

**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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**SURREBUTTAL 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. Are you the same David Berg that previously filed Direct Testimony in this**
5 **docket?**
- 6 A. Yes.
- 7 **Q. What is the purpose of your Surrebuttal Testimony?**
- 8 A. I will be responding to certain items included in rebuttal testimony of IPL
9 witnesses Randy D. Bauer and David Vognsen.
- 10 **Q. What topics from Bauer and Vognsen rebuttal testimony will you be**
11 **addressing?**
- 12 A. Randy D Bauer rebuttal testimony:
- 13 • Information included in Concentric Energy Advisors, Inc. (CEA)
14 2017/2018 feasibility study
- 15 • Information known to IPL at the time of the 2017/2018 CEA study

1 David Vognsen rebuttal testimony:

- 2 • Rate comparisons regarding residential customer charges
- 3 • Rationale for residential declining energy blocks
- 4 • Rates for LGS Supplementary customers

5 **Q. Have you included any exhibits with your Surrebuttal Testimony?**

6 A. Yes, I have provided the following exhibits with my Surrebuttal Testimony:

Exhibit Number	Exhibit Title
DAG Berg Surrebuttal CONFIDENTIAL Exhibit 1	Confidential 2016-2019 Preliminary Financial Plan Update presented at Alliant Energy Strategic Planning Board Meeting July 25, 2016
DAG Berg Surrebuttal CONFIDENTIAL Exhibit 2	Confidential 2020-2025 Strategic Plan presented at Alliant Energy Strategic Planning Board Meeting July 25, 2016
DAG Berg Surrebuttal Exhibit 3	IPL Electric Tariff Rider INTSERV – Interruptible Service Option

7 **Q. What comments does IPL witness Bauer make in his rebuttal testimony that**
 8 **you would like to address?**

9 A. On page 35 of this rebuttal testimony, Bauer states regarding the CEA 2018
 10 feasibility study that “This engagement was 14-15 months prior to IPL filing the
 11 current rate review. At that time, IPL had not made a decision on whether to file
 12 a rate review, what the timing of such a filing would be, and the magnitude of any
 13 such filing.” DAG Berg Surrebuttal Exhibit 1 is from the Alliant 2016-2019
 14 Preliminary Financial Plan Update provided as Confidential Attachment A31 in
 15 response to OCA Data Request No. 464 beginning with page number 000946 as
 16 shown in the lower right corner of the first page. This information is dated July
 17 25, 2016. On page 3 of this information, Key Takeaways, it states “IPL retail

1 electric customer rates CAGR at [REDACTED]” CAGR is an acronym for compound annual
2 growth rate. At that time IPL was forecasting annual compound rate increases of
3 [REDACTED]. That page 3 of the IPL financial plan also includes “Deploy \$ [REDACTED] of
4 capital expenditures which includes impact of acceleration of wind generation at
5 IPL and WPL” On page 10 of my Direct Testimony in this case, I stated “I
6 conclude that these rate base increases are primarily responsible for the increases
7 in IPL rates”. Large capital additions do not happen suddenly at a utility like IPL.
8 Years of planning are required. Pages 6 and 7 of the IPL 2016 financial plan
9 show IPL’s expectations at that time for significant capital improvements.
10 Additionally, as shown in IPL’s 2016 financial plan, they were [REDACTED]
11 [REDACTED]. In fact, on page 4 of the 2016 financial
12 plan, IPL gives itself a [REDACTED] regarding the financial goal [REDACTED]
13 [REDACTED] As to witness Bauer’s contention that
14 IPL had not made a decision ‘what the timing of such a filing would be”, page 8
15 of the 2016 financial plan shows [REDACTED]
16 [REDACTED] I conclude that IPL’s own documents
17 show that they had enough information at the time of the CEA feasibility study to
18 ascertain that the increases assumed in the CEA study were lower than IPL’s
19 internal expectations.

20 **Q. Did IPL provide other internal documents that contradict the CEA feasibility**
21 **study?**

22 A. Yes. Exhibit DAG Berg Surrebuttal Exhibit 2 is from the Alliant Energy 2020-
23 2025 Strategic Plan provided as Confidential Attachment A33 in response to

1 OCA Data Request No. 464 beginning with page number 001023 as shown in the
2 lower right corner of the first page. Page 3 of this document is entitled
3 “Balancing Earnings Growth and Customer Rate Trends.” The far-right red box
4 on the graph includes the statement [REDACTED]
5 There is also a graph included on this page which shows average electric retail
6 customer costs for IPL and WPL. The projected average rate line for IPL
7 included in this graph goes [REDACTED]

8

9 **Q. Does IPL witness Bauer make any other statements regarding the CEA**
10 **feasibility study that you wish to comment on?**

11 A. Yes. On page 36 of his rebuttal testimony, IPL witness Bauer states that “CEA
12 then developed a generic rate review filing timing and magnitude assumption,
13 which was used in the CEA Feasibility Study.” With over 35 years’ experience as
14 a utility rate consultant, I believe CEA had an obligation to work more closely
15 with their client, IPL, to ensure that their analysis reflected IPL’s known
16 information. I also believe IPL had an obligation to review the CEA work
17 product and point out areas where their conclusions disagreed with IPL financial
18 plans. I believe the use by CEA of a ‘generic’ rate assumption going forward
19 ignored well documented information regarding IPL future financial plans.

20 **Q. What comments do you have regarding witness Vognsen’s comparisons of**
21 **residential customer charges?**

22 A. On page 39 of IPL witness Vognsen’s rebuttal testimony he states that the
23 MidAmerican residential customer charge is \$8.50 per month. He concludes that

1 a comparison of IPL and MidAmerican customer charges is not relevant because
2 MidAmerican has a significantly larger urban customer base than IPL. He states
3 that the IPL service territory is more comparable to that of a rural electric
4 cooperative in Iowa. He then provides a sample listing of rural electric
5 cooperative monthly residential customer charges.

6 **Q. Do you think his comments regarding IPL service territory similarity to**
7 **rural electric cooperatives is valid?**

8 A. No. IPL may have a lower customer density than MidAmerican, but I think
9 equating the IPL service territory to that of a rural electric cooperative is not
10 appropriate. Rural electric cooperatives are much smaller than IPL, have a much
11 higher percentage of their total sales going to residential customers and do not
12 typically have a significant commercial or industrial customer base. IPL serves
13 communities such as Cedar Rapids, Dubuque, Marion, Mason City,
14 Marshalltown, Clinton, Burlington, and Ottumwa. These communities have
15 populations ranging from 24,000 to 130,000. This is very different from the much
16 smaller communities typically served by rural electric cooperatives.

17 **Q. Are there other comparisons IPL witness Vognsen could have made?**

18 A. Yes. On page 33 of his rebuttal testimony, Vognsen utilizes MidAmerican
19 Energy, Xcel Energy NSP-Minnesota and Ameren-Missouri as a comparison
20 group regarding a four-month summer rate period. I think it is reasonable to also
21 consider their residential customer charges. Vognsen acknowledged that the
22 MidAmerican residential customer charge is currently \$8.50. As a point of
23 reference, I submit that Xcel Energy NSP-Minnesota has monthly residential

1 customer charges of \$8.00 for overhead service and \$10.00 for underground
2 service. Ameren-Missouri has a residential customer charge of \$9.00 per month.

3 **Q. What comments do you have regarding IPL witness Vognsen’s rationale for**
4 **declining residential summer energy blocks?**

5 A. In his rebuttal testimony, he appears to contradict himself. On page 27, lines 18-
6 20 he states: “The results demonstrate that high usage residential customers have
7 the same load profile as the average residential customers.” He states on page 28
8 of his rebuttal testimony, line 3-4, “It is clear that, for summer usage, residential
9 customers’ load factors increase at higher rate blocks.” It can’t be both, they
10 either have the same load profile or they have a higher load factor.

11 **Q. Assuming it is true that high use residential customers have a higher load**
12 **factor, does that justify declining energy blocks?**

13 A. No, it depends on when the higher energy usage is occurring. Many times, for
14 similar homes with differing energy usage, the higher energy use home may be
15 due to more individuals occupying the home during daytime hours. This lends
16 itself to higher usage of AC during the day in the summertime. It also can
17 contribute to more energy related household activities (laundry, dishwasher, etc)
18 occurring during the day rather than in the evening. This may result in a higher
19 overall load factor, but it also results in higher overall costs due to more on-peak
20 usage and shifting of the home’s peak demand from early evening to mid to late
21 afternoon.

22 **Q. In your experience is there a direct correlation between higher energy use**
23 **and higher load factor?**

1 A. No, often times when the higher use is due to a larger home (ie. 5000 sq. ft. vs.
2 2009 sq. ft.), there will not be a significant variation in load factor between the
3 homes, the larger home simply has more square footage to cool in the summer.
4 Additionally, this higher usage for cooling a larger home will generally coincide
5 with the hottest days which also correspond to the most expensive hours to serve.

6 **Q. In your experience, what is the general approach of the electric industry in**
7 **the United States regarding declining block energy rates, particularly in the**
8 **summer?**

9 A. Residential declining block energy rates were very common in the 1970s and
10 1980s. That was a time when the industry had large surpluses of large coal and
11 nuclear power plant capacity. These plants were built or under construction
12 before the economic downturn of the late 1970s and early 1980s. The industry
13 was utilizing declining block rates as means to encourage customers to use more
14 energy. Our views as an industry and as a country have changed dramatically
15 since then. Most utilities have eliminated declining block rates, particularly in the
16 summer. Many have moved to inclining or inverted rates, under these types of
17 rates the rate increases for higher blocks of energy use. Just as energy use was
18 encouraged through declining block rates 40 years ago, today inclining rates are
19 implemented in part to discourage energy use. At many utilities, the rates are
20 steeply inclining in the summer with much higher rates for high monthly
21 residential usage. On page 31 of his rebuttal testimony, lines 5-9, Vognsen points
22 out that IPL began a process of eliminating declining block summer rates in 2006
23 and they were completely phased out 8 years ago. Re-implementation of

1 declining block rates in the summer would make IPL an electric rate outlier in our
2 industry.

3 **Q. Does IPL witness Vognsen address the concerns you expressed in your direct**
4 **testimony in this docket regarding the changes to the Electric Large General**
5 **Service – Supplementary Power, Rate Code 800?**

6 A. Not directly. On page 40, lines 10-13, of IPL Vognsen Rebuttal Testimony he
7 states that I took issue with the separate rate classification for LGS Supplementary
8 service, but I don't feel he addressed my issues.

9 **Q. What issues did witness Vognsen address in his rebuttal testimony regarding**
10 **the Electric Large General Service – Supplementary Power, Rate Code 800?**

11 A. On page 40 of his rebuttal testimony, Vognsen states that: "... the final increase
12 for both LGS and LGS Supplementary is slightly more for the supplementary
13 group, 7 percent versus 9.5 percent respectively." But he doesn't address my
14 concern that Luther College's bill will increase 16.9% under the LGS
15 Supplementary rate versus 6.7% under the LGS rate.

16 **Q. Did witness Vognsen give any rationale for the differences between the**
17 **adjustments for LGS and LGS Supplementary?**

18 A. Yes, on page 41 of his rebuttal testimony, lines 3-6, Vognsen states that "A
19 substantial part of IPL's interruptible load is provided by IPL's LGS customers
20 participating in IPL's interruptible program, whereas most LGS Supplementary
21 customers are not interruptible." He goes on to state that the differences between
22 LGS and LGS Supplementary reflect the revenue impacts of interruptible credits.

1 **Q. Do you agree that the impact of the interruptible program should be**
2 **reflected in the LGS and LGS Supplementary rates?**

3 A. No. IPL, like most utilities, has an interruptible program implemented through a
4 special rate rider applicable to participating customers. IPL has Rider INTSERV
5 – Interruptible Service Option. Exhibit DAG Berg Surrebuttal Exhibit 3 is a copy
6 of the current Rider INTSERV – Interruptible Service Option available from
7 IPL/Alliant’s website. As shown on the first page of the exhibit, this rate rider is
8 applicable to LGS customers. However, any differences in cost between
9 customers participating in the interruptible option and those not participating
10 should be reflected in the credits available under the interruptible service option
11 rider and not reflected in the regular rate tariffs for the affected classes.

12 **Q. What other factors does IPL witness Vognsen mention in his rebuttal**
13 **testimony regarding rates for LGS and LGS Supplementary rates?**

14 A. On page 41 of his rebuttal testimony, Vognsen also attributes the time-of-use rate
15 option as a contributor to the revenue impacts and rate differences.

16 **Q. Are his references to time-of-use relevant to the analysis you included in your**
17 **prefiled direct testimony in this docket?**

18 A. No, the rate related comments I made in my direct testimony were associated with
19 the non-TOD options under both the regular LGS Rate 440 and the LGS
20 Supplemental Power Rate 800. Proposed and existing TOD rates were not part of
21 my analysis and are not relevant to the differences in the non-TOD options under
22 each rate code.

1 **Q. What proposed changes to the Electric Large General Service – Rate Code**
2 **440 Non-TOD Option and the Electric Large General Service -**
3 **Supplementary Power – Rate Code 800 Non-TOD rates do you object to?**

4 A. The existing and proposed rates for these classes were included with my prefiled
5 direct testimony as DAG Berg Direct Exhibit 1 and DAG Berg Direct Exhibit 2.
6 As shown in those exhibits, the existing demand and energy rates for these classes
7 are very similar. The analysis included with my prefiled direct testimony showed
8 that for Luther College, there would be very little difference in the bill (0.7%)
9 under either the existing rate 440 or existing rate 800. However, in the proposed
10 rates, all rate components for the supplemental rate 800 customers go up. The
11 summer energy rate for supplemental customers increases by over 30%
12 (\$0.02861/kWh proposed versus \$0.02192/kWh existing). For LGS rate 440
13 customers, most demand rates go up, though not nearly as high as for rate 800
14 supplemental customers. The summer energy rate for regular LGS non-TOD
15 customers actually goes down by 14% (\$0.01971/kWh proposed versus
16 \$0.02301/kWh existing). The proposed summer energy for rate 800 non-TOD
17 supplemental customers is 45% higher than the proposed summer rate for regular
18 LGS non-TOD customers

19 **Q. In your opinion, can this level of rate disparity be justified?**

20 A. No.

21 **Q. Does anything in IPL witness Vognsen’s rebuttal testimony justify this rate**
22 **disparity?**

23 A. No

1 Q. Does this conclude your pre-filed Surrebuttal Testimony?

2 A. Yes.

