

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

**IN RE:
INTERSTATE POWER AND LIGHT
COMPANY**

DOCKET NO. RPU-2019-0001

**DIRECT TESTIMONY
OF
ANDREW JOHNSON**

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

2 A. My name is Andrew Johnson, and my business address is 217 West Water Street,
3 Decorah, Iowa, 52101.

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

5 A. I am employed by Winneshiek Energy District (“**WED**”), where I have served as
6 Executive Director since its inception in 2010. WED promotes economic
7 prosperity and climate stewardship through investment in locally owned clean
8 energy opportunities, including energy efficiency and distributed renewables. I
9 also manage our family farm, which includes beef, sheep, and Christmas tree
10 operations.

11 **Q. Please describe your educational background and professional work
12 experience.**

13 A. I hold a B.A. from Earlham College, and an M.S. in Natural Resources
14 Conservation and Management from the School of Natural Resources, University
15 of Michigan in Ann Arbor MI. I worked in private lands conservation, sustainable
16 agriculture, and community development in the United States and abroad until

1 2009, when I was a founder of the WED. Much of my natural resources and
2 sustainable agriculture work (for USDA, and others) included the provision of
3 quality technical assistance, in partnership with local institutions, to farmers and
4 other landowners in order to facilitate positive land use changes. This emphasis on
5 quality technical assistance, and the critical role of local institutions and
6 leadership, is also a foundation of the energy district model for locally-led and
7 locally-owned clean energy transition. While with WED, I have also been involved
8 in growing the energy district network, which now includes seven county-level
9 energy districts, and two more in formation.

10 **Q. Have you previously testified before the Iowa Utilities Board (“Board”)?**

11 A. Yes. I submitted testimony on behalf of WED in energy efficiency Dockets EEP-
12 2012-0001, EEP-2012-0002, and EEP-2013-0001, the distributed generation
13 Docket NOI-2014-0001, and the last Interstate Power and Light Company (“*IPL*”)
14 rate case RPU-2017-0001.

15 **Q. Please describe DAG and its interest in this proceeding and the case that DAG**
16 **is presenting to the Board.**

17 A. DAG represents a large and diverse set of IPL electric customers who share a
18 broad set of concerns and interests relevant to the current docket, including: the
19 overall economic impact of IPL’s proposed rate increase on rural Iowa
20 communities; the growing energy poverty burden on low to middle income and
21 fixed income households; the burden on businesses, institutions, and local
22 government of disproportionately high electricity costs; the ability of customers
23 and communities to save and prosper through customer and community-owned

1 distributed energy resources; and the importance of a rapid transition away from
2 fossil fuels and towards climate stewardship that avoids the inefficiencies and
3 unreasonable pricing trends represented by the current and near-future rate
4 proposals.

5 DAG's membership is currently comprised of:

- 6 • **WED**, non-profit corporation based in Winneshiek County, whose purpose
7 includes providing energy efficiency and renewable energy technical and
8 market transformation services, and advocating for policies and regulations
9 supportive of locally-owned distributed energy resources.
- 10 • **The City of Decorah** ("*Decorah*"), the largest municipality in, and the county
11 seat of, Winneshiek County, Iowa. The Decorah City Council adopted a
12 resolution in opposition to this rate case due to its likely impacts on both local
13 government and the community as a whole.
- 14 • **Luther College** ("*Luther*") a four-year, residential, liberal arts college located
15 in Decorah, with a student population of roughly 2,000, which has invested
16 heavily in energy efficiency and renewable energy. Luther's electricity costs
17 are an increasingly burdensome portion of its operating budget and are
18 reflected in growing costs to students.
- 19 • **Aase Haugen Senior Services** ("*Aase*"), a Continuing Care Retirement
20 Community providing nursing home and senior living services in Decorah,
21 with leadership and membership from 23 area faith congregations. Aase has
22 also invested heavily in energy efficiency and renewable energy, and rising

1 electricity costs are a growing burden on its operating budget and on its
2 customers, most of whom live on a fixed income.

3 • **Winneshiek Medical Center (“WMC”)**, a charitable nonprofit community
4 hospital and clinic serving northeast Iowa and southeast Minnesota since 1914.
5 WMC is the second largest Critical Access Hospital in Iowa, and is owned by
6 the citizens of Winneshiek County. WMC joined WED subsequent to WED’s
7 intervention in this docket.

8 In addition to my own Direct Testimony, DAG’s case is presented by the
9 following additional witnesses who will testify as described below:

10 • **David A. Berg:** Mr. Berg will discuss aspects of IPL’s revenue requirement
11 and rate design that give cause for concern.

12 • **James B. Martin-Schramm:** Mr. Martin-Schramm will discuss the
13 unreasonableness of current and proposed rates and why the Board should use
14 its powers under Iowa Code § 476.52 to reduce IPL’s revenue requirement
15 because “the utility is performing in a less beneficial manner than other
16 utilities” in the State of Iowa.

17 • **Steven Holland:** Mr. Holland will discuss the negative impacts of IPL’s
18 proposed rate increase on its customers, the communities in which those
19 customers reside and on the state as a whole.

20 • **Warren McKenna:** Mr. McKenna will address IPL’s proposed community
21 solar program and the need for a Value of Solar study for Iowa.

22 • **David Osterberg:** Mr. Osterberg will address IPL’s request to increase its
23 Basic Service charge for residential and general service customers, IPL’s

1 proposal to return to declining block rates during the summer peak period and
2 other rate design issues.

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

4 A. The purpose of my Direct Testimony is to advance the proposition that the bulk of
5 IPL's requested rate increase is unjust and unreasonable, that IPL's primary
6 purpose in this case is to champion the interests of its shareholders at the expense
7 of its customers and that, to that end, IPL has engaged in duplicitous and dubious
8 practices. The Board has both the duty and responsibility to reject much of the
9 request, and to take strong and positive steps towards restoring the rights and
10 opportunities of customers and communities in the rapidly evolving 21st century
11 energy world.

12 My Direct Testimony is organized in three parts:

- 13 • First, I review the history of community efforts towards locally-owned clean
14 energy prosperity, with a focus on the Winneshiek Shared Solar Collaborative
15 effort of 2015-16, the Decorah municipalization effort of 2017-18, and energy
16 efficiency, to illustrate how IPL actively undermines customer and community
17 investment and participation in the clean energy economy.
- 18 • Second, I utilize this illustration to consider the challenges faced by 21st
19 century rate regulation in the public interest, and the critical importance of the
20 evolution of ratemaking principles and process to protect the public interest
21 and the common good.
- 22 • Finally, I integrate the prior sections to provide relevance and coherence to the
23 key themes and recommendations of DAG in this docket.

**COMMUNITY EFFORTS TOWARD
LOCAL OWNERSHIP OF CLEAN ENERGY**

1 **Q. What is the Winneshiek Shared Solar Collaborative?**

2 A. The Winneshiek Shared Solar Collaborative (“WSS”) evolved from the rapidly
3 growing interest in and implementation of customer-owned solar in Winneshiek
4 County among IPL’s customer classes, which began in 2010. This growing interest
5 included public entities. With growing interest came growing understanding of the
6 challenges of siting appropriately sized solar for public entities and other
7 institutions. This interest also engendered efforts on the part of IPL to undermine
8 customer investments in energy efficiency and renewable energy, particularly after
9 the Iowa Supreme Court’s 2014 *Eagle Point*¹ decision improved the economic
10 viability of customer-owned generation for non-taxable entities by allowing for
11 third party power purchase agreements.

12 By early 2015, however, many local public entities in Winneshiek County and
13 Decorah that had been studying solar as an option were running up against
14 significant challenges, despite the *Eagle Point* ruling. These included, principally,
15 space limitations for on-site arrays and the apparent ineligibility of large general
16 service (“LGS”) meters for net energy metering (“NEM”). As these challenges
17 became clear, WED began to facilitate conversations among entities regarding
18 shared approaches. These conversations evolved into the WSS pilot project

¹ *SZ Enterprises LLC v. Iowa Utilities Bd.*, 850 N.W.2d 441 (Iowa 2014)

1 proposal submitted to IPL and in the Board's distributed generation docket, NOI-
2 2014-0001.²

3 The pilot proposal identified the following six key terms:

- 4 • That multiple meters pertaining to a single entity and under similar rate
5 structures may be virtually aggregated for the purpose of retail net meter
6 calculation, balancing, and crediting;
- 7 • That monthly production for each entity, as reported to Alliant/IPL in an
8 acceptable electronic format and timing, be net metered in the same manner as
9 would happen if production were interconnected behind the physical meter(s);
10
- 11 • That surplus monthly and annual production for each entity be credited on a
12 kWh basis and continuously rolled over for future availability, as long as the
13 surplus at the end of a given calendar year does not exceed 50% of average
14 annual consumption;
- 15
- 16 • That both outright entity ownership, and entity participation in a PPA
17 arrangement within the NTE solar array, be treated equally at the point of
18 interconnection;
- 19
- 20 • That renewable energy credits remain with customer/entities, the current norm
21 in Iowa; and,
- 22
- 23 • That the array be sited and planned with the understanding of potential future
24 expansion.

25 Implicit in the proposal was the proposition that all meters of participating entities
26 (including LGS customers) be eligible for participation and for some form or
27 approximation of NEM, because three of the five signatories' energy use is
28 primarily via an LGS meter.

29 WSS, WED and IPL engaged in communication and a pair of meetings through the
30 latter half of 2015 concerning the WSS proposal and WSS presented IPL with a

² See, Letter dated 6-15-2015 from WSS to the Board, found at <https://efs.iowa.gov/cs/groups/external/documents/docket/mdaw/ntqw/~edisp/540313.pdf>. WSS signatory entities include the City of Decorah, Winneshiek County Board of Supervisors, Winneshiek Medical Center, Northeast Iowa Community College, and Luther College.

1 proposed term sheet in October of 2015. However, WSS never received a written
2 reply to its proposal from IPL, nor did any further oral discussions produce a clear
3 explanation of IPL's position or a list of potentially negotiable aspects, despite
4 repeated requests from WSS.

5 **Q. Please briefly summarize efforts to create a municipal electric utility in**
6 **Decorah.**

7 A. Discussions around the potential for a municipal electric utility (“*MEU*”) in
8 Decorah grew out of motivations similar to those of WSS, i.e., a desire to invest
9 locally in clean energy, to increase local control of and prosperity from our energy
10 systems, and to simultaneously pursue climate stewardship and a better world for
11 the next generation. The conversations were also motivated by the lack of
12 cooperation from IPL on the WSS proposal and what appeared to be serious and
13 growing IPL obstructionism towards energy efficiency.

14 In February 2017, a group of Decorah area citizens formed Decorah Power, a
15 nonprofit 501(c)4 corporation, to investigate the potential for a Decorah MEU. The
16 Decorah Power board included a diverse group of individuals, including small
17 business owners, a banker, a farmer, a solar contractor, a political scientist, an
18 energy auditor, multiple educators, a journalist, and more. In March of 2017, the
19 Decorah City Council adopted resolutions to approve of Decorah Power
20 conducting a feasibility study for a Decorah and to appoint a City Council member
21 liaison to Decorah Power during this process. Decorah Power retained NewGen
22 Strategies and Solutions to conduct the feasibility study.

1 The study process revealed that while the focus of the feasibility study itself was
2 economic viability, there were many potential additional opportunities and benefits
3 to be pursued through the creation of a MEU. A “Learning Series” paralleled the
4 NewGen study. That series involved public presentations on a variety of topics
5 related to municipalization and resulted in a report -- *A Vision Shared*³ -- that
6 compiled the lessons learned (the “*Report*”).

7 In January 2018 the NewGen feasibility study and the Report were presented to the
8 Decorah City Council at a public meeting. In early February, IPL and its feasibility
9 study contractor, Concentric Energy Advisors, presented IPL’s feasibility study at
10 another public meeting of the City Council. In late February, the City Council
11 voted to put the issue of municipalization to a vote of Decorah’s electorate at a
12 special election to be held on May 1, 2018.

13 The campaign through March and April was intense, with extensive media
14 coverage, paid public relations/marketing activities and City informational
15 meetings. I will avoid going into detail concerning the campaign here, but two
16 points are highly relevant to the current docket.

17 The first point is that IPL invested heavily – through a political action committee –
18 in opposing the Decorah referendum, outspending Decorah Power at least 2:1, and
19 likely by an even greater margin. While IPL may claim these funds came from
20 shareholders rather than ratepayers, it is clear that the vast majority of IPL’s profits
21 are supplied ultimately by its customers, through its Board-approved return on
22 equity “*ROE*”). That a large, private, state-granted monopoly utility company

³ Available online at <https://decorahpower.org/feasibility-study/>

1 would use profits from a captive market to lobby against a community's effort
2 towards local control and local energy prosperity in order to preserve its monopoly
3 status and protect shareholders, strikes many Decorah citizens, leaders and
4 ratepayers as fundamentally wrong.

5 The second -- and most disturbing -- point relates to the specific claims made by
6 IPL, in its feasibility study and in its extensive public relations campaign, about
7 likely future electricity rates under an MEU and IPL⁴. The principle message
8 Alliant presented to the community in multiple formats was that Decorah electric
9 customers would face 30% higher rates under an MEU than they would if they
10 remained with Alliant.⁵ The referendum to create a municipal electric utility lost
11 by 3 votes, and the reason most often heard by from those voting no (especially
12 voters in lower-income households, or on fixed income), was fear of rising rates.
13 And yet, here we are, with IPL asking the Board to raise its own base rates by 18-
14 25% for most customers.

15 **Q. Please explain the history of energy efficiency efforts in the Decorah area.**

16 A. WED has promoted locally-owned energy prosperity through energy efficiency
17 and renewable energy since its inception. A principal strategy towards this end has
18 been the provision of quality technical assistance to energy users.⁶ High quality
19 energy planning requires significant resources. WED's view is that a state with

⁴ This issue is discussed in detail in the Direct Testimony of DAG Witness David A. Berg.

⁵ This figure came from the CEA feasibility study, including assumptions that IPL rates would rise no more than 3% every 3 years, or 1% peryear, on average for at least 20 years (a claim that CEA and IPL continue to make).

⁶ Through extensive grant- and membership-funded programming and partnership, WED has provided quality energy planning and direct install services to well over 100 farms and businesses and over 1,000 households with very high conversion rates.

1 extensive, long-established, ratepayer funded energy efficiency programs that
2 include technical assistance, should allow access to energy efficiency program
3 dollars to qualified technical professionals so that they can provide this service to
4 their local customers. In Board Docket EEP-2012-0001, WED proposed a form of
5 open market energy planning that would open the door to the growing sector of
6 qualified energy professionals and organizations across Iowa. IPL opposed this
7 proposal in its testimony, yet the settlement agreement referred to in the Board's
8 final order⁷ supported the idea:

9 IPL has incorporated provisions for third-party subcontracting
10 within the RFP entitled "Interstate Power & Light Company
11 Request for Proposals for Energy Assessment Delivery: Residential
12 and Small Business in Iowa and Minnesota" contained in Appendix
13 2 to the Settlement Agreement. The RFP will allow IPL to support
14 local, third-party contractors and should address some of WED's
15 concerns that qualified energy planning professionals should be
16 able to participate in IPL's Assessment programs.

17 Despite this support and despite the Iowa Code requirement that local contractors
18 be used for energy efficiency program implementation where possible,⁸ WED and
19 dozens of other qualified energy professionals and organizations remain locked out
20 of an implementation role in Iowa's ratepayer funded energy efficiency program
21 by IPL.

22 A much more direct manner in which IPL's actions have run directly counter to the
23 efforts of customers and communities to invest and save locally (further

⁷ IUB EEP-2012-001 "Final Order", December 2, 2013, p56:
<https://efs.iowa.gov/cs/groups/external/documents/docket/mdaw/mja5/~edis/209226.pdf>

⁸ §476.6: "Rate-regulated gas and electric utilities shall utilize Iowa agencies and Iowa contractors to the maximum extent cost-effective in their energy efficiency plans or demand response plans filed with the board."

1 prioritizing shareholder over ratepayer interest) is the company's
 2 legislative/lobbying effort to cut the very energy efficiency programs that
 3 customers depend upon to help make efficiency improvements and reduce costs.
 4 During the 2018 session of the Iowa Legislature, IPL led the effort on SF2311,
 5 which according to the American Council for an Energy Efficient Economy dealt a
 6 three-pronged blow to energy efficiency in Iowa.⁹

7 First, it removes any requirement for energy efficiency programs by
 8 municipal utilities and co-ops (which together serve about one-third
 9 of homes in the state). Second, it imposes a spending cap on any
 10 requirements for energy efficiency by investor-owned utilities; this
 11 will likely cut programs by at least half. And third, it creates a
 12 nationally unprecedented policy allowing any customer to opt out of
 13 paying for utility efficiency programs if the utility's package of
 14 programs doesn't pass the Ratepayer Impact Measure test (RIM
 15 test).

16 The result of the spending caps has indeed been to dramatically reduce program
 17 funding, resulting in broad and significant IPL program cuts, including (among
 18 many others):

- 19 • Eliminating in-person energy assessment for homes, replaced with an online-
 20 only "self-assessment";
- 21 • Cutting low-moderate income programs especially weatherization;
- 22 • Eliminating the New Home rebate;
- 23 • Eliminating Small Business energy assessments;
- 24 • Lowering rebate amount for Central Air Conditioners, Air-Source Heat Pumps
 25 and Geothermal;
- 26 • Discontinuing Dealer rebates (spiffs). Not visible to the customer but
 27 contractors received a rebate typically equal to 20% of customer rebate;
- 28 • Eliminating upstream lighting rebates;
- 29 • Phasing out the residential A/C cycling program. Many customers have
 30 outdated controls which will not be supported this summer. No new signups
 31 allowed.

⁹ ACEEE, "Iowa Takes A Huge Step Backward On Energy Efficiency, While Other States Move Ahead," May 10, 2018. <https://aceee.org/blog/2018/05/iowa-takes-huge-step-backward-energy>

1 **Q. How is the above discussion of Decorah’s efforts towards clean energy**
2 **implementation and ownership relevant to the current IPL rate case?**

3 A. This discussion is intended to provide a context in which the Board may consider
4 the impacts of, and potential regulatory approaches toward, IPL’s request for rate
5 relief in this docket. The means by which IPL has opposed and undermined
6 customer and community initiatives to participate actively in the opportunities of
7 the 21st century world affect all IPL customers and communities, and deserve
8 attention and mitigation within the current docket.

9 The Decorah experience presents a clear pattern of not only opposition to, but
10 active undermining of the rights and abilities of customers and communities to
11 invest in energy efficiency and distributed generation, to prosper from these
12 investments, and to take responsibility for climate stewardship in the process. This
13 pattern of activity suggests a serious problem with the functioning of the
14 “regulatory compact” when it comes to investor-owned, state-granted monopoly
15 utilities in Iowa.

THE NEEDED EVOLUTION OF RATEMAKING PRINCIPLES

16 **Q. Do you believe that the “regulatory compact” is not functioning as it should?**

17 A. I do not. DAG witness James Martin-Schramm discusses in his Direct Testimony
18 IPL’s use of a quotation from the Board’s final order in Docket No. RPU-2010-
19 0001 (page 7) to justify its proposed rate increase in the present case:

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

1 As Mr. Martin-Schramm points out, however, IPL neglects an equally important
2 portion of the Board's order:

3 However, the utility must make these investments with prudence
4 and reasonableness and ratepayers must be assured that the utility is
5 managing its business appropriately and making the necessary
6 infrastructure investments at a reasonable cost.

7 IPL's notice appears to be invoking what is often referred to as the "regulatory
8 compact", and especially a very limited interpretation of the compact that posits
9 the role of regulators as "balancing" the interests of shareholders and ratepayers.
10 Mr. Martin-Schramm demonstrates that the full text of the ruling is more
11 protective of ratepayers than the IPL's excerpt alone would suggest.

12 Some argue that the regulatory compact has been misinterpreted for some time,
13 and needs a public-interest clarification for the 21st century relationship between
14 ratepayer, utility, and state. One noted regulatory expert so asserts as follows:¹⁰

15 I recently came across this quote:

16
17 There is ... a long-standing, but unwritten, rule that
18 governs cost recovery and lies at the heart of
19 establishing regulated prices. This rule is known as
20 the regulatory compact. Under the regulatory
21 compact, the regulator grants the company a
22 protected monopoly, essentially a franchise, for the
23 sale and distribution of electricity or natural gas to
24 customers in its defined service territory. In return,
25 the company commits to supply the full quantities
26 demanded by those customers at a price calculated to
27 cover all operating costs plus a "reasonable" return
28 on the capital invested in the enterprise.

29
30 This is the formula fed to regulatory newcomers: smooth, sweet
31 and easily digested. But it lacks the essential nutrients. As

¹⁰ Scott Hempling, online essay, March 2015: <https://www.scotthemplinglaw.com/essays/what-regulatory-compact> (footnotes omitted).

1 commonly misused, the phrase "regulatory compact" refers to the
2 regulatory treatment of shareholder investment under the statutory
3 "just and reasonable" standard and the Fifth Amendment's Takings
4 Clause in the U.S. Constitution.² There is a legal relationship
5 between utility and regulator, and between utility investment and
6 regulator-set rates. But that legal relationship is not "long-
7 standing," it is not "unwritten," and it is not a "rule." To call a
8 "compact" what the Supreme Court has described as "essentially ...
9 ad hoc and factual" is artificially narrow, incumbent-protective, and
10 legally wrong.

11 The "essentially . . . ad hoc and factual" nature of the relationship between utility
12 and regulator strongly suggests an understanding of the rate-regulation process less
13 as a "compact" and more as a means to an end, with the end being the public
14 interest. This interpretation is soundly supported by Iowa Code. For example,
15 Iowa Code § 476.7 states:

16 Whenever the board, after a hearing held after reasonable notice,
17 finds any public utility's rates, charges, schedules, service or
18 regulations are unjust, unreasonable, insufficient, discriminatory, or
19 otherwise in violation of any provision of law, the board shall
20 determine just, reasonable, sufficient and nondiscriminatory rates,
21 charges, schedules, service or regulations to be thereafter observed
22 and enforced.

23
24 In addition Iowa Code, § 476.8 states:

25 Every public utility is required to furnish reasonably adequate
26 service and facilities. . . . The charge made by any public utility for
27 any heat, light, gas , . . . or for any service rendered or to be
28 rendered in connection therewith shall be reasonable and just, and
29 every unjust or unreasonable charge for such service is prohibited
30 and declared unlawful. In determining reasonable and just rates, the
31 board shall consider all factors relating to value and shall not be
32 bound by rate base decisions or rulings made prior to the adoption
33 of this chapter.

34 Clearly, the highest purpose of utility regulation is the achievement of "just
35 reasonable, sufficient, and nondiscriminatory" treatment of ratepayers, not a
36 "balance of interests" between ratepayers and shareholders.

1 IPL's rate increase proposal in this docket is in many respects unprecedented in
2 scope and impact for Iowa, as demonstrated not simply by the formal testimony
3 being filed, but by the words of thousands of aggrieved customers who attended
4 public hearings and have filed objections with the Board. With this in mind we
5 respectfully suggest the Board utilize a critical principle – or at least guiding
6 perspective – in its evaluation of IPL's proposed rate increase here and those of it
7 and MidAmerican in the future, i.e.,:

8 The “ad hoc and factual” nature of the compact between regulator
9 and utility is fundamentally subsidiary to the primary public interest
10 compact between regulators and Iowa customers and communities.

11
12 The relationship between regulator and utility exists to serve the interests of
13 ratepayers, and the interests of shareholders are subsidiary to the interests of
14 ratepayers¹¹.

DAG RECOMMENDATIONS

15
16 **Q. How are the principles you discuss at all relevant to the specific**
17 **recommendations of DAG witnesses in the current docket?**

¹¹ A corollary principle may be derived from this one, which states :

Just as the regulatory compact between regulators and utilities is subsidiary to the public interest compact between regulators and customers, the “natural monopoly” of electric service providers is subsidiary to the “first monopoly” belonging to customers and communities.

In the 20th century this principle had little relevance, as the customer or community had few choices to save, self-serve, or otherwise participate in the energy economy (other than energy efficiency, which was widely embraced by policymakers if less so by utilities). In the 20th century, however, the opportunities for customer and community to participate, invest, save, and prosper in the energy economy are real and growing, and the inherent rights they hold (for example to save through efficiency, to self-generate, to invest in storage or other DERs, or to municipalize) collectively make up the “first monopoly”. This bundle of rights could also be referred to as “energy sovereignty”.

1 A. The principle of utility/shareholder subsidiarity to the primacy of public interest
2 concerns in ratemaking provides a framework for summarizing the key requests
3 and recommendations of DAG in this docket. Common threads among the
4 testimony of six DAG witnesses include:

- 5 • The wealth extractive nature of rate increases, and accelerating negative
6 impacts on customers, communities throughout IPL service territory; and
- 7 • The opportunities of customers and communities to reverse that extraction,
8 invest in a clean energy future, and move towards clean energy prosperity and
9 climate stewardship.

10 **Q. Do you have more recommendations for the Board related to specific elements**
11 **of the IPL rate increase application?**

12 A. Yes. The fundamental measure of utility-allowed profitability is theoretically the
13 approved ROE. On the one hand, the calculation of ROE is a complicated, state-
14 specific formula and deliberative process with deep historical context. On the
15 other hand, ROE is a simple and straightforward figure representing the nature and
16 status of the “regulatory compact.” ROE in ratemaking practice should be related
17 not only to the risk/return calculation of shareholder equity and general economic
18 conditions such as inflation, but also to the performance of the utility relative to the
19 standards and metrics of the regulators and ratepayers.

20 **Q. What are the standards and metrics by which IPL should be judged and a**
21 **ROE established?**

22 A. The answer to that question necessarily revolves around another question: Is IPL’s
23 current revenue requirement and rate increase application, fundamentally just and

1 reasonable, sufficient, and nondiscriminatory? The testimony of DAG witnesses
2 suggest not:

- 3 • Witnesses Holland, Osterberg, and Martin-Schramm provide extensive
4 evidence of the increasingly unjust energy burden on lower and moderate
5 income households served by IPL;
- 6 • Witnesses Osterberg and Berg provide evidence of rate design being utilized
7 in an attempt to discriminate against distributed generation or partial
8 requirements customers in favor of maximizing sales, thus precluding or
9 excluding customers from investing in owned clean energy resources;
- 10 • Witnesses Berg and Martin-Schramm provide evidence of IPL's false claims
11 to the Decorah community concerning future IPL rate trends, and the
12 unreasonable use of ratepayer derived profits to lobby extensively against the
13 efforts of those same ratepayers to participate in and invest in their
14 community's energy future through municipalization;
- 15 • Witness McKenna provides evidence that the community renewables proposal
16 put forward by IPL fails to reasonably credit customer/subscribers for the
17 value of their investment, further precluding participation, and discriminating
18 against those without adequate ability to invest in renewables behind the
19 meter;
- 20 • Witness Holland provides evidence suggesting the very real potential of an
21 existing and worsening impact on community and regional economic health as
22 high and rising electricity prices drive industries to locate or relocate outside
23 of IPL territory;

- 1 • Witnesses Berg and Martin-Schramm provide evidence of the unreasonably
2 ballooning rate base, and the incomplete, inappropriate, or unjust nature of
3 many elements thereof;¹² and,
- 4 • I provide further evidence of IPL’s long history of prioritizing shareholders
5 over ratepayers and communities through its active opposition to the efforts of
6 customers, organizations, and the community of Decorah to invest in a clean
7 energy future via a shared solar collaborative, energy efficiency, and
8 municipalization.

9 The totality of DAG’s testimony suggests that IPL’s rate request in this case is not
10 fundamentally just and reasonable, sufficient, and nondiscriminatory. As a result,
11 DAG’s witnesses have proposed that specific aspects of IPL’s proposals be
12 disallowed and that specific changes be ordered in IPL’s proposed rate design.
13 DAG witnesses have also encouraged the Board to exercise its authority under
14 Iowa Code § 476.52 to impose a penalty, in the form of disallowance of a portion
15 of IPL’s proposed revenue requirement or its proposed ROE for management
16 inefficiency. We in addition urge the Board to use its “broad general powers”
17 under Iowa Code § 476.2(1) to think outside the norm when considering what an
18 acceptable range of ROE figures may be. As the impact of high and rising
19 electricity prices – and of IPL efforts to preclude and exclude customers and
20 communities from saving and investing in clean energy – grows ever more severe,
21 the importance of regulatory leadership also grows. A severe cut to IPL’s allowed

¹² In fact, witness Berg demonstrates that IPL’s projected rate base in 2020 will be nearly three times what it was in 2009, and that the increase in rate base in the current docket alone is roughly equivalent to the entire IPL rate base just over a decade ago.

1 ROE, together with adjustments to rate design and the exclusion of much of the
2 requested revenue requirement, would represent a significant step towards
3 recognizing the public interest primacy of ratepayers over shareholders,
4 establishing the first monopoly rights of customers, and communities, and
5 countering the severely growing deleterious impact of IPL's actions on its
6 ratepayers and Iowa's communities.

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

8 A. Yes.

