No. 930.2 for

---

<sup>80</sup> EEI spent in excess of \$15,000,000 on independent contractors, such as the firm that manages the USWAG, in 2016. In that year, EEI stated that it only spent \$1.85 million on lobbying. *See* EEI 2017 IRS Form 990 at 8, 14, *available at* <https://www.documentcloud.org/documents/5218920-EEI-2017-Form-990.html>.

<sup>81</sup> IPL response to LGSR-DR-59 SUPP, attached as ELPC/IEC Rábago Direct Exhibit 16

<sup>82</sup> IPL response to ELPC/IEC DR-77, attached as ELPC/IEC Rábago Direct Exhibit 17 at 15.

<sup>83</sup> IPL responses to ELPC/IEC DR-134, attached as ELPC/IEC Rábago Direct Exhibit 15

EEI membership in 2018.<sup>84</sup>

**Q. What is USWAG, and what services does the trade association provide to its members?**

A. USWAG is a trade association of utilities and utility groups that addresses waste, byproduct, and chemical management issues on behalf of the utility industry.<sup>85</sup> USWAG engages in regulatory advocacy on behalf of its members.<sup>86</sup> USWAG is funded through special assessments collected from utilities with EEI dues. Between 2008 and 2017, the USWAG has received more than \$21 million in utility funds for its activities.<sup>87</sup> EEI acts as a funder for a wide variety of groups that use millions of dollars of rate payer-funded dues to conduct policy and political advocacy activities.<sup>88</sup>

**Q. Is the Company a member of USWAG?**

A. Yes, the Company is a member of USWAG.<sup>89</sup>

**Q. Does the Company seek to recover any portion of its allocated share of USWAG membership dues from ratepayers?**

A. Yes.<sup>90</sup>

---

<sup>84</sup> ELPC/IEC Rábago Direct Exhibit 16

<sup>85</sup> See [www.uswag.org](http://www.uswag.org).

<sup>86</sup> *Id.*

<sup>87</sup> D. Anderson, M. Kasper, D. Pomerantz, Paying for Utility Politics: How Utility Ratepayers are Forced to Fund the Edison Electric Institute and Other Political Organizations, Energy and Policy Institute (May 2017) at 15. Available at: <https://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>. At 15

<sup>88</sup> *Id.* at 17-18.

<sup>89</sup> ELPC/IEC Rábago Direct Exhibit 16

<sup>90</sup> *Id.*

1 **Q. How does the Company determine what portion of the USWAG dues to recover**  
2 **from ratepayers?**

3 A. The Company relies solely on invoices provided by EEI.<sup>91</sup>

4 **Q. What portion of the Company's membership dues identified on those invoices are**  
5 **listed as lobbying expenses?**

6 A. According to the invoice provided by the Company, a very small proportion—three  
7 percent—of the dues the Company pays to EEI for USWAG membership is listed as  
8 lobbying expense.<sup>92</sup> However, the invoice states that this percentage is the amount that  
9 EEI determined to be related to influencing legislation and not deductible under federal  
10 tax law—but says nothing about the Iowa definition of lobbying.<sup>93</sup>

11 **Q. Does the Company seek to recover the portion of dues identified by USWAG as**  
12 **lobbying expenses from ratepayers?**

13 A. No.

14 **Q. What amount of USWAG membership dues does the Company seek to recover from**  
15 **ratepayers?**

16 A. The Company charged \$23,306 as a general expense in FERC Account No. 930.2 for  
17 USWAG membership from ratepayers.<sup>94</sup>

18 **Q. Does the Company take any steps to verify the proportion of lobbying expenses**  
19 **listed on the EEI invoice, associated with either EEI or USWAG membership, upon**

---

<sup>91</sup> *Id.*

<sup>92</sup> ELPC/IEC Rábago Direct Exhibit 15.

<sup>93</sup> *Id.*

<sup>94</sup> ELPC/IEC Rábago Direct Exhibit 16.



1           **which it relies?**

2     A.     No, it does not.<sup>95</sup>

3     **Q.     Why is the lack of verification a problem?**

4     A.     The Company advances its shareholders' interests above its customers' interests by  
5           taking the very low proportion of lobbying expenses listed in EEI invoices at face value.  
6           As already stated, EEI also acts as a collection and redistribution manager for dues  
7           payments to advocacy groups like USWAG and others.

8     **Q.     Does the Company have an obligation to ensure that lobbying-related expenses are**  
9           **not included in rates?**

10    A.     Yes, it does. The Company has an obligation to not force customers to involuntarily pay  
11           for advocacy positions that are inconsistent with those customers' interests and with state  
12           energy and regulatory policy—this is an issue of just and reasonable rates and of  
13           compelled speech. Meeting this obligation requires more than just taking the self-  
14           interested declarations of highly-political trade associations at face value.

15           From a regulatory perspective, it also means that the Company must meet its burden of  
16           proof under Iowa Code § 476.18 to show that the amounts of dues and membership  
17           expenses included in rates do not include funds spent on lobbying and advertising. The  
18           Company has been unable to provide evidence relating to the functions performed by the  
19           associations it spends rate payer dollars to join that establishes those functions do not

---

<sup>95</sup> ELPC/IEC Rábago Direct Exhibit 15.

1 include lobbying or advertising.<sup>96</sup>

2 **Q. What is the Company's excuse for not making any effort to verify the proportion of**  
3 **lobbying expenses listed on the EEI invoices upon which it relies?**

4 A. The Company states only that "[t]he associations provide invoices to IPL which identify  
5 what percentage of the dues are for lobbying expenditures. IPL books that portion of the  
6 dues "below-the-line," which ensures those costs are not reflected in customer rates."<sup>97</sup> It  
7 is important to recognize that this response does not mean anything except "we do  
8 nothing except take their word for it."

9 **Q. Is the Company's basis for not making any effort to verify the proportion of**  
10 **lobbying expenses reported by EEI on its invoices reasonable?**

11 A. No.

12 **Q. Please explain.**

13 A. Trade association dues are substantively different in critical ways from other expenses  
14 that utilities incur in the normal course of doing business. First, as described above, the  
15 Company has an obligation to ensure that it excludes lobbying-related costs from its  
16 expenses. Second, as explained in greater detail below, utility dues to EEI and USWAG  
17 may be supporting policies and activities that are directly contrary to customer interests  
18 and the public interest. Third, trade association dues are not like invoices for goods and  
19 services easily and obviously evaluated and verified by the Company. The activities of  
20 trade associations are shrouded in secrecy and subjectivity. In sum, trade association dues

---

<sup>96</sup> ELPC/IEC Rábago Direct Exhibit 15; IPL response to ELPC/IEC-DR-115, attached as ELPC/IEC Rábago Direct Exhibit 18

<sup>97</sup> ELPC/IEC Rábago Direct Exhibit 17

1 differ in critical and substantial ways from other expenses that the Company incurs in the  
2 normal course of doing business, and it is unreasonable for the Company to rely solely on  
3 invoices provided by EEI as to the association's proportion of lobbying-related expenses  
4 of its membership dues.

5 **Q. What portion of EEI's and USWAG's budgets are allocated toward lobbying**  
6 **activity as compared with other activities?**

7 A. There is no reliable way to know what portion of EEI's and USWAG's budgets are  
8 allocated towards lobbying activity because there is no independent, third-party  
9 verification of the lobbying amounts listed on EEI's invoices, and the Company has taken  
10 no effort to look behind the self-interested declarations by EEI. For EEI, the most  
11 recently available NARUC audit of EEI data is from 2005.<sup>98</sup> In this proceeding, the  
12 Company has not requested or submitted a more recent audit or other independent, third-  
13 party verification. Moreover, it is not known whether EEI and USWAG use member dues  
14 to fund advocacy, public relations, or other activities that are not technically "lobbying."

15 **Q. Why is it important to know how EEI and USWAG treat their expenditures?**

16 A. Reliable data on EEI and USWAG spending activity is necessary for reasonable  
17 allocations of expenses between lobbying and non-lobbying activity, and to ensure that  
18 rate payers are not forced to pay for speech through non-bypassable electric rates.  
19 Absence of that data presents a significant challenge for stakeholders, ratepayers, and  
20 regulatory authorities who seek to protect ratepayers from funding lobbying and any non-

---

<sup>98</sup> David Anderson et al., Energy & Policy Inst. ("EPI"), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>. at 32

1 lobbying advocacy that may not be in their best interest or in the public interest. As  
2 explained in more detail below, EEI is a member, on behalf of utilities like the Company,  
3 in organizations that pursue active lobbying agendas. The Company did not seek any  
4 information regarding whether the amounts it seeks to recover from customers in EEI  
5 dues include funds used for this indirect lobbying activity.

6 **Q. Why is it important to determine what activities and policies are supported with the**  
7 **EEI and USWAG ratepayer-funded dues?**

8 A. Free speech is a fundamental Constitutional right—and neither states nor the federal  
9 government can improperly infringe on that right. Being forced to pay for corporate  
10 speech through state-approved electric utility rates is forced speech and every bit the  
11 violation of the Constitutionally protected right as improper censorship. Even if expenses  
12 technically labeled as lobbying are recovered below-the-line, the right to be free from  
13 forced speech imposed through Board-approved rates means that trade association dues  
14 must be carefully examined to ensure they are free of forced speech effects.

15 **Q. What EEI activities are in the interest of Iowa ratepayers?**

16 A. Examples of association activities clearly in the interests of ratepayers include: EEI-  
17 sponsored workforce education and training modules, knowledge campaigns centered  
18 around electrical and gas safety, and EEI's Mutual Assistance Program that combines  
19 utility resources during extreme weather to restore power to customers.

20 **Q. What is the problem with above-the-line trade association dues?**

21 A. The problem is that the EEI acts as an advocacy organization in supporting a policy  
22 agenda contrary to many ratepayers' interests or personal beliefs. These activities include

indirect lobbying conducted by groups and organizations funded by EEI. In one example, over the period of 2008 to 2015, EEI donated \$142,667 to the American Legislative Exchange Council (“ALEC”).<sup>99</sup> ALEC, a politically conservative 501(c)(3) organization, provides state legislators with “model policies” to oppose renewable energy standards.<sup>100</sup> To be sure, some and likely many of the Company’s customers would strongly disagree with being forced to support ALEC or similar associations through mandatory rates for electric service, regardless of whether they agree with the positions taken by such a highly-political organization. Just and reasonable rates should not mean forced support for political and policy advocacy activities.

**Q. Are you saying that the Company not be allowed to indirectly fund ALEC or other anti-renewable energy advocacy organizations through its payment of EEI member dues?**

A. No. I accept that the Company may decide that it is in the best interests of *shareholders* to join in such agendas. My testimony is that ratepayers should not be required to support these organizations, directly or indirectly, through EEI and USWAG dues. And the Company must seek and produce sufficient and competent evidence to the Board that any payments towards dues that it seeks to recover from ratepayers through the revenue requirement do not fund these activities. Otherwise, customers will be involuntarily funding political and policy advocacy activities carried out by EEI and USWAG, and

---

<sup>99</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>, at 17.

<sup>100</sup> *Id.*; see also Suzanne Goldenberg & Ed Pilkington, *ALEC Calls for Penalties on ‘Freerider’ Homeowners in Assault on Clean Energy*, The Guardian (Dec. 4, 2013), available at: <https://www.theguardian.com/world/2013/dec/04/alec-freerider-homeowners-assault-clean-energy>.

given the lack of audits or verification of invoices and activities, may even be funding lobbying by these groups as well.

**Q. Do any third-party regulatory organizations conduct oversight of utility EEI and USWAG dues?**

A. No, there is no regulatory oversight of the allocation of trade association membership dues today. From the 1980s to the early 2000s, NARUC conducted annual audits of trade association financial records through the Committee on Utility Oversight.<sup>101</sup> The audits persuaded NARUC regulators to direct utilities to collect a smaller portion of their EEI dues from ratepayers.<sup>102</sup> The Committee on Utility Oversight, which audited expenditure data, disbanded in the year 2000.<sup>103</sup> Recently, utilities have been seeking lower than usual amounts from shareholders: Georgia Power proposed 29% of EEI dues as below-the-line expenses in a 2016 filing,<sup>104</sup> NV Energy proposed 16% in a 2015 filing,<sup>105</sup> and Oklahoma Gas & Electric proposed 0% in a 2016 filing.<sup>106</sup> Without transparency of spending data, it is difficult to fully understand how EEI and USWAG spend ratepayer funds. The Board is the best institution to address this issue in the absence of a coordinated multi-state audit

---

<sup>101</sup> See NARUC Bd. of Directors, Resolution Regarding Discontinuation of the Committee on Utility Oversight (Mar. 8, 2000), <http://pubs.naruc.org/pub/5398B543-2354-D714-51D3-90ACAB1DA952> (“NARUC Resolution”).

<sup>102</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>. at 6.

<sup>103</sup> See NARUC Resolution.

<sup>104</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf>. at 2.

<sup>105</sup> See *id.* at 24.

<sup>106</sup> See *id.* at 20–21 & tbl.1; Responsive Testimony of Sharhonda Dodoo, Corp. Comm’n Okla. Cause No. PUD 201500273, *In re Okla. Gas & Elec. Co.*, at 5:17–6:2 & tbl.1 (Mar. 21, 2016), available at: <https://www.documentcloud.org/documents/3111578-Sharhonda-Dodoo-PUD-Testimony-OGE-Dues.html#document/p6/a318911>.

1 like the audits NARUC previously conducted.

2 **Q. Have other public utility commissions addressed this issue?**

3 A. Commissions in California and Missouri have addressed the issue in recent rate cases. In  
4 2013, the Utility Reform Network (“TURN”), a California-based advocacy organization  
5 that represents consumers before the California Public Utilities Commission (“CPUC”),  
6 succeeded in challenging the above-the-line EEI dues allocation proposed by Pacific Gas  
7 & Electric Co. (“PG&E”).<sup>107</sup> TURN argued that “EEI spends money on many other  
8 things that do not fit the narrow definition of lobbying” but nevertheless could impair  
9 ratepayer interests and therefore should not be funded by ratepayers.<sup>108</sup> Based on  
10 TURN’s argument and the most recent 2005 NARUC audited data, the CPUC decided to  
11 increase the allocation of below-the-line dues from the 25% proposed by PG&E to  
12 43.3%.<sup>109</sup>

13 In a later Southern California Edison (“SCE”) case, SCE proposed to recover only 24%  
14 from shareholders, while TURN requested that 100% of EEI dues be disallowed.<sup>110</sup> In

---

<sup>107</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf> at 34-37.

<sup>108</sup> William B. Marcus, *Electric Generation and Other Results of Operations Issues for Pacific Gas & Electric Co.*, Prepared Testimony on behalf of TURN, CPUC Appl’n No. 12-11-009, *In re Pacific Gas & Elec. Co.*, at 68 (May 17, 2013), available at: <https://assets.documentcloud.org/documents/3382426/TURN-PGE-Testimony-2014-Rate-Request.pdf>.

<sup>109</sup> Decision 15-08-023, Decision Granting Compensation to the Utility Reform Network for Substantial Contribution to Decision 14-08-032, Appl’n No. 12-11-009, *In re Pacific Gas & Elec. Co.*, at 8 (CPUC Aug. 13, 2015), available at: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M154/K137/154137946.PDF>.

<sup>110</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf> at 35-37.

1 that instance, the Administrative Law Judge (“ALJ”) agreed that SCE has “not shown  
2 that it has removed all political or lobbying costs from its forecast.”<sup>111</sup> In the ruling, the  
3 ALJ proposed to increase the below-the-line allocation to 47.9% from SCE’s proposed  
4 24%.<sup>112</sup>

5 In 2015, the Missouri Public Service Commission (“MO-PSC”) staff presented testimony  
6 in support of disallowing all above-the-line EEI dues, stating: “Staff’s recommendation to  
7 disallow the entire amount of EEI dues stems from [Union Electric Co. d/b/a Ameren  
8 Missouri’s] failure to quantify these benefits between shareholders and the ratepayers.”

9 <sup>113</sup> MO-PSC staff noted that the MO-PSC had excluded all EEI dues in a prior proceeding  
10 on the ground that “these payments have not been shown to produce any direct benefit to  
11 the ratepayers.”<sup>114</sup> After negotiations, the MO-PSC staff and Ameren Missouri agreed to  
12 entry of a settlement order.<sup>115</sup>

13 **Q. What do you propose to ensure that ratepayers are not required to fund activities**  
14 **from which they receive no benefit or by which they risk being harmed?**

15 A. The Company must provide sufficiently detailed information regarding the membership  
16 dues’ cost allocation as an incident to its burden of demonstrating that its requested rates  
17 are just and reasonable. This evidence must demonstrate that above-the-line dues to EEI

---

<sup>111</sup> *Id.* at 36.

<sup>112</sup> *See id.* at 36–37.

<sup>113</sup> Surrebuttal Testimony of Jason Kunst, MO PSC Case No. ER-2014-0258, at 2 (Feb. 6, 2015) (citation omitted), available at: <https://assets.documentcloud.org/documents/3320628/MO-PSC-Surrebuttal-Testimony-Dues.pdf>.

<sup>114</sup> *Id.* at 3 (quoting Report and Order, Case No. EC-87-114 (MO-PSC 1987)).

<sup>115</sup> David Anderson et al., Energy & Policy Inst. (“EPI”), *Paying for Utility Politics* 4 (2017), <http://www.energyandpolicy.org/wp-content/uploads/2017/05/Ratepayers-funding-Edison-Electric-Institute-and-other-organizations.pdf> at 31.



1 and USWAG: (1) do not include lobbying expenses; (2) directly benefit ratepayers; and  
2 (3) do not work contrary to ratepayer interests. Due to the conflict of interest between  
3 those organizations and Iowa ratepayers, and in the absence of a third-party audit in the  
4 record, it is not reasonable to rely solely on the itemization of expenses on trade  
5 association invoices provided by the self-interested trade associations themselves. The  
6 data submitted by the Company therefore is inadequate to carry the Company's burden of  
7 demonstrating that its proposed rates are just and reasonable or to confirm that ratepayers  
8 are not being asked to pay for lobbying activities in violation of state law.

9 **Q. What do you recommend that the Board do in the face of this lack of evidence?**

10 A. The Company has failed to produce reliable evidence that the dues it pays to EEI and  
11 USWAG that it also seeks to recover from rate payers do not provide financial support  
12 for lobbying and advertising. As a result, there is a substantial evidence to support a  
13 finding that rate recovery of those costs would violate Iowa Code § 476.18. Because the  
14 Company has not provided sufficient and competent evidence to support a finding that  
15 the dues it is asking ratepayers to pay do not include lobbying or advertising expenses,  
16 are in the interests of ratepayers, and are a just and reasonable expense, I recommend that  
17 the total amount of requested revenue requirement related to membership dues in EEI and  
18 USWAG be disallowed.

19 **Q. Does the Company spend money on any other regulatory and policy group**  
20 **memberships for which it seeks rate recovery from customers?**

21 A. Yes. The Company uses rate payer dollars for regulatory and policy advocacy, including  
22 lobbying, to advance shareholder interests through several other groups. These include:  
23 

- Class of '85 Regulatory Response Group – \$40,800, 2018, through the law firm of

1 Baker & Botts, L.L.P.<sup>116</sup> - The Class of '85 is composed of approximately 30  
2 investor-owned, municipal and co-operative electric generating companies from  
3 around the country. Since implementation of the 1990 Clean Air Act (CAA)  
4 amendments, this group has actively participated in the development of regulations  
5 and policies implementing the CAA.<sup>117</sup>

- 6 ■ Cross-Cutting Issues Group - \$35,000, 2018, through the law firm of Baker & Botts,  
7 L.L.P.<sup>118</sup> - Cross-Cutting Issues Group is a group of approximately 10 electric  
8 generating companies with diverse generation assets located throughout the country  
9 that participates in regulatory and policy developments related to waste, water, and  
10 wildlife programs that affect the power sector.<sup>119</sup>

- 11 ■ Iowa Business Council - \$20,000, 2018<sup>120</sup> – Iowa Business Council is an association  
12 of the largest businesses in Iowa that conducts advocacy on behalf of its members'  
13 interests. The Iowa Business Council conducts lobbying through its agent, Georgia  
14 Van Gundy.<sup>121</sup>

- 15 ■ Iowa Utility Association, \$78,827.58, 2018<sup>122</sup> – The Iowa Utility Association  
16 develops, organizes, and promotes improvement in the common business interests  
17 and conditions of Iowa's investor-owned electric, natural gas and transmission

---

<sup>116</sup> ELPC/IEC Rábago Direct Exhibit 15

<sup>117</sup> See Baker & Botts Environmental Coalitions at <http://www.bakerbotts.com/services/practice-areas/environmental-law/environmental-coalitions>.

<sup>118</sup> ELPC/IEC Rábago Direct Exhibit 15

<sup>119</sup> See Baker & Botts Environmental partner Meghan Berge at <http://www.bakerbotts.com/people/b/berge-megan-h?tab=experience>.

<sup>120</sup> ELPC/IEC Rábago Direct Exhibit 15.

<sup>121</sup> See Iowa Legislature, Lobbyist Reports, at <https://www.legis.iowa.gov/lobbyist/reports/lobbyist?personID=21048&ga=87&session=2>.

<sup>122</sup> ELPC/IEC Rábago Direct Exhibit 15

1 utilities. The Iowa Utility Association operates as a 501(c)(6) non-profit  
2 corporation.<sup>123</sup> The Iowa Utility Association conducts lobbying through its agents,  
3 Mark Douglas and Daniel Evans.<sup>124</sup>

4     ▪ Business Roundtable - \$100,000, 2018<sup>125</sup> - The Business Roundtable is an  
5 organization based in Washington, D.C. that does little else besides lobbying,  
6 spending more than \$26 million and working through a network of indirect lobbying  
7 firms on issues that are priority for the largest businesses in the United States.<sup>126</sup> The  
8 Company's invoice from the Business Roundtable says that more than 85% of the  
9 dues paid to the association is directly labeled as lobbying, raising the likelihood that  
10 the remainder is non-lobbying spending to support lobbying activities.<sup>127</sup>

11 **Q. What do you recommend that the Board do with regard to the Company's expenses**  
12 **relating to membership in these organizations?**

13 A. The Company has failed to produce reliable evidence that the dues it pays to various  
14 membership organization that it also seeks to recover from rate payers do not provide  
15 financial support for lobbying and advertising. As a result, there is a substantial evidence  
16 to support a finding that rate recovery of those costs would violate Iowa Code § 476.18.  
17 Because the Company has not provided sufficient and competent evidence to support a  
18 finding that the dues it is asking ratepayers to pay do not include lobbying or advertising  
19 expenses, are in the interests of ratepayers, and are a just and reasonable expense, I

---

<sup>123</sup> See Iowa Utility Association, at <http://www.iowautility.org>

<sup>124</sup> See Iowa Legislature, Lobbyist Client Info, at  
<https://www.legis.iowa.gov/lobbyist/reports/client?clientID=547&ga=87&session=1>.

<sup>125</sup> ELPC/IEC Rábago Direct Exhibit 15

<sup>126</sup> See Open Secrets website, at  
<https://www.opensecrets.org/lobby/clientsum.php?id=D000032202&year=2018>

<sup>127</sup> ELPC/IEC Rábago Direct Exhibit 15

1 recommend that the total amount of requested revenue requirement related to  
2 membership dues in EEI and USWAG be disallowed.

3 **VI. SUMMARY OF RECOMMENDATIONS**

4 **Q. Please summarize your recommendations to the IUB.**

5 A. Based on my review of the evidence in this proceeding and the findings and conclusions  
6 that I have reached, I make the following recommendations to the IUB:

- 7 • Regarding the Company's residential rate proposals, I recommend that the Board  
8 direct the Company to:
  - 9 ○ Withdraw its proposal for declining block rates for the summer season for  
10 residential customers and continue the current practice of flat rates, or better,  
11 design and propose inverted block rates.
  - 12 ○ Further reduce the declining block first-to-tail block differential for winter  
13 rates and propose a reasonable schedule for eliminating the differential  
14 entirely within three years.
  - 15 ○ Cease assigning uncollectible expenses to the customer cost category.
  - 16 ○ Reduce the remaining meter- and customer service-related costs assigned to  
17 customer cost category by 50%.
  - 18 ○ Assign pole rental revenues to the customer cost category.
  - 19 ○ Recalculate the resulting customer costs for residential customers.
  - 20 ○ Allocate any increased prudently-incurred distribution-related costs for  
21 residential customers to volumetric rate elements.
- 22 • The Board should direct the Company to withdraw and terminate the Optional  
23 Demand Rates as a bad idea unwanted by customers.

- 1       • The Board should direct the Company to eliminate the differences in charges between  
2       LGS and LGSS customers.
- 3       • The Board should reject the Company's FABPP proposal.
- 4       • The Board should direct the Company to conduct an open and comprehensive effort  
5       to assess the value of solar generation and other distributed energy resources in order  
6       to establish a uniform and full avoided cost basis for its solar programs.
- 7       • The Board should adopt the recommendations submitted by ELPC/IEC witnesses  
8       Johannsen, Kenworthy, and Volkmann in their testimony.
- 9       • The Board should condition approval of any utility-owned distributed solar project  
10      within any of the Company's proposed programs on the Company interconnecting at  
11      least one additional project of the same kind that is owned and operated by parties  
12      other than the Company.
- 13      • The Board should strongly reject the Company's EECR Rider proposal as unjust and  
14      unreasonable.
- 15      • The Board should reject the Company's proposed new charge on NM and AEP  
16      customers through the RTS Rider.
- 17      • The Board should award the Company a ROE at the low end of the range it finds  
18      reasonable or reduce the ROE that the Company would otherwise be awarded in order  
19      to properly account for the very low regulatory risk and very supportive advance  
20      ratemaking principles that the Company enjoys.
- 21      • The Company should be prohibited from seeking recovery from rate payers for any of  
22      the costs associated with membership in the Class of '85 Regulatory Response Group,  
23      the Cross-Cutting Issues Group, the Iowa Business Council, the Iowa Utility

1 Association, and the Business Roundtable.

2 • The Board should disallow the total amount of requested operating expense costs  
3 relating to membership dues in EEI and to USWAG through EEI.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

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

---

IN RE:	)	
	)	DOCKET NO. RPU-2019-0001
INTERSTATE POWER AND LIGHT	)	
COMPANY	)	
	)	

---

**AFFIDAVIT OF KARL RÁBAGO**

STATE OF NEW YORK	)	
	)	
COUNTY OF WESTCHESTER	)	

I, Karl Rábago, being first duly sworn on oath, state that I am the same Karl Rábago identified in the testimony filed in this docket on August 1, 2019, that I have caused the testimony [and exhibits] to be prepared and am familiar with its contents, and that the testimony [and exhibits] is true and correct to the best of my knowledge and belief as of the date of this affidavit.

/s/ Karl Rábago  
Karl Rábago  
August 1, 2019

Subscribed and sworn to me this 1<sup>st</sup> day of August, 2019.

/s/ Jennifer A. Ruhle  
Jennifer A. Ruhle  
Notary Public in and for the  
State of New York