

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

<b>IN RE:</b> <b>INTERSTATE POWER AND LIGHT</b> <b>COMPANY</b>	<b>DOCKET NO. RPU-2019-0001</b>
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**DIRECT TESTIMONY**  
**OF**  
**JAMES B. MARTIN-SCHRAMM**

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

2 A. My name is James B. Martin-Schramm and my business address is 700 College  
3 Drive, Decorah, Iowa.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Luther College where I serve as a tenured Professor of Religion  
6 and as the Director of Luther's Center for Sustainable Communities.

7 **Q. Please describe your educational background and professional work**  
8 **experience.**

9 A. I hold a B.A. from Pacific Lutheran University, an M.Div. from Luther Seminary,  
10 and a Ph.D. in Christian Ethics from Union Theological Seminary in the City of  
11 New York. I am an ordained member of the Evangelical Lutheran Church in  
12 America ("*ELCA*") and am under call by the Northeast Iowa Synod to serve as a  
13 teaching theologian at Luther College. Most of my scholarship has focused on  
14 ethics and public policy—especially energy and climate policy. I served on the  
15 Population and Consumption Taskforce of the President's Council on Sustainable

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1 Development during the Clinton administration and have chaired the national  
2 board of the ELCA's Division for Church and Society. In 2007-2008, I was the  
3 lead author of a national energy policy statement for the Presbyterian Church  
4 (U.S.A.), *The Power to Change: U.S. Energy Policy and Global Warming*. I  
5 served on the inaugural board of the Iowa Wind Energy Association and recently  
6 completed a five-year term on the board of Iowa Interfaith Power & Light. I  
7 currently serve on the board of the Winneshiek Energy District ("**WED**") and as a  
8 director of Luther College Wind Energy Project, LLC. I have helped develop  
9 Luther's renewable energy projects and I have worked closely with Luther's  
10 Director of Facility Services on Luther's substantial investments in energy  
11 efficiency.

12 **Q. Have you previously testified before the Iowa Utilities Board ("**Board**")?**

13 A. I represented the WED and posed questions to representatives of Black Hills  
14 Energy ("**BHE**") during the Board's hearing regarding BHE's proposed energy  
15 efficiency plan, Docket No. EEP-2013-0001. I authored multiple submissions on  
16 behalf of Luther College and Luther College Wind Energy Project, LLC in the  
17 Board's recent distributed generation docket, NOI-2014-0001. I recently offered  
18 comments at the Board's public hearing in Decorah about this rate case.

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

20 A. I argue that IPL's current and proposed rates are unreasonable and unjust. I urge  
21 the Board to use its powers under Iowa Code § 476.52 to reduce IPL's revenue  
22 requirement because "the utility is performing in a less beneficial manner than  
23 other utilities" in the State of Iowa. I provide evidence to substantiate this claim

1 and then offer remarks about specific revenue requirement components that I  
 2 propose the Board should reject.

3 **Q. Have you filed any exhibits with your Direct Testimony?**

4 A. Yes, the following exhibits have been filed in support of my Direct Testimony:

<b>Exhibit Number</b>	<b>Exhibit Title</b>
DAG Martin-Schramm Direct Exhibit 1	IPL Response to OCA Data Request No. 6
DAG Martin-Schramm Direct Exhibit 2	Iowa Legislative Services Agency, Electricity Rate Information, 2008-2018
DAG Martin-Schramm Direct Exhibit 3	Average Number of Customers by Class (2009-2018 Consolidated Annual IUB Electric Reports)
DAG Martin-Schramm Direct Exhibit 4	Resolutions and Comments by Iowa Cities, Counties, Social Service Agencies, and Major Businesses
DAG Martin-Schramm Direct Exhibit 5	IPL Response to DAG Data Request No. 22
DAG Martin-Schramm Direct CONFIDENTIAL Exhibit 6	IPL Response to OCA Data Request No. 4
DAG Martin-Schramm Direct Exhibit 7	IPL Response to DAG Data Request No. 10
DAG Martin-Schramm Direct Exhibit 8	IPL Response to DAG Data Request No. 6
DAG Martin-Schramm Direct CONFIDENTIAL Exhibit 9	IPL Response to IBEC Data Request No. 16_Attachment B_SUPP_
DAG Martin-Schramm Direct Exhibit 10	IPL Response to DAG Data Request No. 30

1 **Q. What is Iowa Code § 476.52?**

2 A. As I understand it, this section of the Iowa Code focuses on management  
3 efficiency by public utilities. It provides in pertinent part as follows:

4 It is the policy of this state that a public utility shall operate in an efficient  
5 manner. If the board determines in the course of a proceeding conducted  
6 under section 476.3 or 476.6 that a utility is operating in an inefficient  
7 manner, or is not exercising ordinary, prudent management, or in  
8 comparison with other utilities in the state the board determines that the  
9 utility is performing in a less beneficial manner than other utilities, the  
10 board may reduce the level of profit or adjust the revenue requirement for  
11 the utility to the extent the board believes appropriate to provide  
12 incentives to the utility to correct its inefficient operation. . . .

13 **Q. Is there evidence that IPL “is performing in a less beneficial manner than**  
14 **other utilities” in the State of Iowa?**

15 A. Yes. There is extensive evidence that IPL is performing in a significantly less  
16 financially beneficial manner than other utilities in Iowa. IPL’s electric rates are  
17 higher in each rate class compared to the other investor-owned electric utility  
18 (“*IOU*”) in Iowa and in comparison to most other utilities in Iowa. This is  
19 especially true for the over 400,000 residential households IPL serves in Iowa.  
20 IPL itself provides some of this evidence in its response to a data request by the  
21 Office of the Consumer Advocate (“*OCA*”) that asked IPL to “provide the IPL  
22 Rate Comparison with Iowa and Midwest Utilities from 2017 to 2018 . . .” See  
23 DAG Martin-Schramm Direct Exhibit 1. Since 2018 data is not yet available, the  
24 following table summarizes how IPL’s 2017 electric rates compare to: 178 other  
25 public utilities in the Midwest, 14 investor-owned utilities in the Midwest, and the  
26 other investor-owned electric utility in Iowa, MidAmerican Energy  
27 (“*MidAmerican*”):

2017 Electric Rates	IPL (178 Midwest Utilities)		IPL (14 Midwest IOUs)		IPL/MidAmerican Percentage Difference
	Rank	Cost/kWh	Rank	Cost/kWh	
MidAmerican Residential	48	\$0.1055	1	\$0.1055	
IPL Residential	167	\$0.1527	12	\$0.1527	44.7% higher
MidAmerican Commercial	10	\$0.0794	1	\$0.0794	
IPL Commercial	98	\$0.1100	10	\$0.1100	38.5% higher
MidAmerican Industrial	1	\$0.0542	1	\$0.0542	
IPL Industrial	37	\$0.0800	11	\$0.0800	47.6% higher

1           The **key facts** to be drawn from the above table are:

- 2           • MidAmerican Energy (IA) has the lowest rates in the Midwest; and,
- 3           • IPL’s rates are significantly higher in each rate class compared to
- 4           MidAmerican in Iowa.

5   **Q. Is there additional evidence that IPL “is performing in a less beneficial**

6   **manner than other utilities” in the State of Iowa?**

7   A. Yes, at the request of Iowa Representative Sharon Steckman of Mason City,

8   Iowa’s non-partisan Legislative Services Agency (“LSA”) compared the average

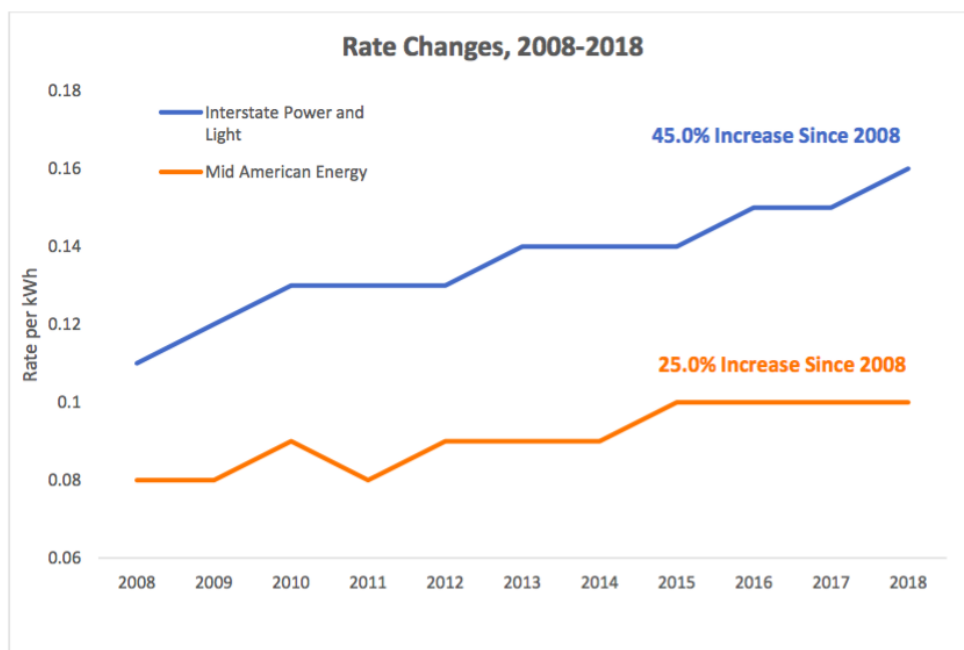
9   rates of MidAmerican and IPL from 2008-2018. The LSA report is filed with my

10   Direct Testimony as DAG Martin-Schramm Direct Exhibit 2. Representative

11   Steckman referred to the study in her prepared remarks at the Board’s public

12   hearing on this rate case held in Mason City. She shared the study with the DAG

13   upon our request. The following chart summarizes the study’s key findings:



1 The **key fact** to be drawn from the LSA study is:

- 2 • The significant disparity between IPL and MidAmerican with regard to the  
 3 average cost of electricity is long-standing and has been widening in recent  
 4 years.

5 **Q. How and why is this significant rate disparity between IPL and**  
 6 **MidAmerican unreasonable?**

7 A. The mission of the Board includes an obligation “to ensure that reasonably priced  
 8 . . . utility services are available to all Iowans.”<sup>1</sup> It is not reasonable that IPL  
 9 customers currently pay rates that are 38.5% to 47.6% higher than MidAmerican  
 10 customers depending on rate class. Many of the thousands of comments filed by  
 11 IPL customers in this docket make this point. This disparity will be further  
 12 exacerbated if the Board approves IPL’s proposed increases to base rates for all  
 13 customer classes that range from 18.38% to 33.23%.

<sup>1</sup> “Mission and Vision Statements,” <https://iub.iowa.gov/about-us/mission-vision-statements>

1 The vast majority of public comments in the docket take issue with IPL's  
2 intention to raise base residential electric rates by 24.45%. Many on fixed  
3 incomes point out how unreasonable it is for IPL to request a rate increase that is  
4 ten times higher than the current rate of inflation and far in excess of any cost of  
5 living adjustments they receive from Social Security.

6 **Q. How and why is the significant rate disparity between IPL and MidAmerican**  
7 **unjust?**

8 A. There are several reasons why this rate disparity is unjust:

9 • *The difference in rates for industrial customers has given communities*  
10 *served by MidAmerican a major economic advantage over communities*  
11 *served by IPL.* According to information furnished by IPL and MidAmerican  
12 in their annual electric reports filed with the Board, the number of IPL's  
13 industrial customers has declined 9% from 1,653 in 2009 to 1,501 in 2017,  
14 though sales have increased almost 4% from 6,495,676 MWhs in 2009 to  
15 6,733,293 MWhs in 2017. *See* DAG Martin-Schramm Direct Exhibit 3. Over  
16 the same period of time, the number of MidAmerican's industrial customers  
17 has grown 30% from 1,351 in 2009 to 1,755 in 2017 and sales have increased  
18 55% from 7,861,350 MWhs in 2009 to 12,181,642 MWhs in 2017. *See Id.* It  
19 is no coincidence that Google, Facebook, Microsoft<sup>2</sup> and Apple<sup>3</sup> have all set  
20 up data centers in Iowa. None of these data centers have been built in IPL's  
21 service territory; all of them have been built in MidAmerican's service

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<sup>2</sup> [https://www.iowaeconomicdevelopment.com/userdocs/media/FS\\_DataCenter.pdf](https://www.iowaeconomicdevelopment.com/userdocs/media/FS_DataCenter.pdf).

<sup>3</sup> <https://governor.iowa.gov/2017/08/what-they%E2%80%99re-saying-apple-data-center-investment-a-big-win-for-iowa>

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1 territory. These major investments by large energy users have benefited  
2 communities served by MidAmerican; the lack of similar investments in IPL's  
3 service territory harms the communities that are trapped within it.

4 • ***IPL's proposed increase to base rates will have a significantly deleterious***  
5 ***economic effect on communities served by IPL.*** Earlier this year, the  
6 Decorah City Council passed a resolution opposing the IPL rate increase. It  
7 states, in part:

8 The City of Decorah currently pays about \$10.6 million per  
9 year in electricity costs (according to data presented by Alliant  
10 Energy to the City in February, 2018), and an overall 20%  
11 increase would drain an additional \$2.1 million every year  
12 from local household budgets and the balance sheets of  
13 businesses and institutions, including roughly \$85,000 in  
14 increased electricity costs for the City of Decorah.

15  
16 See DAG Martin-Schramm Direct Exhibit 4, p. 4. Several other cities,  
17 counties, and major businesses have expressed similar concerns in the docket  
18 (to date). See generally, DAG Martin-Schramm Direct Exhibit 4. These  
19 include the cities of Blakesburg, Calmar, Clinton, Columbus Junction, Everly,  
20 Ferguson, Leland, Manly, Marion Water Department, Marquette, Ottumwa,  
21 Oxford Junction, Thompson, and Thornburg; the counties of Jefferson and  
22 Wapello; and businesses such as Fareway Stores and Tidewater Direct  
23 (Publishing), LLC

24 • ***IPL's unprecedented base rate increase will have a significant deleterious***  
25 ***impact on the poor and those on fixed incomes.*** The vast majority of the  
26 thousands of comments in the docket are expressed by those who say they  
27 can't afford the rate increase because they are poor and/or on fixed incomes.



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1           The following are just three excerpts from some of the 52 IPL ratepayers in  
2           Decorah that have filed comments in this docket to date:

3           I just received the notice concerning the proposed base rate  
4           increase being requested by Alliant Energy. It is an eye-opener to  
5           say the least. How is someone on a fixed income suppose[d] to  
6           view a rate increase of 24.45%? Will Social Security have a  
7           similar cost-of-living increase? With inflation around 2% this  
8           proposed rate increase is shocking! Is there anyone in state  
9           government looking out for we citizens who do not have unlimited  
10          resources?

11          Ken Larson, Decorah  
12          Email sent on March 5, 2019  
13          Filed on March 28, 2019

14          I am asking for reconsideration of the increased rate proposal of  
15          25%. As a retired person on a fixed income I find this huge  
16          increase ridiculous. So many things are increasing and then my  
17          electricity this huge amount please vote no. As a member of the  
18          Decorah community we voted in favor of keeping Alliant in a May  
19          of 2018 vote. We opted to keep Alliant instead of exploring a local  
20          municipality. I voted NO in order to keep rates low, just as  
21          Alliant's campaign said. They said a municipality would increase  
22          rates up to 30% or more. Not even 10 months after Alliant won  
23          that vote in their favor they are now proposing a 25% rate increase.  
24          I feel I was lied to and manipulated by their ad campaign and  
25          would ask the Utility board to please vote against the proposed rate  
26          increase.

27          Marlene Sorenson, Decorah  
28          Submitted via Online Customer Comment Form, March 12, 2019  
29          Filed on March 28, 2019

30          My name is Rebecca Goettl. I am a resident of Decorah. I've been  
31          here for almost five years now. I am a single mom of two kids.  
32          They're 7 and 9. . . My bill averages \$280 for a two-bedroom  
33          apartment that I don't get a choice. I have to have the electric. If  
34          we have this increase my bill would go up almost \$70. That would  
35          bring it to \$347 a month just to keep the heat on. . . Thankfully my  
36          rent is only \$350 because it's a crappy enough apartment. My kids  
37          hate where they live, but I can't afford anything else. And with this  
38          price increase I don't think I can. I don't know what I'm gonna do.  
39          . . . There are many other people who live in a lot of these  
40          downtown apartments that are in this exact same predicament  
41          because we don't get a choice. We have to pay it. We can't

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1 switch to gas or electric. So how am I supposed to pay my bills and  
2 feed my kids if we have this increase? And yes, I reject this—I  
3 want you guys to not accept this increase. Thank you.  
4 Rebecca Goettl, Decorah  
5 Oral Comments at Decorah Public Hearing, May 2, 2019  
6 Filed on May 28, 2019

7 Some social service agencies have filed comments in the docket or offered  
8 comments at the Board's public hearings articulating the same or similar  
9 concerns. These include statements (to date) from: Aase Haugen Senior  
10 Services (Decorah), Ecumenical Community Center Foundation (Cedar  
11 Rapids), Montrose Health Center (Montrose), Stonehill Franciscan Services of  
12 Dubuque, The Madison (Long-term care provider in Fort Madison), Swea  
13 City Senior Citizens Center, and the Winneshiek (County) Medical Center.<sup>4</sup>  
14 See DAG Martin-Schramm Direct Exhibit 4.

15 IPL President, Terry Kouba acknowledged in his prepared remarks at the  
16 public hearings in this docket that IPL's proposed rate increases will have a  
17 significant impact on the poor and those on fixed incomes:

18 We understand approximately 50 percent of our customers have a  
19 median income of less than \$50,000. Approximately 25 percent of  
20 our customers have a median income under \$25,000. . . [W]e  
21 understand we have a number of customers on fixed incomes and  
22 we pay a lot of attention to that.<sup>5</sup>

23  
24 The DAG asked IPL via a data request what actions IPL is taking to address  
25 the concerns articulated by Mr. Kouba. IPL replied, in part:

26 Alliant Energy works closely with a number of state and federal  
27 agencies and organizations focused on low-income customers. For

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<sup>4</sup> Aase Haugen Senior Services and Winneshiek Medical Center are official members of the Decorah Area Group intervening in RPU-2019-0001.

<sup>5</sup> Creston Hearing Transcript, page 37, lines 24-25 and page 38, lines 1-5.

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1 example, Alliant Energy has contributed more than \$5 million  
2 since 2010 to the Hometown Care Energy Fund, which helps low-  
3 income customers with their energy bills.

4 See DAG Martin-Schramm Direct Exhibit 5.<sup>6</sup> The DAG submitted some  
5 follow-up questions about the Hometown Care Energy Fund in a subsequent  
6 data request. What follows is some key information from IPL's reply:

- 7 - All of the contributions to the Hometown Care Energy Fund by  
8 Alliant Energy were funded by shareholders.
- 9 - From 2010 to 2018 a total of \$8,528,460.86 in contributions  
10 were received by the Hometown Care Energy Fund.
- 11 - Alliant Energy donations comprised 83.25% of the total with the  
12 remaining 16.75% coming from customer donations.
- 13 - Currently, 3,081 IPL customers are voluntarily contributing to  
14 the Hometown Care Energy Fund via their monthly bill.
- 15 - In 2018, Alliant Energy donated \$1 million compared to  
16 \$143,291.76 from IPL customer contributions.
- 17 - The program assisted 4,230 families in 2018 and provided  
18 average monthly support of \$22.96 per customer.

19 See DAG Martin-Schramm Direct Exhibit 10. I'd like to highlight three  
20 things from this information:

- 21 - First, the Hometown Care Energy Fund only currently assists 4,230  
22 customers even though IPL understands that 25% of its residential  
23 customers (~100,000 out of ~403,000 in 2017) have a median income

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<sup>6</sup> A complete list of IPL's forms of financial assistance for their customers can be found on their website: <https://www.alliantenergy.com/BillPayOptions/AssistanceandFinancing/LIHEAP>

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1 under \$25,000; in other words, the program is likely reaching less than  
2 5% of those who would benefit from it.<sup>7</sup>

3 - Second, the \$20.13 cost impact of IPL's proposed 24.45% increase to  
4 base residential rates will almost wipe out the average monthly support  
5 of \$22.96 for each of the 4,230 current beneficiaries of the Hometown  
6 Care Energy Fund; it will also substantially increase the energy burden  
7 of the 25% of IPL customers with a median income less than \$25,000.

8 - Third, perhaps Alliant shareholders should donate a much larger share of  
9 their \$512.1 million in profits in 2018 to the Hometown Care Energy  
10 Fund (see below). A ten-fold increase from \$1 million to \$10 million  
11 would likely meet the needs of 50% of those who theoretically would  
12 benefit from it. A \$20 million increase might meet all of the theoretical  
13 need. Alliant's current annual contribution of \$1 million represents  
14 0.2% of their profits in 2018. A \$20 million contribution would  
15 represent only a 3.9% haircut to shareholder profits.

16 Given this information, IPL's current level of support for persons on low and  
17 fixed incomes appears to be inadequate and unjust. Comments by IPL that it is  
18 trying to reduce rising costs for ratepayers, however earnest, ring hollow in  
19 the face of the information above and in light of the magnitude of the rate  
20 increases proposed in this case.

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<sup>7</sup> In order to be eligible for support by Alliant Energy's Hometown Care Energy Fund, customers must meet the federal Low-Income Home Energy Assistance Program (LIHEAP) Income Guidelines: <https://humanrights.iowa.gov/dcaa/liheap/eligibility>

1 • *IPL shareholders have fared much better than IPL ratepayers over the last*

2 *5-10 years.* For example, according to a recent article in *The Gazette*:

3 MidAmerican, which operates its own transmission services, spent  
4 about \$71 million on transmission expenses in 2017. Alliant  
5 Energy, which contracts with ITC Midwest for transmission  
6 services, spent more than \$313 million that year.

7  
8 Also in 2017, transmission expenses accounted for about 1.8 cents  
9 per kWh for Alliant customers — yet only 0.2 cents per kWh for  
10 MidAmerican customers, according to data filed with the Iowa  
11 Utilities Board.<sup>8</sup>

12 More important, according to the website Fortune 500, Alliant Energy's  
13 (IPL's parent company) five-year annualized return to shareholders through  
14 2018 has been 14.1%; over ten years the annualized return has been  
15 15.6%.<sup>9</sup> This rate of return to shareholders is more than double the rate the  
16 Alliant strives to provide each year. IPL President (and Alliant's Senior Vice  
17 President of Utility Operations), Terry L. Kouba, made the following  
18 comments about this topic during the public hearings about this rate case:

19 We try to provide anywhere from 5 to 7 percent of total  
20 shareholder value on an annual basis. (Decorah hearing transcript,  
21 pg. 73).

22 We have a goal to try and provide 5 percent as a shareholder return  
23 year after year. (Cedar Rapids hearing transcript, pp. 95-96)

24 The shareholder return question, it's no secret, this is public  
25 information, we strive for a 5 to 7 percent total shareholder return  
26 year after year, in that range, and that's what we do and that's pretty

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<sup>8</sup> Mitchell Schmidt, "The Cost of Things: Why Energy Bills in Iowa Keep Growing," *The Gazette*, July 14, 2019, <https://www.thegazette.com/subject/news/iowa-cost-of-living-electricity-bill-growing-alliant-energy-midamerican-energy-costs-20190701>.

<sup>9</sup> <https://fortune.com/fortune500/alliant-energy/>

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1 common for utilities. And, again, that's public information.  
2 (Dubuque hearing transcript, pg. 102)

3 In the Board's Final Decision and Order in IPL's 2010 rate case, Docket No.  
4 RPU-2010-0001, issued on January 10, 2011, the Board said: "In setting rates,  
5 the Board must balance the interests of the utility and its shareholders and  
6 ratepayers."<sup>10</sup> Given that IPL customers in all rate classes pay significantly  
7 more for electricity than customers of MidAmerican, and given that Alliant  
8 Energy reported \$512.1 million in profits in 2018,<sup>11</sup> and given that IPL is  
9 requesting a \$204 million increase that will raise base rates for residential  
10 customers by 24.45%, it is clear that IPL is functioning in a less financially  
11 beneficial manner to its customers compared to MidAmerican. It is also clear  
12 that IPL is functioning in a less financially beneficial manner to its customers  
13 compared to its ultimate shareholders. The Board should prioritize the  
14 interests of Iowa ratepayers and subordinate the interests of IPL shareholders  
15 to the interests of IPL ratepayers. The current "balance" of interests is  
16 patently unjust. The Board should use its powers under § 476.52 to "reduce  
17 the level of profit or adjust the revenue requirement for the utility to the extent  
18 the board believes appropriate to provide incentives to the utility to correct its  
19 inefficient operation."

20 **Q. What are the components of IPL's requested revenue requirement for 2018**  
21 **and 2020?**

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<sup>10</sup> *In re: Interstate Power & Light Co.*, Docket No. RPU-2010-0001, "Final Decision and Order" (Iowa U.B. Jan. 10, 2011), p. 6.

<sup>11</sup> <https://fortune.com/fortune500/alliant-energy/>

1 A. The following table itemizes each component of IPL’s requested revenue  
 2 requirement for 2018 and 2020:

<b>Revenue Requirements (RPU-2019-0001)</b>			
<b>2018 Items (Source: DAG Martin-Schramm Direct Exhibit 7)</b>	<b>Cost (millions)</b>	<b>2020 Items (Source: DAG Martin-Schramm Direct CONFIDENTIAL Exhibit 6)</b>	<b>Cost (millions)</b>
Wind: English Farms and Upland Prairie Additions	53	Wind:	■
Other Electric Distribution	18	Distribution	■
AMI	9	AMI	■
Weather	(16)	Weather Normalization Impact	■
OGS SCR (Ottumwa Generating Station, catalytic reduction, NOx)	10	--	--
Out of period taxes	21	--	--
Other out of period items	10	--	--
Wholesale portion of rate increase	(3)	--	--
Other pricing adjustments	(3)	--	--
Interest synchronization	(6)	--	--
--	--	Credit Carryforwards	■
--	--	Depreciation Study	■
--	--	CWIP in Rate Base	■
--	--	Performance Pay	■
--	--	Cost of Capital	■
--	--	Retired Assets Amortization/Return	■
--	--	Pension/OPEB & Uncollectibles	■
Other	(3)	Other 1. Credit Card Convenience Fees: ■ 2. Distribution Life Extension Program: ■	■

		3. Transportation Electrification Initiative: [REDACTED] 4. 2020 IPL Electric-Allocated Salary & Wage Increases: [REDACTED] Subtotal: [REDACTED]	
	\$90		[REDACTED]

It is remarkable that such a table was not included in IPL’s direct filings in this docket because it would help IPL ratepayers and the media better understand the specific items that are driving IPL’s proposed rate increase.

1   **Q. Do you have specific comments and suggestions regarding any of these**  
 2   **itemized revenue requirement components?**

3   A. Yes, I have serious concerns about three of them:

- 4       • **Performance Pay.** IPL asked for recovery of its Variable [Performance] Pay  
 5       Plan in its 2009 rate case and the Board refused.<sup>12</sup> IPL also requested  
 6       recovery of performance pay in its last rate case, but it was removed as a part  
 7       of the non-unanimous settlement agreement.<sup>13</sup> The Board should also reject  
 8       IPL’s request for recovery of performance pay in this Docket, because it is  
 9       designed exclusively for executives, directors, and non-bargaining unit  
 10      employees. IPL *shareholders* should reward company employees for  
 11      extraordinary service, not IPL *ratepayers*, who have every right to expect  
 12      utility service that is reasonably priced. The evidence offered previously in

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<sup>12</sup> See, *In re: Interstate Power & Light Co.*, Docket No. RPU-2009-0002 “Final Decision and Order”, p. 15, 113 (Iowa U.B. 1/19/2010).

<sup>13</sup> See, *In re: Interstate Power & Light Co.*, Docket No. RPU-2017-0001 “Final Decision and Order”, p 14 (Iowa U.B.2/2/2018).



1 my Direct Testimony demonstrates that the rates paid by IPL customers in all  
2 classes are not reasonable compared to the rates offered by Iowa's other  
3 investor-owned electric utility, MidAmerican.

4 • **AMI Metering.** IPL seeks to recover costs associated with the installation of  
5 AMI meters for IPL customers. IPL notes that the \$9 million in expenses  
6 incurred in 2018 will be [REDACTED] in 2020. IPL  
7 witness, Randy Bauer, extols one of the benefits of AMI meters in his direct  
8 testimony as follows:

9 Customer access to usage and other information to aid customers  
10 in energy and cost management: With the appropriate data systems  
11 and web presentment, AMI can provide granular usage information  
12 to customers, enabling their enhanced understanding of usage  
13 patterns, and resulting in a better ability to manage their energy  
14 usage.

15 See IPL Bauer Direct Testimony, p. 12, ll. 5-10. Mr. Bauer fails to mention,  
16 however, that the AMI technology IPL is installing does not include the  
17 "appropriate data systems with web presentment" that would enable  
18 customers to better manage their energy usage. Bauer acknowledges this in  
19 his response to DAG Data Request No. 6(c), which asked IPL to "[i]dentify  
20 the type and cost of any additional resources IPL needs to purchase and/or  
21 install to provide customers with these information services." Bauer replied:

22 c. The following benefits will not be immediately available:  
23

- Customer access to usage and other information to aid customers in energy and cost management.

As indicated in IPL Bauer Direct Testimony at 12, Lines 5-10, with the appropriate data systems and web presentment, AMI can provide granular usage information to customers,

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enabling their enhanced understanding of usage patterns, and resulting in a better ability to manage their energy usage.

1 IPL has not conducted any type of an analysis on the type  
2 and cost of additional resources.

3 See DAG Martin-Schramm Direct Exhibit 8, p. 2. Thus, while IPL says it  
4 wants to give customers “greater control and management over their energy  
5 use” (See *IPL Vognsen Direct Testimony*, p. 1, l. 9) via AMI meters that offer  
6 “increased opportunities to connect with customers and to provide them with  
7 more information to help manage energies” (See Kouba comments, Decorah  
8 Hearing Transcript, p. 16, l. 16-20), IPL has not even studied how much it  
9 would cost to make the requisite investments to empower IPL customers in  
10 these ways. This is remarkable since, according to IPL’s Grid Modernization  
11 Plan, IPL “plans to invest approximately \$800 million in IPL’s distribution  
12 system” from 2018-2020.<sup>14</sup> Given this significant discrepancy between  
13 rhetoric and reality, IPL should not be allowed to recover the remaining \$6  
14 million in costs to install AMI meters throughout the IPL service territory.  
15 While the AMI meters may provide some cost savings to IPL ratepayers (and  
16 increased rate base for shareholders), IPL has not made the requisite  
17 investments to deliver other information service benefits that will help IPL  
18 customers better understand and control their energy consumption.<sup>15</sup>

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<sup>14</sup> *Distribution Grid Modernization Strategy 2018-2020*, Interstate Power and Light Company, filed in Docket No. RPU-2017-0001m p. 3 and found at <https://efs.iowa.gov/cs/groups/external/documents/docket/mdax/nza4/~edisp/1708424.pdf>.

<sup>15</sup> Despite all of the functionality associated with AMI meters, a representative at Alliant’s Energy’s Renewable Hotline recently informed a Decorah customer via email that their AMI smart meter, which had been installed over a year ago, “is not capturing the demand history data required to calculate the net meter

1           • *PTC Carryforwards.* IPL seeks to recover [REDACTED] associated with the cost  
 2           of carrying forward the value of federal Production Tax Credits (“*PTCs*”)  
 3           generated by its second 500 MW wind project, “New Wind II”. In the New  
 4           Wind II advance regulatory principles case, the Board deferred any decision  
 5           on PTC carryforwards to this case:

6                         Nothing in this order should be read to indicate that the Board has  
 7                         made a final decision on the appropriate return which should be  
 8                         granted to IPL for PTC carryforwards. The Board believes this  
 9                         decision reflects shifting some of the risk of PTC carryforwards  
 10                        from customers to IPL. Addressing the PTC carryforwards in a  
 11                        future general rate case will permit the Board to consider the  
 12                        reasonableness and prudence of IPL’s entire tax position, including  
 13                        the PTC carryforwards.<sup>16</sup>

14           It makes no sense for IPL ratepayers to pay for a future benefit because the  
 15           current accelerated deferred income tax (“*ADIT*”) expense cancels out or  
 16           significantly erodes the future gain, which can only be realized when IPL is  
 17           finally no longer in a net operating loss (“*NOL*”) position and can fully utilize  
 18           the PTCs. Better tax planning by IPL should have enabled IPL ratepayers to  
 19           benefit immediately and fully from these PTCs. In addition, it appears from  
 20           IPL’s confidential response to IBEC Data Request No 16, filed with my  
 21           Direct Testimony as DAG Martin-Schramm CONFIDENTIAL Exhibit 9, that  
 22           the Net Revenue Requirement Benefit of these PTCs will be [REDACTED]

23           [REDACTED]

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load limit” required to calculate the maximum systems size for a solar array. As a result, the customer’s systems size was based on an average residential load limit IPL applies system-wide rather than on one that could have been determined based on the household’s actual maximum load over the previous twelve months.

<sup>16</sup> See *In re: Interstate Power & Light Co.*, Docket No. RPU-2017-0002, “Final Decision and Order,” p. 89 (Iowa U.B. Apr. 17, 2018)

1           ██████████ *Id.*, at line 17. For all of these reasons, the Board should not approve  
2           IPL's request to recover the PTC carryforwards.

3   **Q. There are several other components to IPL's revenue requirement shown on**  
4   **page 14 of this Direct Testimony. Does your lack of comment about those**  
5   **other components imply that you support IPL's requests?**

6   A. No. Limited time and expertise lead me not to comment extensively about these  
7   matters. I am confident, however, that other parties in this docket will do so with  
8   the level of expertise and detail required. That said, I do want to offer the  
9   following brief comments about some of these items:

10   • **Wind:** The Board has already approved an 11% ROE for IPL's two new  
11   tranches of wind projects. The combined total of ██████████ represents  
12   approximately ██████████ of IPL's requested revenue requirement of \$204  
13   million. As the Board considers IPL's request to raise rates, I urge the Board  
14   to exercise its authority under Iowa Code § 476.52(2) to deny the rest of IPL's  
15   requested revenue requirement in order "to provide incentives to the [IPL] to  
16   correct its inefficient operation" because it is "performing in a less beneficial  
17   manner than other utilities" in the State of Iowa.

18   • **Distribution:** IPL is requesting ██████████ for various distribution upgrades  
19   presumably associated with the \$800 million it says it will invest from 2018-  
20   2020, according to its Grid Modernization Plan. This represents  
21   approximately ██████████ of IPL's revenue requirement. Some have characterized  
22   IPL's grid modernization strategy as a "Cadillac Plan." I urge the Board to

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1 give careful consideration to the analyses and critiques of this plan by the  
2 other witnesses offering direct testimony in this docket.

3 • *CWIP*: It is my understanding that construction work in progress (“*CWIP*”) is  
4 not customarily included in revenue requirement. The Board should decline  
5 to include it in IPL’s revenue requirement here.

6 • *Weather Normalization*: This seems an act of folly or futility in our age of  
7 rapid climate change.

8 • *Other*: The Board should be dismayed that it took a Board order to receive a  
9 detailed accounting from IPL for the [REDACTED] in “Other” for the future  
10 2020 test year.

11 **Q. Do you have any additional comments related to rate design and class cost of**  
12 **service?**

13 A. Yes, I encourage the Board to consider carefully the Direct Testimony of DAG  
14 witness David Berg, especially his discussion about the impact of IPL’s Electric  
15 Large General Service – Supplementary Power Rate Code 800 tariff. Luther  
16 College has 660 kW ac of solar generation located behind its main campus meter.  
17 All of the energy is consumed on campus; none of it is exported to the IPL  
18 distribution grid. IPL shifted Luther College to the 800 Rate plan after the Board  
19 issued an order on April 26, 2018 approving IPL’s revised compliance tariffs in  
20 RPU-2017-0001. This shift came as a surprise to Luther College and,  
21 undoubtedly, to some of the other approximately 50 LGS customers who have  
22 supplementary power systems installed behind their meters.

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1 A review of the Board's discussion of this topic at pages 65-71 of the Board's  
2 final decision in Docket No. RPU-2017-0001 reveals that the vast majority of the  
3 discussion revolved around the terms associated with a new standby power rate  
4 since IPL had proposed separating standby and supplementary power services into  
5 two different rate tariffs. The record reflects very little discussion about the  
6 justification for a supplementary power rate apart from noting, at page 67, that:

7 LEG does not object to treating LGS customers receiving  
8 supplementary service as a separate class because the basic structure in  
9 the proposed supplementary service tariff will be the same as the LGS  
10 tariff service, with minor CCOS-based allocation differences.

11 DAG witness, Dave Berg, argues in his Direct Testimony that the cost impact of  
12 being shifted from the 440 Rate to the 800 Rate under IPL's proposed rates in this  
13 docket is significant and not minor. Thus, he argues it is not fair, equitable or  
14 justified.

15 The Board should review and reconsider its decision to approve IPL's request to  
16 establish a separate rate class for LGS customers with supplementary power  
17 systems. The Board was wise in that case not to approve similar proposed partial  
18 requirements classes for residential and general service customers<sup>17</sup> and should  
19 rescind its support for such a class for LGS customers. The establishment of these  
20 classes and their higher rates discriminate unfairly against IPL ratepayers who  
21 have invested considerable personal, commercial, or institutional financial  
22 resources in distributed renewable energy resources.

23 **Q. Do you have any closing comments?**

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<sup>17</sup> See *In re: Interstate Power & Light Co.*, Docket No. RPU-2017-0001, "Final Decision and Order" (Iowa U.B. Feb. 2, 2018), pg. 47.

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1 A. Yes. At page 3 of IPL's "Application to Revise Rates" in this docket, IPL  
2 included an excerpt from page 7 of the Board's Final Decision and Order in RPU-  
3 2010-0001:

4 Over the long term, both ratepayers and shareholders are best  
5 served by a financially healthy utility that is able to invest in its  
6 infrastructure and new technology so that customers continue to  
7 receive reliable service at a just and reasonable price.

8  
9 However, IPL fails to recognize that in that very same discussion, the Board also  
10 stated:

11 However, the utility must make these investments with prudence  
12 and reasonableness and ratepayers must be assured that the utility  
13 is managing its business appropriately and making the necessary  
14 infrastructure investments at a reasonable cost.

15 The omitted sentence is of utmost importance. I have argued throughout my  
16 Direct testimony that IPL's current and proposed rates are unreasonable and  
17 unjust. Given the fact that IPL's average rates have been significantly higher than  
18 MidAmerican's for over ten years, and given the fact that the gap is widening, the  
19 Board should "consider both the short-term and long-term impacts of its  
20 decisions," and "inquire as to whether the utility is implementing its decisions in a  
21 reasonable and prudent manner."

22 Throughout my Direct Testimony, I have also argued that IPL is not operating in  
23 a reasonable, efficient, and prudent manner. IPL's actions have enriched its  
24 ultimate shareholders at the expense of its customers. Some salient examples are:

- 25
- Whereas MidAmerican has made major investments over the past decade  
26 in wind energy that soon will surpass 4 GW of installed capacity, and  
27 MidAmerican has a goal to generate 100% of their power in Iowa from

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1 wind, IPL is only now adding 1 GW of new wind with the goal of  
2 generating 40% of their power from this renewable source. IPL is a  
3 laggard compared to MidAmerican.

4 • While a significant portion of the revenue requirement in this docket is  
5 for distribution upgrades, it is important to remember that the Board  
6 *required* IPL to file a Grid Modernization Plan (and a Stakeholder  
7 Engagement Plan) in its Final Order and Decision in RPU-2017-0001  
8 (February 2, 2018). A better-managed company would not require such  
9 prodding and explicit direction by the Board.

10 • IPL's cavalier imposition of additional and non-Board-approved fees for  
11 customers who do not want an AMI meter created a public furor among  
12 thousands of IPL customers. It also resulted in enormous work this past  
13 year for the Board and its staff as well as the expenditure of significant  
14 time, energy, and money by ratepayers and lawyers who represent them.  
15 There needs to be a consequence for IPL's irresponsible behavior.

16 • IPL advocated against the interests of its customers and for the interests  
17 of its shareholders when it worked with the Iowa Legislature to draft and  
18 pass SF 2311, which slashed energy efficiency programs in the State of  
19 Iowa. IPL knows full well that the least expensive power to supply is the  
20 energy a utility conserves through energy efficiency and does not need to  
21 purchase or produce. Lost sales harm shareholders, however, and in a flat  
22 or declining market, energy efficiency and customer-owned renewables  
23 present a real threat to shareholder returns. The Board must champion the



1 interests of Iowa ratepayers and it should regard the interests of  
2 shareholders as secondary and subsidiary.

3 • Finally, IPL recently filed an “Advance Update of Energy Efficiency Plan  
4 Program Features” that identifies several unilateral changes IPL has made  
5 to the company’s 2019-2023 Energy Efficiency Plan in Docket No. EEP-  
6 2018-0003 that the Board approved only three months earlier. These  
7 changes limit the amount of incentives for nonresidential customers like  
8 Luther College or the Winneshiek Medical Center who are both members  
9 of DAG. IPL’s changes also limit the amount of incentive funding  
10 available per project. The OCA claims that, due to these unilateral and  
11 non-Board-approved changes, IPL is in violation of the Board’s Final  
12 Order in that docket and encourages the Board to levy civil penalties. If  
13 IPL is in violation, this is another example of IPL’s cavalier and  
14 irresponsible behavior.

15 As the Board reflects on the merits of IPL’s application to revise rates, the Board  
16 and its staff would do well to reread some of the thousands of comments by IPL  
17 customers in the docket and to reread the transcripts of the public hearings.  
18 Many of those who took the time to write or speak have a tone of desperation.  
19 Many are stretched far too thin. This is not just another rate case. This is an  
20 opportunity for the Board to redress a structural injustice between IOU-customer  
21 rates in Iowa while also putting IPL on notice that its performance in the past  
22 does not meet the high standards of the Board.

23 **Q. Does this conclude your Direct Testimony?**

1 A. Yes.

