

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

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

**DOCKET NO. RPU-2019-0001**

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**SURREBUTTAL 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.    Are you the same James B. Martin-Schramm that filed direct and rebuttal  
5        testimony in this proceeding?**

6    A.    Yes. I am testifying on behalf of the Decorah Area Group. (“*DAG*”)

7   **Q.    What is the purpose of your surrebuttal testimony?**

8    A.    I will respond to the following matters addressed in the rebuttal testimony of IPL  
9        witnesses Randy D. Bauer:

- 10           •    AMI meter benefits, customer access to usage data via My Account, and  
11                non-standard meter fees
- 12           •    Various matters associated with the Decorah municipal utility feasibility  
13                study

14        I will also respond to the following matters raised in the rebuttal testimony of IPL  
15        witness James P. Brummond:

- 1           • Customer costs
- 2           • Low and moderate-income customers
- 3           • Rate comparisons
- 4           • Renewable Energy Certificates from New Wind I and New Wind II
- 5           • Management efficiency

6   **Q.    Have you filed any exhibits with your Surrebuttal Testimony?**

7   A.    Yes, the following exhibits have been filed in support of my Surrebuttal  
8        Testimony:

<b>Exhibit Number</b>	<b>Exhibit Title</b>
DAG Martin-Schramm Surrebuttal Exhibit 1	IPL Response to DAG Data Request No. 6
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 2	IPL Response to OCA Data Request 464 Attachment A32_CONF
DAG Martin-Schramm Surrebuttal Exhibit 3	Concentric Energy Advisors, Decorah Municipalization Feasibility Study
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 4	IPL Response to OCA Data Request 464 Attachment A37_CONF
DAG Martin-Schramm Surrebuttal Exhibit 5	City of Decorah Request for System Information (April 25, 2017)
DAG Martin-Schramm Surrebuttal Exhibit 6	Alliant Energy Response to City of Decorah Request for System Information (May 12, 2017)
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 7	IPL Response to DAG Data Request No. 28, Confidential Attachment C
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 8	IPL Response to DAG Data Request No. 35_CONF
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 9	IPL Response to LEG Data Request No. 7_CONF. Cerro Gordo PPA Contract Rate
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 10	IPL Response to LEG Data Request No. 8_CONF. Crystal Lake I PPA Contract Rate

DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 11	IPL Response to LEG Data Request No. 9_CONF. Endeavor II PPA Contract Rate
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 12	IPL Response to LEG Data Request No. 11_CONF. Hancock County PPA Contract Rate
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 13	IPL Response to LEG Data Request No. 12_CONF. Turtle Lake PPA Contract Rate
DAG Martin-Schramm Surrebuttal Exhibit 14	Alliant Flyer 30% Rate Hike
DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 15	IPL Response to OCA 464 Attachment A41_CONF

**AMI METER ISSUES**

1 **Q. What arguments does IPL witness Bauer offer regarding AMI meter**  
 2 **benefits?**

3 A. In his response to OCA witness Kruger, Mr. Bauer admits that “[t]he Financial  
 4 Analysis completed by B&V [Black & Veatch] was to solely address the meter-  
 5 to-cash process” and that “[i]t is not reasonable to have IPL, immediately  
 6 following AMI deployment, be expected to be capable of utilizing every available  
 7 AMI function and provide every downstream benefit of the technology to  
 8 customers.” (Bauer Rebuttal, p. 17, l. 17-25)

9 **Q. What is your response to these arguments?**

10 A. I appreciate Mr. Bauer’s candor that the Black & Veatch study focused solely on  
 11 operational savings for IPL and did not quantify information service benefits that  
 12 could be provided to IPL customers via AMI meters. If these meters were being  
 13 installed by Alliant Energy for the first time, it would be easier to accept their plea  
 14 for patience in terms of helping IPL customers access all AMI meter benefits.

1 The fact, however, is that Wisconsin Power & Light (“**WPL**”) has had Sensus  
2 meters in service since 2008. (Bauer Direct, p. 17, l. 1-2)

3 Even though AMI meters have been in use by Alliant Energy for over ten years,  
4 Mr. Bauer reported in his response to DAG Data Request No. 6 that “IPL has not  
5 conducted any type of an analysis on the type and cost of additional resources”  
6 that would be required to “provide granular usage information to customers,  
7 enabling their enhanced understanding of usage patterns, and resulting in a better  
8 ability to manage their energy usage.” *See* DAG Martin-Schramm Surrebuttal  
9 Exhibit 1, p. 2.)

10 This admission demonstrates that IPL has, to date, prioritized operational savings  
11 over empowering customers with energy usage information, even though IPL is  
12 telling customers and the Board that IPL wants to give customers “greater control  
13 and management over their energy use” (*See* Vognsen Direct, p. 1, l. 9) via AMI  
14 meters that offer “increased opportunities to connect with customers and to  
15 provide them with more information to help manage energies” (*See* Kouba  
16 comments, Decorah Hearing Transcript, p. 16, l. 16-20).

17 **Q. Is IPL making any progress in this regard?**

18 A. Mr. Bauer notes in his rebuttal testimony that “IPL currently has underway a  
19 project to modernize My Account,” which is an online customer service resource  
20 offered by IPL. The update will “allow customers to see their usage patterns with  
21 weather data included.” It will also help customers “see their usage while away  
22 from home on vacation, or the effect of having more people in the home, or how  
23 weather can affect their usage on a day to day basis.” In addition, customers will

1 also have the ability to set usage alerts “to notify them when they are at a  
2 customer-determined percent of [a] monthly usage amount.” All of these updated  
3 features are scheduled to “go live in January, 2020.” Future enhancements will  
4 include “functionality to analyze customer usage and compare it to available  
5 rates.” (Bauer Rebuttal, p. 34, l. 8-23 and p. 35, l. 1-9)

6 **Q. What are your reactions to this new information?**

7 A. This information was presented in this docket for the first time in Mr. Bauer’s  
8 rebuttal testimony. Given his response to DAG Data Request No. 6, it appears he  
9 was unaware of these planned upgrades to IPL’s My Account system. It is worth  
10 noting again that IPL has not yet rolled out such benefits to customers even  
11 though Alliant Energy has had experience with Sensus meters for over ten years  
12 in Wisconsin. Given this, it appears IPL has prioritized operational savings over  
13 empowering customers with energy information. Since customers are not yet able  
14 to utilize the services described above, they should not have to pay the full cost  
15 associated with IPL’s installation of AMI meters.

16 **Q. Do you have any additional remarks regarding AMI meter benefits and**  
17 **services?**

18 A. Yes. Mr. Bauer claims in his Direct Testimony that “IPL will no longer need to  
19 install a new DER meter when a customer installs a DER resource because the  
20 standard AMI electric meter will provide the required metering capability.”  
21 (Bauer Direct, p. 20, l. 12-15) This has not been the experience of residential  
22 customers with AMI meters in Decorah. When they have installed solar

1 photovoltaic (PV) systems at their residence, IPL has replaced recently installed  
2 AMI meters with bi-directional meters able to facilitate net metering.

3 In addition, according to an email response to a Decorah customer from a  
4 representative at Alliant’s Energy’s Renewable Hotline, IPL’s AMI meters are  
5 “not capturing the demand history data required to calculate the net meter load  
6 limit,” which is used to calculate the maximum system size for a solar PV array.  
7 As a result, the customer’s system size was based on an average residential load  
8 limit IPL applies system-wide rather than on one that could have been determined  
9 based on the household’s actual maximum load over the previous twelve months.  
10 Both examples demonstrate that IPL’s AMI meters are not delivering all of the  
11 functionality and services Mr. Bauer claims or implies in his testimony.

12 **Q. How does Mr. Bauer respond to your claim that IPL imposed additional and**  
13 **non-Board approved fees for customers who do not want an AMI meter?**

14 A. Mr. Bauer says “IPL has not imposed additional or non-approved Board fees for  
15 any customer. The fees to be imposed by IPL, if any, are fully supported in this  
16 filing, and that issue will be decided by the Board. Mr. Martin-Schramm’s  
17 statement should be disregarded by the Board.” (Bauer Rebuttal, p. 31, l. 13-16)

18 **Q. What is your response?**

19 A. IPL did, in fact, try to levy additional and non-approved Board fees on IPL  
20 customers that wanted to retain an analog meter and who opposed the installation  
21 of an AMI meter. IPL informed these customers that they could utilize a non-  
22 standard meter for a monthly fee of \$15 per meter. Not surprisingly, this response  
23 by IPL resulted in what I described in my Direct Testimony as a “public furor.”

1 In its Final Order and Decision in Docket SPU-2018-0007, the Board noted at the  
2 outset that “[r]oughly 2,000 customers expressed interested in the opt-out option.”  
3 The Board went on to explicitly reject IPL’s electric and gas tariffs that would  
4 have imposed non-standard meter fees on these IPL customers. On this point, the  
5 Board stated:

6 The Board has received hundreds of other comments, objections  
7 and complaints from interested persons that did not formally  
8 intervene in this matter. Most of the issues raised by these  
9 customers are identical to or encompassed by the issues addressed  
10 above. Specifically, the vast majority of commenters objected to  
11 the proposed charge to opt out of having an AMI meter, which the  
12 Board is not allowing at this time. (*See* Final Order and Decision,  
13 SPU-2018-0007, p. 44-45)

14 **Q. What is your reaction to IPL’s proposed Non-Standard Meter Alternative fee**  
15 **in Docket RPU-2019-0001?**

16 A. IPL witness David Vognsen explains how IPL calculated the company’s Non-  
17 Standard Metering Alternative (NSMA) tariff in his Supplemental Direct  
18 Testimony. IPL is now proposing relevant IPL customers pay a monthly NSMA  
19 fee of \$5.27 per meter. (IPL Vognsen Supplemental Direct, p. 2, line 12) This  
20 new fee is approximately 65% less than the fee IPL originally attempted to  
21 impose. This significant discrepancy raises questions about how IPL calculated  
22 and justified its original \$15 per meter monthly fee. For customers who receive  
23 both gas and electric service from IPL, these fees would have added another \$30  
24 in fixed charges to their monthly bill. In my view, the customer opposition to  
25 these non-Board- approved fees might have been lessened if the fee was in the  
26 range IPL now proposes to the Board. In my view, this is a pertinent example of

1 management inefficiency. IPL’s attempt to impose new, non-Board-approved  
2 fees on IPL customers resulted in a prolonged dispute and expenditure of  
3 significant resources by many parties.

**DECORAH FEASIBILITY STUDY**

4 **Q. How does IPL witness Bauer respond to the claim by DAG witness David A.**  
5 **Berg that IPL was aware of a plan to file a rate case in 2019 at the time of**  
6 **IPL’s presentation to the Decorah City Council on February 5, 2018?**

7 A. Mr. Bauer states:

8 IPL engaged Concentric Energy Advisors, Inc. (CEA) in late 2017  
9 to prepare a feasibility study (the CEA Feasibility Study) to show  
10 the costs to Decorah of municipalizing. This engagement was 14-  
11 15 months prior to IPL filing the current rate review. At that time,  
12 IPL had not made a decision on whether to file a rate review, what  
13 the timing of such a filing would be, and the magnitude of any  
14 such filing.” (Bauer Rebuttal, p. 35, l. 15-20)

15 **Q. What is your reaction to Mr. Bauer’s response?**

16 A. While IPL “had not yet made a decision on whether to file a rate review,” [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

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[REDACTED]

*See* DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 2. This information demonstrates that IPL did plan to file a rate case in 2019 at the time of IPL’s presentation to the Decorah City Council on February 5, 2018. IPL apparently did not share this information with CEA. While the magnitude of the rate increase may not have been fully known in late 2017, IPL knew that their planned rate case would include cost recovery related to New Wind I since the Board had approved the settlement agreement in Docket RPU-2016-0005 on October 25, 2016. In addition, IPL had good reason to believe the company would be seeking to recover costs associated with New Wind II since IPL submitted its application for advanced ratemaking principles on August 3, 2017 in Docket RPU-2017-0002. These combined costs currently represent approximately one third of the revenue requirement in RPU-2019-0001.

**Q. Do you have any concerns about how the CEA Feasibility Study considered the impact of future rate reviews?**

A. Mr. Bauer states that “[t]he CEA Feasibility Study analyzed historical rate reviews, the timing, the magnitude and the ultimate rate review outcome. CEA

1 then developed a generic rate review filing timing and magnitude assumption,  
2 which was used in the CEA Feasibility Study.” (Bauer Rebuttal, p. 36, l. 1-4)

3 On the basis of this method, “Concentric assumed that Alliant’s rates will increase  
4 by approximately 6 percent in 2018 based on Alliant’s current rate case request<sup>1</sup>  
5 and 3.0 percent every third year beginning in 2021 based on analysis of  
6 Midwestern rate case frequency and magnitude.”<sup>2</sup> See DAG Martin-Schramm  
7 Surrebuttal Exhibit 3, p. 8.

8 This projected IPL annual rate increase, which is equivalent to a 1% compound  
9 annual growth rate (CAGR) for the next twenty years, is much lower than the █  
10 CAGR the company projected in July 2016 for the period 2015-2019. See DAG  
11 Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 2, p. 21. It is also  
12 significantly lower than the █ CAGR for average retail electric rates that IPL  
13 projected in an Alliant Energy strategic planning meeting on grid modernization  
14 on September 14, 2017 titled “2017-2023 Preliminary Financial Plan Update.”  
15 See DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 4, p. 16. More  
16 recently, Alliant Energy’s “2018-2023 Preliminary Strategic Financial Plan”  
17 presented at an Alliant Energy strategic planning meeting on September 25, 2018  
18 seeks to █. See DAG  
19 Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 2, p. 20.

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<sup>1</sup> IPL’s final Board-approved base electric rate increase in RPU-2017-0001 was 7.8%.

<sup>2</sup> The inclusion of other Midwestern utility rate cases skewed CEA’s analysis. The comparison in Decorah was not between a municipal utility and other Midwestern utilities but rather a comparison with the incumbent utility—Interstate Power & Light.

1 The primary take-away is that IPL’s own long-term forecasts have been  
2 projecting customer electric rate increases that are [REDACTED] than the  
3 projections included in the original CEA study. IPL knew this and had an  
4 affirmative obligation to share this information with CEA and with the citizens of  
5 Decorah.

6 **Q. Do you agree with Mr. Bauer that “the CEA Feasibility Study represented**  
7 **the most accurate and current information that was in IPL’s possession when**  
8 **it was prepared”?**

9 A. No. CEA acknowledges in a footnote at the outset of its original study that “[t]his  
10 is a preliminary estimate that can only be refined after a complete system  
11 inventory is conducted.” *See* DAG Martin-Schramm Surrebuttal Exhibit 3, p. 7.  
12 When it was considering whether to proceed with the municipalization effort, the  
13 City of Decorah officially asked IPL to furnish the city with a complete system  
14 inventory. *See* DAG Martin-Schramm Surrebuttal Exhibit 5. IPL did not do so.  
15 In his reply, IPL’s Vice President for Iowa Operations, Terry Kouba, said:

16 Much of the information requested in not public in nature, and  
17 some specific requests are covered by Homeland Security  
18 regulations. As I’m sure you understand, the confidentiality and  
19 security of our customers’ personal information is a top priority.

20 *See* DAG Martin-Schramm Surrebuttal Exhibit 6, p. 2. As a result, both entities  
21 conducting feasibility studies (CEA and NewGen Strategies and Solutions) had to  
22 work with general estimates regarding IPL’s assets in Decorah.

23 **Q. Do you have any concerns about the way the CEA Feasibility Study was**  
24 **updated?**

1 A. Yes, I have two concerns. One has to do with an apparent change in the projected  
2 impact of future IPL rate increases. The second has to do with the estimated cost  
3 of wind power.



4 Projected IPL Rate Increases: Concentric Energy's original feasibility study  
5 included the following assumption:



6 Concentric assumed that Alliant's rates will increase by  
7 approximately 6 percent in 2018 based on Alliant's current [2017]  
8 rate case request and 3.0 percent every third year beginning in  
9 2021 based on analysis of Midwestern rate case frequency and  
10 magnitude. *See* DAG Martin-Schramm Surrebuttal Exhibit 3, p. 8)

11  
12 Concentric Energy's updated feasibility study includes the following assumption:

13   
14  
15

16  
17 *See* DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 7  
18 (Attachment C, p. 1)

19 On their face, these two statements result in significantly different outcomes for  
20 customers. The original study projects the equivalent of 1% CAGR rate increases  
21 beginning in 2021. The updated study projects the equivalent of  CAGR rate  
22 increases beginning in 20. No explanation is given for this significant change.

23 Updated Cost of Wind Power: CEA estimated IPL's updated cost of wind power  
24 to be \$/MWh but estimated it would cost the Decorah municipal utility  
25 \$/MWh to purchase wind power at market rates. *See* DAG Martin-Schramm  
26 Surrebuttal CONFIDENTIAL Exhibit 7. In a follow-up data request, DAG asked  
27 IPL for the source of that cost estimate. Randy Bauer replied and referred DAG to  
28 Attachment A in Brent Kitchen's confidential direct testimony in RPU-2017-

1 0002. The \$[REDACTED]/MWh rate derives from responses by wind developers to a  
2 2015 IPL Request for Proposals for PPA wind. The \$[REDACTED]/MWh rate is the  
3 highest rate among the four listed in the table of responses. The other three  
4 ranged from \$[REDACTED]/MWh to \$[REDACTED]/MWh. *See* DAG Martin-Schramm  
5 Surrebuttal CONFIDENTIAL Exhibit 8, Table 2, pg. 16. In other words, IPL gave  
6 CEA the highest possible rate for a Decorah municipal utility to purchase wind  
7 power at market rates. It is also worth noting that this rate comes from a 2015  
8 RFP.

9 IPL has signed wind PPAs more recently. In July 2018, IPL signed PPAs with  
10 four repowered wind farms (Cerro Gordo, Crystal Lake I, Endeavor II, and  
11 Hancock County) to replace energy and capacity from the Duane Arnold Energy  
12 Center. The terms were very similar—they ranged from \$[REDACTED]/MWh in Year 1  
13 to \$[REDACTED]/MWh in Year 20. *See* DAG Martin-Schramm Surrebuttal  
14 CONFIDENTIAL Exhibits 9-12. IPL also signed a fifteen-year fixed rate PPA in  
15 July 2016 for production from the Turtle Lake wind farm, which was not a  
16 repower project. The contract rate was \$[REDACTED]/MWh for on peak power sales and  
17 \$[REDACTED]/MWh for off peak power. *See* DAG Martin-Schramm Surrebuttal  
18 CONFIDENTIAL Exhibit 13. None of these PPA rates were furnished to CEA  
19 when IPL asked CEA to update the Decorah Feasibility Study in March or April  
20 2019.

21 **Q. Do you have any concerns about what Mr. Bauer says the updated study**  
22 **results show?**

1 A. Yes. Mr. Bauer notes, “on a Net-Present-Value basis, that Decorah’s conversion  
2 to a municipal electric utility would be about \$16 million more expensive on a 20  
3 year Net-Present Value basis than remaining with IPL.” (Bauer Rebuttal, p. 36, l.  
4 16-18)

5 IPL’s “Response to Order Regarding Customer Comment Meeting Questions”  
6 filed August 2, 2019 in Docket RPU-2019-0001 further clarifies on page 28 that  
7 “Concentric’s updated base case study analysis predicts that residents of Decorah  
8 will pay 11.9 percent more over 20 years on a net present value basis to receive  
9 the same services and levels of renewable energy IPL would provide Decorah  
10 citizens.”

11 This is not the time or place to debate the relevant differences between the two  
12 feasibility studies that were the focus of the Decorah municipalization debate. I  
13 do want to point out, however, that when IPL sent all of its = customers post cards  
14 warning of a 30% rate hike if the Decorah established a municipal utility, IPL did  
15 not clarify on the mailer that this rate hike would take place over the next twenty  
16 years. *See* DAG Martin-Schramm Surrebuttal Exhibit 14. Decorah ratepayers  
17 were given the impression that the 30% rate hike would be immediate, which  
18 undoubtedly led some to vote NO in the referendum (which failed by three votes).  
19 IPL is now incurring ire, as well it should, from many of their ratepayers who are  
20 faced with having their base electric rates increase 24.45% over the course of two  
21 years, not twenty.

**CUSTOMER COSTS**

1 **Q. What concerns do you have regarding IPL’s attempts to control customer**  
2 **costs?**

3 A. IPL witness James P. Brummond insists that “IPL remains focused on delivering  
4 increasing value, at a reasonable cost, to its customers.” (IPL Brummond  
5 Rebuttal, p. 5, l. 7-8) This reassurance seems to ring hollow to thousands of IPL  
6 ratepayers who have filed comments in the docket opposing IPL’s unprecedented  
7 proposed increase in base electric rates. The number of cities and counties  
8 expressing opposition in the docket continues to grow by the day.

9 One can only imagine how much this anger would grow if ratepayers knew IPL’s  
10 “2018-2023 Preliminary Strategic Financial Plan”, dated September 25, 2018,

11 [REDACTED]

12 [REDACTED]

13 [REDACTED] See DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 15, p.  
14 11.

15 **Q. What concerns do you have about IPL witness Brummond’s testimony**  
16 **regarding IPL’s efforts to address the needs of low and moderate income**  
17 **(LMI) customers?**

18 A. Mr. Brummond emphasizes that IPL is “committed to seeking operational  
19 efficiencies that can reduce costs” and that it seeks “to provide options that can  
20 help customers manage their energy bills, including time-of-use rates, budget  
21 billing, and the proposed Fixed Amount Bill program.” In addition, IPL is  
22 modernizing My Account “to utilize AMI data to provide customers greater

1 visibility into how they use energy and the ability to set usage alerts to notify  
2 them when they have used a specified amount of energy in a month.” (IPL  
3 Brummond Rebuttal, pg. 11, l. 14-21)

4 Notably absent from Mr. Brummond’s remarks is any direct engagement with  
5 OCA witness Sheila Parker’s assertion that the total number of IPL customers  
6 with payment agreements in March of each year grew from 1,416 customers in  
7 2016 to nearly 76,000 in 2019 (emphasis added). Some customers had a monthly  
8 payment agreement amount of more than \$1,000. (OCA Parker Direct, p. 17)

9 Mr. Brummond also fails to engage DAG witness Steve Holland’s discussion of  
10 energy burdens and how IPL ratepayers currently experience a significantly  
11 higher energy burden compared to customers served by MidAmerican Energy,  
12 which will only be exacerbated by IPL’s proposed increase in base electric rates.  
13 (DAG Holland Direct, p. 7-9)

14 Rather than enabling customers to ration their consumption of electricity through  
15 usage alerts, IPL should work harder to lower or at least freeze their rates. Rather  
16 than deal only with the symptom, IPL should work harder on the cause of stress  
17 for their LMI customers. Rather than advocate successfully for a legislative cap  
18 of energy efficiency program expenditures to minimize lost sales, IPL should  
19 support all cost-effective programs—especially those that benefit LMI  
20 households.

21 **Q. What are your reactions to Mr. Brummond’s summary of the charitable**  
22 **support Alliant Energy and its employees contribute each year to**  
23 **communities served by the utility?**



1 A. It is morally laudatory that Alliant Energy, its employees, and the Alliant Energy  
2 Foundation contribute millions of dollars each year as well as thousands of hours  
3 of volunteer time to various nonprofit and charitable organizations that support  
4 IPL customers. This is commendable but charity only addresses symptoms, it  
5 does not address the root causes of problems. The root cause of the energy burden  
6 faced by IPL’s LMI customers is high electricity rates that have been increasing  
7 over the past decade. Alliant’s current annual contribution of \$1 million to the  
8 Home Town Care Energy Fund represents 0.2% of their profits in 2018. As I  
9 argue in my direct testimony, the relationship between the interests of ratepayers  
10 and shareholders is out of balance. The Board needs to address this situation  
11 because its mission is “to ensure that reasonably priced, reliable, environmentally  
12 responsible, and safe utility services are available to all Iowans.”<sup>3</sup> Charity, while  
13 morally laudable, is legally insufficient when it comes to providing just and  
14 reasonable rates.

15 **Q. How do you react to Mr. Brummond’s discussion of the difference in rates**  
16 **between IPL and MidAmerican Energy (“MEC”)?**

17 A. Mr. Brummond refers the Board to the Rebuttal Testimony of Thomas L. Aller in  
18 RPU-2009-0002, which was filed ten years ago on August 21, 2009. Mr. Aller  
19 points out that IAC Chapter 29 acknowledges that utility rates may differ due to  
20 customer mix, territory of the utility, economic conditions in the areas served, and  
21 also weather patterns and disasters. Mr. Aller argues that the major difference in

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<sup>3</sup> Iowa Utilities Board, “Mission and Vision Statements,” <https://iub.iowa.gov/about-us/mission-vision-statements>

1 rates between MEC and IPL is due to decisions made decades ago in the 1970s  
2 and 1980s “that have resulted in inherent current cost advantages for MEC.”  
3 (Aller Direct, p. 9-10)

4 While Mr. Brummond may be correct that decisions almost 40 years ago explain  
5 why MEC’s rates are so much lower than IPL’s, the reality is that the gap between  
6 the two utilities on average cost per kilowatt hour has been widening since 2008.  
7 I attribute this more to decisions these two utilities have made over the course of  
8 the last ten years—especially MEC’s decision to invest heavily in wind energy  
9 and to convey the associated fuel cost savings and tax benefits to their customers.  
10 It is worth remembering that IPL only abandoned their efforts to build a new coal  
11 plant in Marshalltown when the Board approved a 10.1% return on equity and a  
12 cost cap of \$2,816.00 per kilowatt compared to IPL’s request for a 12.55% ROE  
13 and a \$3,483.00 per kilowatt cost cap. (Final Decision and Order, RPU-08-01, p.  
14 67 and p. 87) While Alliant finally decided to build an efficient natural gas-fired  
15 power plant in Marshalltown, and currently is installing 1 GW of new wind  
16 power, the reality is that MEC has over 4 GW of wind installed and the lowest  
17 electricity rates of any investor-owned utility in the Midwest.

18 **Q. How do you respond to the Iowa Business Energy Coalition’s (“IBEC”)**  
19 **proposal that eligible customers be allowed to have IPL retire renewable**  
20 **energy credits (“REC”) and other environmental benefits from New Wind I**  
21 **and New Wind II on their behalf?**

22 A. IPL witness Brummond responds positively to this proposal. So too does IPL  
23 witness David Vognsen:

1 IPL generally supports the language proposed by IBEC and will  
 2 incorporate that into the RER tariff. This would allow electing  
 3 customers to count these benefits toward meeting their renewable  
 4 goals. IPL would compute each customer’s share as equal to that  
 5 customer’s kilowatt-hour purchases divided by the total Iowa retail  
 6 kilowatt-hour sales for the same time period. IPL will need to  
 7 develop an administratively efficient process to retire these RECs  
 8 on behalf of these electing customers. (IPL Vognsen Rebuttal, p. 9,  
 9 l. 9-15)

10 I can understand why some large energy users would want to acquire these RECs  
 11 to burnish their environmental reputations and to meet their sustainability goals.  
 12 After all, the RECs would be acquired at no additional cost to the utility and its  
 13 customers. I don’t think that is fair, however. Even though the cost of these  
 14 RECs is nominal at the moment, the Board should not approve the IBEC proposal  
 15 unless eligible customers are required to pay the market cost for the RECs. I  
 16 suggest the Board require IPL charge these customers the appropriate cost for the  
 17 RECs and then deposit the revenues in IPL’s Hometown Care Energy Fund to  
 18 help low income customers pay their bills. Regardless whether the Board accepts  
 19 my recommendation, it is important to prevent double-counting of RECs. Any  
 20 RECs retired on behalf of eligible customers must reduce the annual amount of  
 21 wind energy production reported by IPL or any other utility.

**MANAGEMENT EFFICIENCY**

22 **Q. What does IPL witness Brummond say about intervenor requests for a**  
 23 **management efficiency penalty?**

24 **A. Mr. Brummond states:**

25 OCA witness Ms. Parker requests (at page 4 of her direct  
 26 testimony) that the Board set IPL’s return on equity at or near the  
 27 lowest level in the range of reasonable return on equity, and DAG  
 28 witness Martin-Schramm requests (at page 5 of his rebuttal

1 testimony) that the Board set IPL’s return on equity below the  
2 reasonable range. Dr. Latham and Mr. Meyer accept the OCA  
3 position in rebuttal testimony. (IPL Brummond Rebuttal, p. 18, l.  
4 19-24)

5 **Q. Is Mr. Brummond suggesting that what you propose is unreasonable?**

6 A. Yes, and I disagree. Much of my Direct Testimony revolved around and appealed  
7 to Iowa Code § 476.52, which provides in relevant part:

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

18 Nothing in Iowa Code § 476.52 restricts the Board to reduce a utility’s return on  
19 equity *to a reasonable range*. In fact, the word “reasonable” does not appear in  
20 this section.

21 **Q. Do you agree with Mr. Brummond’s characterization of intervenor views on  
22 the matter of management inefficiency as “unsupported” and “conclusory  
23 assertions”?**

24 A. No, several intervenor witnesses, including myself, make a series of detailed and  
25 substantiated arguments supporting our claims that IPL suffers from management  
26 inefficiency.

27 **Q. How do you respond to Mr. Brummond’s claim that “IPL has managed its  
28 business effectively to balance affordability, reliability, and safety for its  
29 customers.”**

1 A. The balance of affordability, reliability, and safety at IPL is clearly  
2 skewed. While IPL’s current levels of reliability and safety meet expectations,  
3 IPL is clearly falling short on affordability. The vast majority of the thousands of  
4 comments by customers in the docket focus on affordability. Picture a three-  
5 legged stool—two of the legs are of similar length but the third one is much  
6 longer, which makes it increasingly difficult for some customers to remain  
7 perched on the stool. Some, in fact, have fallen off, which is reflected in the very  
8 high number of IPL customers who are late on their bills and are on a bill  
9 payment plan. Others are pondering a move outside of IPL’s service territory.  
10 As I note in the closing to my Direct Testimony, many IPL customers are  
11 stretched far too thin. This is not just another rate case. This is an opportunity for  
12 the Board to redress a structural injustice between investor-owned-utility  
13 customer rates in Iowa while also putting IPL on notice that its performance in the  
14 past does not meet the high standards of the Board.

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 A. Yes.

**AFFIDAVIT OF JAMES B. MARTIN-SCHRAMM**

**STATE OF IOWA** :  
 : **SS:**  
**COUNTY OF WINNESHIEK** :

I, James B. Martin-Schramm, being first duly sworn on oath, depose and state that I am the same James B. Martin-Schramm identified in the foregoing Surrebuttal Testimony, that I have caused the testimony and accompanying exhibits to be prepared and am familiar with the contents thereof, and that the testimony and exhibits are true and correct to the best of my knowledge, information and belief as of the date of this Affidavit.

/s/ James B. Martin-Schramm  
James B. Martin-Schramm

Subscribed and sworn to before me, a Notary Public in and for said County and State this 9th day of September, 2019.

/s/ Rachel Moser  
Notary Public

[Seal]

My commission expires on July 13, 2021.