

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2019-0001
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DIRECT TESTIMONY
OF
DAVID A. BERG

1 **Q. Please state your name and business address.**

2 A. My name is David Berg and my business address is 15213 Danbury Ave. W,
3 Rosemount, MN 55068.

4 **Q. By whom are you employed?**

5 A. I am the Principal of Dave Berg Consulting, LLC. Dave Berg Consulting is a
6 single person utility financial consulting firm formed in 2012.

7 **Q. Please describe your education and professional work experience.**

8 A. I have Master of Science (1984) and Bachelor of Science (1983) degrees in
9 Electrical Engineering from North Dakota State University. I am a licensed
10 professional engineer in the states of Minnesota and Missouri. From 1984-1988, I
11 was employed as a planning engineer with Burns & McDonnell in Kansas City,
12 MO. From 1988-2012 I was with R.W. Beck (later called SAIC) in their
13 Minneapolis, MN area office. I was a principal with R.W. Beck and was national
14 director of the rates and regulatory group. In my current position, I primarily
15 work with electric, natural gas, water and wastewater utilities performing cost of

1 service and rate design studies. Since 2004, I have been an instructor for an in-
 2 depth electric cost-of-service and rate design course that has been taught
 3 throughout the U.S. through Electric Utility Consultants, Inc. (“*EUCT*”). Over
 4 1,000 utility professionals have attended my training sessions.

5 **Q. Have you previously testified before the Iowa Utilities Board?**

6 A. No, I have not.

7 **Q. What is the purpose of your Direct Testimony?**

8 A. I will be commenting on certain aspects of the Interstate Power and Light (“*IPL*”)
 9 filing related to IPL’s rate design and revenue requirements.

10 **Q. Have you included any exhibits with your Direct Testimony?**

11 A. Yes, I have provided the following exhibits with my Direct Testimony:

Exhibit Number	Exhibit Title
DAG Berg Direct Exhibit 1	Existing and Proposed IPL Rate Tariff 440
DAG Berg Direct Exhibit 2	Existing and Proposed IPL Rate Tariff 800
DAG Berg Direct Exhibit 3	Impact on Luther College Costs
DAG Berg Direct Exhibit 4	Comparison of IPL and MidAmerican Rates
DAG Berg Direct Exhibit 5	IPL Financial Statistics
DAG Berg Direct Exhibit 6	IPL Rate Base Information
DAG Berg Direct Exhibit 7	Concentric Energy Advisors 2018 Decorah Municipalization Feasibility Analysis
DAG Berg Direct Exhibit 8	Alliant Mailer to Decorah Customers

1 **Q. What comments do you have regarding IPL's proposed rate design?**

2 A. My comments relate to IPL's proposed changes to the Electric Large General
3 Service, Rate Code 440 and the Electric Large General Service – Supplementary
4 Power, Rate Code 800. The existing and proposed IPL Rate Tariffs 440 and 800
5 are included as DAG Berg Direct Exhibit 1 and DAG Berg Direct Exhibit 2.
6 These exhibits are red-line markups of the IPL Rate Tariffs. The existing rates
7 are crossed out and the proposed rates are added in red. Additionally, IPL has
8 added one more month to the summer season rates in both Tariff 440 and 800.
9 The beginning of the summer season rates have been moved from June 15 to May
10 16 in both rates. With this change, all customers subject to Tariffs 440 and 800
11 will have a higher percentage of their annual usage billed at the higher summer
12 rates.

13 **Q. What are your concerns with Rate Codes 440 and 800?**

14 A. To illustrate my concerns, I have used Luther College, located in Decorah, which
15 previously received service under Rate Code 440. In the last IPL rate case (RPU-
16 2017-0001), IPL instituted effective April 30, 2018, the Electric Large General
17 Service – Supplementary Power Rate Code 800 tariff. As stated in the tariff, this
18 rate is “[a]pplicable to power and lighting requirements of Large General Service
19 Customers having their own generating facilities and desiring supplementary
20 power.” In the tariff, Supplementary Service is defined to mean “electric energy
21 or capacity supplied by the Company in addition to that which is normally
22 provided by the Customer's own generation equipment.” Luther College has 660
23 kW ac of solar generation located behind its main campus meter. As a result of

1 IPL's last rate case, IPL moved Luther College from the Large General Service
2 rate (Rate 440) to the Large General Service – Supplementary Power rate (Rate
3 800) for purposes of billing Luther College for retail electric service.

4 **Q. What billing information did you utilize for Luther College?**

5 A. In DAG Berg Direct Exhibit 3, I utilize Luther College's actual billing data from
6 the IPL bills for June 2018 through May 2019. The billing data by month is
7 summarized on page 1 of DAG Berg Direct Exhibit 3.¹ For the proposed rate
8 tariffs, I estimated that May usage for Luther College would be one-half at
9 summer rates and one-half at winter rates.

10 **Q. What analysis have you performed to determine the impact of this rate**
11 **change on Luther College?**

12 A. Utilizing Luther College's actual billing information, the calculations of Luther
13 College's bills are shown in DAG Berg Direct Exhibit 3 assuming the existing
14 rate 800 (page 2), the existing rate 440 (page 3), the proposed rate 800 (page 4)
15 and the proposed rate 440 (page 5).

16 **Q. Did you make any adjustments to the rates?**

17 A. For the current rate 800 and rate 440 calculations, I have ignored the interim rates
18 that went into effect in March 2019.

19 **Q. Why did you ignore the interim rates?**

20 A. In my calculations, I wanted to illustrate the full impact of the final proposed rates
21 by IPL.

22 **Q. What were your assumptions regarding other aspects of the rate and bill?**

¹ Luther College has consented to have this information be included in the public record in this Docket.

1 A. In my calculations I have kept the values for reactive demand, regional
 2 transmission service, energy cost (as a pass through) and energy efficiency
 3 charges constant in all four rate scenarios examined.

4 **Q. Why did you keep those items constant?**

5 A. I wanted to show just the impact of the changes in seasonal demand and energy
 6 charges as listed in the rate schedule tariffs to illustrate how those changes
 7 influence Luther College's bills.

8 **Q. What do your calculations show?**

9 A. The table below summarizes the annual bill for Luther College based on each of
 10 the 4 rates as described above and as calculated in DAG Berg Direct Exhibit 3:

Rate Schedule	Annual Luther College Bill
Existing Rate 800	\$975,495
Existing Rate 440	\$982,379
Proposed Rate 800	\$1,140,391
Proposed Rate 440	\$1,047,908

11 **Q. What do you conclude from this analysis regarding the existing rates?**

12 A. For Luther College, the difference in the annual bill between the existing 800 rate
 13 and the existing 440 rate is only 0.7%. I don't believe the separate 800 rate is
 14 justified, but currently that is not a critical factor for Luther College because it has
 15 little impact on its bill.

16 **Q. What do you conclude from this analysis regarding the proposed rates?**

17 A. If Luther College were on rate tariff 440, its annual bill would increase 6.7%. As
 18 a customer on rate tariff 800, its bill will increase 16.9%. This is a significant
 19 disparity in rate impact that I do not believe can be supported by IPL's cost to
 20 serve Luther.

1 **Q. Why did you think the separate 800 rate is not justified?**

2 A. As shown on page 1 of DAG Berg Direct Exhibit 3, Luther College's monthly
3 load factors range from 52% to 79% with an average annual load factor of 64%.
4 This character of usage is not unusual for a Large General Service customer. I
5 suspect IPL has many Large General Service customers whose usage patterns are
6 similar to Luther College's usage. The fact that Luther College has solar
7 generation behind the meter is irrelevant to IPL's cost to serve Luther College.
8 Electric usage by customer varies for many reasons. Luther College's annual
9 solar generation is approximately 900,000 kWh or about 7.5% of its annual usage.
10 Luther College never exports any solar energy to IPL's system; it is all utilized
11 within Luther College's campus. Over the past years, Luther College has
12 implemented several energy efficiency programs that have reduced its annual
13 usage by an estimated 5.4 million kWh (approximately 30% of Luther's
14 2002/2003 energy consumption of 17.9 million kWh). The energy efficiency
15 programs have actually had a much larger impact on IPL sales than the solar
16 generation (approximately 6 times more energy efficiency reduction than solar
17 generation), but energy efficiency doesn't cause Luther to be placed in a different
18 rate class.

19 **Q. Are the proposed changes to the rates fair?**

20 A. No. A 16.9% increase under rate tariff 800 as compared to a 6.7% increase under
21 rate tariff 440 is clearly not fair, equitable or justified. The proposed rates
22 actually punish Luther College for making an investment in clean renewable

1 energy and specifically discourage other similarly situated customers from
2 making a similar investment.

3 **Q. Is that result consistent with stated goals of Luther College, IPL and the**
4 **State of Iowa?**

5 A. Luther College has a well-documented history of its commitment to renewable
6 energy and energy efficiency. In its public relations (“PR”) documents, IPL states
7 it has a similar commitment. The text below, within the box outline, is taken from
8 the IPL (Alliant) website:

The future of solar energy is bright

We are acting today to create a better tomorrow for our customers and communities. A sensible, planned move to clean energy sources is the way to solve many of our energy challenges. Our energy mix combines clean and renewable sources with traditional ones. We are transforming our energy fleet with an eye on customer cost, carbon reduction and providing cleaner and reliable power to the communities we serve. One way we are advancing clean energy and reducing emissions is by adding solar.

<https://www.alliantenergy.com/OurEnergyVision/AdvancingCleanEnergy/SolarGeneration>

9 The State of Iowa is a nationally recognized leader in renewable energy.
10 Proposing, approving and implementing a retail rate like the proposed tariff 800
11 rate punishes customers that install renewable capacity for their own consumption
12 and discourages future customers from making that choice. This is in direct
13 conflict with Luther College’s commitment, Iowa’s national reputation and IPL’s
14 stated goal. In my view, it also conflicts with Iowa Code §476.41 which states:

15 It is the policy of this state to encourage the development of
16 alternate energy production facilities and small hydro facilities in
17 order to conserve our finite and expensive energy resources and to
18 provide for their most efficient use.

1 **Q. Have you performed any analysis regarding IPL's requested rate increase**
2 **and IPL rate levels generally?**

3 A. Yes.

4 **Q. What is the impact of IPL's requested increase combined with its last**
5 **approved increase?**

6 A. IPL is requesting an overall increase in revenues through rates of \$204 million or
7 11.7%. In 2017 as part of Docket No. RPU-2017-0001, IPL was awarded a rate
8 increase of \$130 million (approx. 7.8%). Approval of the current request
9 combined with the 2017 docket would result in an overall increase of over 20% in
10 just 3 years.

11 **Q. How do IPL rate levels compare to those of other Iowa utilities?**

12 A. In response to Data Request No. 6 dated March 8, 2019 from the Office of
13 Consumer Advocate ("OCA") in this docket, IPL provided a rate comparison for
14 2017 for Iowa electric utilities. In the rate comparison, utilities were ranked from
15 lowest average rates (no. 1) to highest average rates (no. 178). In this summary,
16 IPL ranked 167th of 178 utilities for residential customers. For commercial
17 customers, the rank was 98th out of 178 utilities and for industrial customers it
18 was 37th out of 178 utilities.

19 **Q. How do IPL rate levels compare to Iowa's other investor-owned utility,**
20 **MidAmerican Energy?**

21 A. DAG Berg Direct Exhibit 4 shows a graphical comparison of IPL and
22 MidAmerican Energy average rates from 2008 to 2018. This graph is from
23 information prepared by the Iowa Legislative Services Agency and was cited by

1 Iowa Representative Sharon Steckman during an IUB public hearing held in
2 Mason City on May 2, 2019. A transcript of this meeting was filed with the IUB
3 as part of this docket on May 28, 2019. As shown, IPL's rates were
4 approximately 37% higher than MidAmerican's rates in 2008 (11 cents/kWh vs. 8
5 cents/kWh). Since that time, IPL has raised its rates 45% while MidAmerican has
6 raised its rates 25%. The 2018 difference between IPL and MidAmerican rates is
7 now 60% (16 cents/kWh vs. 10 cents/kWh). Proposed increases by IPL will
8 cause this rate disparity between Iowa's two investor-owned utilities to widen
9 further.

10 **Q. Have you done any analysis to understand the recent increases in IPL's**
11 **rates?**

12 A. Yes, I have focused my analysis on two major components of IPL's revenue
13 requirement, operation and maintenance expenses ("*O&M*") and rate base. O&M
14 expenses are a direct component of a utility's revenue requirement. Rate base
15 impacts a utility's revenue requirement through depreciation expense and cost of
16 capital.

17 **Q. What did you conclude regarding IPL's O&M expenses?**

18 A. DAG Berg Direct Exhibit 5 presents certain financial statistics for IPL for the
19 years 2009 through 2017. This information was taken from the consolidated
20 annual electric reports filed with the Board by IPL. For the period shown, IPL's
21 annual operating expenses increased from \$908,660,998 in 2009 to
22 \$1,070,544,036 in 2017. This is an overall increase of 17.8% or an average
23 annual increase of 2.1%. During the same period, total energy sold by IPL

1 increased from 15,967,244 MWh to 17,406,995 MWh, an increase of 9.0%. The
 2 O&M cost per MWh of energy sold increased from \$56.91/MWh in 2009 to
 3 \$61.50/MWh in 2017. This is a total increase of 8.1% or less than 1% per year.
 4 Based on this analysis, I have concluded that increases in O&M expenses are not
 5 the reason for the sizeable increases in IPL's rates.

6 **Q. What did you conclude regarding IPL's rate base?**

7 A. DAG Berg Direct Exhibit 6 includes information regarding IPL's rate base as
 8 presented by various IPL witnesses in this and previous dockets. The table below
 9 presents the total rate base for each year included in DAG Berg Direct Exhibit 6.
 10 The rate base values are rate base prior to adjustments as presented by IPL.

YEAR	IPL RATE BASE
2009	\$2,124,131,327
2016	\$3,119,533,823
2018	\$4,279,514,348
2019	\$5,641,618,585
2020	\$6,244,742,322

11 From 2009 to 2020, IPL has increased its rate base by 194%. IPL's 2020 rate
 12 base is almost 3 times as big as its 2009 rate base. During this period, IPL has
 13 experienced very modest growth in sales to customers. This is a very dramatic
 14 increase in rate base over a relatively short period of time. I conclude that these
 15 rate base increases are primarily responsible for the increases in IPL rates. I
 16 believe this conclusion is consistent with information contained throughout IPL's
 17 filing information in this docket.

18 **Q. Do you believe the increases are excessive?**

1 A. In IPL's application for this docket, filed on March 1, 2019, under the heading
2 Customer Benefits and Value, IPL states:

3 8. In its last rate review, IPL highlighted core areas of investment
4 that it was prioritizing then and into the future, including
5 investments designed to advance cleaner energy, modernize and
6 strengthen the power grid, and better serve customers.
7

8 9. Since then, IPL has continued to invest in these core areas in
9 ways that benefit customers and position the Company to provide
10 efficient and reliable service well into the future. These
11 investments will bring value in TY 2020 and beyond. IPL's
12 larger capital investments since its last rate review primarily fall
13 within two categories: (1) investments in clean energy; and (2)
14 enhancements to the energy grid. These investments align with
15 IPL's strategy to reflect customers' changing expectations and
16 deliver affordable, reliable and increasingly clean energy to its
17 customers and communities. (IPL, Application for Revision of
18 Electric Rates, RPU-2019-0001, 3-4)
19

20 In general, the goals stated by IPL may seem reasonable. However, increases to
21 utility rate base need to balance with the rates to ultimate customers. IPL
22 mentions "affordable" in its rate filing as shown above. For IPL's residential
23 customers, who already pay some of the highest rates in Iowa, double digit
24 increases do not result in affordable energy. This is particularly true for low- and
25 fixed-income customers. I believe IPL customers view these increases as
26 excessive.

27 **Q. Are you aware of any recent IPL statements regarding its future rate
28 adjustments?**

29 A. Yes, in 2018 I was part of an engineering team contracted by Decorah Power to
30 investigate the feasibility of establishing a municipally owned and operated utility
31 in the City of Decorah. Establishing a municipal utility would have required
32 buying the IPL assets in Decorah. Before the effort to establish a municipal

1 utility could move forward, a referendum was voted on by the citizens of
2 Decorah. IPL was not in favor of this municipalization initiative and undertook
3 an active marketing and public relations campaign against the effort. As part of
4 the IPL campaign, several statements regarding rates were made by IPL and its
5 consultant, Concentric Energy Advisors (“CEA”).

6 **Q. Do you have any examples of statements made by IPL and CEA?**

7 A. DAG Berg Direct Exhibit 7 is public information that CEA provided prior to the
8 vote in 2018. The first 26 pages of DAG Berg Direct Exhibit 7 contain a
9 PowerPoint presentation made by CEA to the Decorah City Council, dated
10 February 5, 2018. The remainder of DAG Berg Direct Exhibit 7 is the feasibility
11 study report and relevant attachments from CEA.

12 **Q. What rate-related statements did CEA make?**

13 A. On page 11 of the PowerPoint presentation, CEA stated that in 2017 the weighted
14 average rate for IPL/Alliant customers in Decorah was 12.69 cents/kWh. On page
15 16 of the PowerPoint presentation, CEA shows the projected Alliant rate for 2021
16 through 2027. The 2021 rate of 13.91 cents/kWh is 9.6% higher than the 2017
17 rate. On page 38 of the feasibility report, CEA says that the 2017 rate case was
18 filed in April of 2017 and they anticipate it will go into effect in February of
19 2018. Under this assumption, the 2017 rate assumed by CEA would not have
20 included the 2017 filing. An increase of 9.6% from 2017 to 2021 is lower than
21 what IPL is requesting in the current docket alone. Including the impact of the
22 2017 case would result in the CEA estimate (made in early 2018) to be well
23 below the rates currently proposed by IPL. On page 40 of the feasibility report,

1 CEA states that they “assumed a rate case increase every third year with a 3
2 percent increase.” On page 42 of the feasibility report, it additionally states as an
3 assumption: “Alliant rate case increase of 3.00 percent every third year starting in
4 2021 (after the 6.10 percent assumed rate increase in 2018).” Just one year after
5 making that assumption, IPL has requested an increase of 11.7%.

6 **Q. Was IPL aware of the rate statements made by CEA?**

7 A. Yes, individuals from IPL’s senior management team were present with CEA
8 during the presentation of the feasibility report. I was also present at that meeting.
9 On numerous occasions, representatives of IPL publicly stated they stand by the
10 conclusions of the CEA report and the report was based on best-possible company
11 predictions.

12 **Q. Do you believe that in the spring of 2018, IPL officials would have known of**
13 **the planned 2019 rate filing?**

14 A. For a utility like IPL to make a rate filing like the current docket, work on
15 preparing necessary information would need to begin well in advance of the
16 filing. IPL officials may not have known the exact level of increase to be
17 requested, but they would have known a filing was planned. The current IPL rate
18 increase request is driven by large additions to IPL’s rate base. IPL knew these
19 additions were planned well before early 2018. In fact, IPL received IUB
20 approval for their 1 GW investment in wind over the course of two advanced
21 ratemaking dockets. See Docket Nos. RPU-2016-0005 (New Wind I) and RPU-
22 2017-0002 (New Wind II). Additionally, they would have known that CEA’s
23 assumption of no rate filing until 2021 was not accurate.

1 **Q. Did IPL make any other rate statements in Decorah?**

2 A. DAG Berg Direct Exhibit 8 is an example of a promotional mailer sent by Alliant
3 to Decorah customers prior to the May 1, 2018 referendum regarding
4 municipalization. Alliant was advertising to persuade voters to vote “no” on the
5 referendum. This mailer encourages Decorah citizens to vote no so they can vote
6 no “to a double-digit rate hike.” A majority of Decorah citizens did vote no on
7 the referendum, but just one year later they are in fact subject to a double-digit
8 rate increase *by IPL*.

9 **Q. Do you know why IPL/Alliant opposed the municipalization effort in**
10 **Decorah?**

11 A. I am not privy to IPL/Alliant’s thinking but based upon my experience I know
12 that most utilities do not want to lose service area, customers and facilities (rate
13 base). I assume that is IPL’s view. Given IPL’s high rates, I think IPL was also
14 concerned that if the municipalization effort was successful in Decorah, it may be
15 attempted in other communities served by IPL. IPL/Alliant waged a significant
16 public relations campaign to promote a “no” vote on the referendum. This
17 campaign included mailings, radio, social media, newspaper/print media, yard
18 signs, door-to-door campaigning and billboards. The results of the CEA study
19 were mentioned often in IPL-sponsored materials.

20 **Q. You mentioned that Decorah ultimately voted “no” on the referendum, what**
21 **was the result?**

22 A. After a recount, the referendum was defeated by only 3 votes.

23 **Q. Do you believe the IPL/Alliant PR campaign impacted the vote?**

1 A. At the time of the campaign, I believed that IPL was misleading voters based on
2 the results of the CEA study. I stated that opinion during public meetings that I
3 attended prior to the referendum vote. This rate filing by IPL confirms my
4 suspicions regarding IPL's true plans regarding rates as compared to the public
5 statements made by IPL representatives during that time. I am also convinced
6 that the closeness of the vote shows that the IPL PR effort certainly impacted the
7 vote. I am disappointed that Decorah citizens were not able to vote on the merits
8 of municipalization based on accurate information.

9 **Q. Does this conclude your pre-filed Direct Testimony?**

10 A. Yes.

