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

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| **IN RE:**<br>**INTERSTATE POWER AND LIGHT COMPANY** | **DOCKET NO. RPU-2019-0001** |

# PARTIAL OBJECTION TO NON-UNANIMOUS PARTIAL SETTLEMENT AGREEMENT AND JOINT MOTION FOR APPROVAL OF AGREEMENT

**COMES NOW**, the Decorah Area Group ("***DAG***") and files its partial objection ("***Objection***") to the "Non-Unanimous Partial Settlement Agreement and Joint Motion for Approval of Agreement" that was filed in this docket on October 3, 2019 (the "***Settlement***"). In support of its Objection, DAG states as follows:

1. DAG was informed of the broad outlines of the Settlement filed in this docket less than twenty-four hours prior the filing of the Settlement with the Iowa Utilities Board ("***Board***"). The final details of the Settlement became known to DAG only when the Settlement was filed. Since that time, the members of DAG have considered whether they, in good conscience, could join in the Settlement and have concluded that they cannot do so. Rather, DAG must, in good conscience, file the following partial objection to those provisions of the settlement which they deem not to be in the best interest of Interstate Power and Light Company's ("***IPL***") customers and not reasonable in light of the entire record in this Docket.

2. The members of DAG believe that the majority of IPL's customers, and the communities in which they live and work, will see this Settlement as "more of the same." The Board should decline to engage in "more of the same". While the Settlement may represent a

compromise among the settling parties, it represents very much a "status quo" compromise, not dissimilar to the bulk of past rate cases that have brought us to the current untenable situation.

3. Even a cursory review of some of the thousands of comments filed in this docket, and those of the several hundred customers who appeared at the consumer comment hearings held by the Board at the commencement of this case, reveals the outrage and desperation felt by residential customers presented with a request for an electric base rate increase of a 24.45%. The same ratepayers have seen their rates increase year upon year for over a decade and most have urged the Board to put a halt to IPL's near constant thirst for more and more and more of their hard-earned income.

4. The most heart-rending comments (often hand-written) have been offered by senior citizens living on fixed incomes who wonder how they will pay their electricity bill when they, at best, get a 1 or 2 percent cost of living adjustment from Social Security each year. Other comments are filed by the working poor who struggle to provide food, medicine, and shelter for their families. A great many come from business, industry, and institutions, documenting the growing burden IPL customers and communities are experiencing as a result of these rate increases. Some of these comments (over fifty) have been filed by members of our community, Decorah. DAG was formed to represent all of these interests, from households to business owners, farmers, and large energy users in our community.

5. DAG may be viewed by the Board, as it certainly is viewed by IPL (given IPL's weak response to DAG's testimony), as an outlier intervenor. However, the Board should take note of the fact that over fifty cities and counties in IPL's service territory have passed statements or resolutions urging the Board not to approve IPL's proposed rate increase or to reduce it significantly. While the Settlement may reduce the proposed residential rate increase, it

leaves approximately 60% of IPL's original ask intact. DAG believes that proposed rate increase should be reduced by the Board even further.

6. DAG's intervention in this case has been guided by two premises. The first, generally discussed above, is a context of rapidly rising rates over the past decade with the likelihood that this trend will continue in the future. This reality is creating an untenable and unjust level of wealth extraction from IPL customers and communities. It is also imposing a heavy energy burden not only on low and moderate income ("***LMI***") and otherwise disadvantaged households, but also on businesses and entire communities, all of whom are crying out to the Board for relief.

7. The second premise guiding DAG's intervention is a conviction borne of experience over the past decade that IPL has been working assiduously to thwart customer and community opportunities to participate on fair terms in the 21st century clean energy economy. We are fully aware of the three renewable energy programs IPL has proposed in this docket, and we have expressed significant concerns about them. Without further improvement we expect few customers will utilize these programs, which, in our view, is precisely what IPL hopes will happen. In recent years, IPL has worked aggressively to undermine net metering and to reduce energy efficiency. These efforts disempower IPL customers who want to pursue locally-owned clean energy prosperity through investments in renewable energy and energy efficiency.

8. The Settlement fails to adequately address either of these overarching issues. It locks in continued rapid rate increases through the revenue requirement and capital structure terms, and it essentially ignores IPL's moves to close the door on customer and community attempts to mitigate wealth extraction through participation in and ownership of the clean energy future.

9. As to the specific terms of the Settlement, DAG offers the following analysis[1]:

a. Article VI - Revenue Increase and Revenue Requirement. The Settlement will still result in a significant increase in base electric rates for all IPL ratepayer classes. IPL originally proposed an approximate $204 million increase to its revenue requirement. The Company's March 1, 2019 customer notice indicated that the proposed revenue requirement increase would raise base electric rates for residential customers by 24.45%. The Settlement reduces the proposed revenue requirement increase to $127 million. Assuming the impact of increased rates will be allocated across IPL ratepayer classes in the same way proposed in the March 1 customer notice, DAG calculates that the revised revenue requirement increase will result in the following increases to base electric rates for the following ratepayer classes:

- Residential: 15.16%[2]
- General Service: 11.38%
- Large General Service: 15.68%
- High Load Factor/High Volume: 11.05%
- Large General Service-Supplementary: 20.60%

The 15.16% increase to base electric rates will further increase the energy cost burden on IPL's residential ratepayers and there are no new measures proposed in the Settlement to mitigate the existing burden. This is remarkable given that IPL President Terry Kouba

[1] This Partial Objection addresses only those provisions of the Settlement with which DAG disagrees. In the event that a provision is not addressed here, DAG either agrees (if it took a position on the issue in its testimony) or takes no position (if DAG did not address the issue in its testimony).

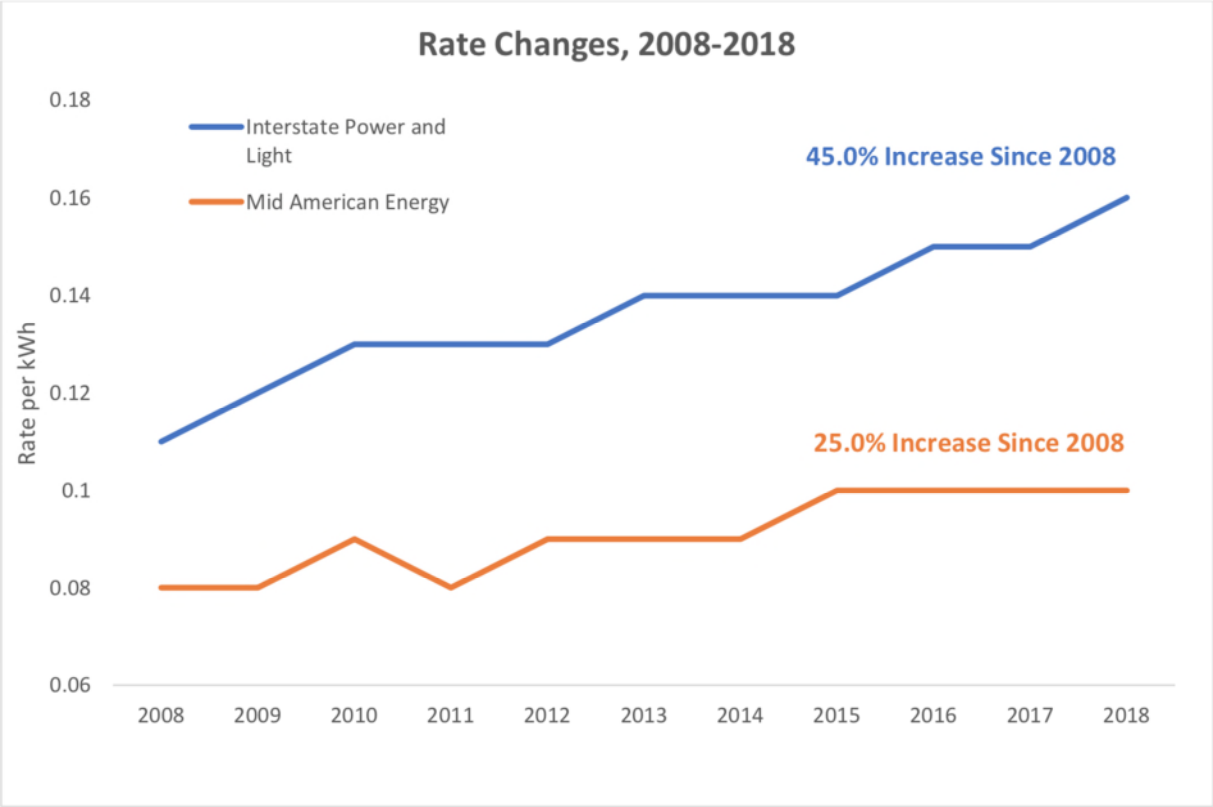
[2] A 15.16% increase in base electric rates for residential ratepayers, even if spread over five years from 2020-2025, will still result in a 3 percent combined year after year ("***CAGR***") increase in rates, which is three times higher than the 1% CAGR IPL told the citizens of Decorah to expect during the Decorah municipalization discussion prior to the referendum in May 2018.

has acknowledged that "approximately 50 percent of [IPL's] customers have a median income of less than $50,000" and that "approximately 25 percent of [IPL's] customers have a median income under $25,000." (Creston Hearing Transcript, page 37, lines 24-25 and page 38, lines 1-5.)

DAG witness Steve Holland has demonstrated that the energy burden for IPL customers earning less than $25,000 is already 43.2% higher than similar customers served by the Iowa's other investor-owned electric utility, MidAmerican Energy Company ("***MidAmerican***"); IPL customers earning less than $50,000 have an energy burden that is already 45% higher than similar customers served by MidAmerican. (See DAG Holland Direct, p. 8) The proposed Settlement will only increase this burden. Mr. Holland also testified that the serious economic cost burden of rapidly rising rates is not limited to LMI or disadvantaged households, but also has a cumulative negative impact on business, industry siting and location, and entire local economies.

In addition, the increase in base electric rates through the Settlement will widen the gap between ratepayers who receive service from IPL and MidAmerican. Based on data furnished by IPL in this docket, IPL's residential rates are currently 44.7% higher than MidAmerican's, its commercial rates are 38.5% higher, and its industrial rates are 47.6% higher. (See DAG Martin-Schramm, Direct, pp. 4-5) The Settlement will only widen this gap.

Iowa's non-partisan Legislative Services Agency ("***LSA***") compared the average rates of MidAmerican and IPL from 2008-2018. The following chart summarizes the study's key findings:




We have argued in our testimony that this wide and growing variation in rates is unjust and unreasonable. It needs to be remedied, not exacerbated, by the Board.

Finally, DAG is dismayed that the Settlement does not include any promise by IPL that it will forgo any further electric rate increases for a period of time after 2020. This is a cause for deep concern, given information supplied by IPL in response to data request responses by IPL to DAG and other parties in this case, such as that contained in DAG Martin-Schramm Surrebuttal CONFIDENTIAL Exhibit 15.

b. Article VII - Return on Equity ("***ROE***") and Capital Structure. The 9.5% ROE in the Settlement is too generous given the extensive evidence that the Office of the Consumer Advocate ("***OCA***") and DAG presented in this docket demonstrating that IPL suffers from management inefficiency. The Board should assign a lower ROE for rate

base not subject to advanced ratemaking principles because there are good reasons to do so. These reasons include:

- IPL failing to narrow the gap between MidAmerican and IPL rates, which has been growing for over a decade;
- IPL's decision-making regarding AMI investment; inadequate benefit-cost analysis for Grid Modernization; inadequate tax planning for production tax credits; and a lack of EGEAS analysis to support early retirement for M.L. Kapp.
- IPL's threat to impose non-Board-approved, non-standard meter fees on IPL customers who wanted to retain the use of their analog meters;
- A lack of transparency and honesty with the City of Decorah regarding the original and updated feasibility study IPL commissioned from Concentric Energy Advisors.

c. Article VIII - Rate Base. As summarized in the direct testimony of DAG witness David Berg, the recent increases to IPL retail rates has been driven primarily by increases in the IPL rate base. From 2009 to 2020, IPL's rate base has increased 189% (from $2.12 billion in 2009 to $6.13 billion in 2020). IPL's retail electric rates are among the highest in Iowa and they are increasing at a faster pace than its competitors. Once facilities have been added to a utility's rate base, it is difficult if not impossible to facilitate any kind of rate relief for long periods of time. IPL internal documents acquired through discovery suggest that the utility will continue to add significant facilities to its rate base, which if left unchecked, will contribute to ever increasing rates for IPL retail customers. DAG strongly recommends that the Board itself open a docket to investigate IPL's long-term plans regarding rate base additions and integrated resource planning ("***IRP***") results impacting generation plans. Incremental approval of IPL rate cases will result in increased rates for IPL customers without the ability to view IPL's long-term plans and the overall impact of those plans on long-term rates for customers. This accelerating rate

base growth is a train that has left the station and -- without active leadership from the Board at this stage -- will be increasingly difficult to slow or change direction in the future. As discussed in the next paragraph, the non-transparent resource planning process proposed by the Settlement is simply inadequate.

d. Article IX - Resource Planning. IPL has agreed in the Settlement to commence a resource planning process regarding its generation fleet during 2020. This provision is surprising and reveals the inefficiency in IPL's management of its operations. Surely a well-managed electric utility would already have a well-maintained and rigorous resource plan.

Moreover, given the dissatisfaction other intervenors have expressed in this docket about IPL "collaboration" on its proposed renewable energy programs as well as grid modernization efforts, DAG is concerned about the sincerity of IPL's promises in the Settlement to "collaborate" about resource planning and coal-retirement scenarios. Finally, we object to the restrictions in the Settlement that: 1) limit resource planning to only IPL-constructed generation, impliedly excluding power purchase options; and 2) limit participation in the resource planning process only to the Parties who have joined in the Settlement. The resource planning process should be open and transparent to all stakeholders. Accordingly DAG respectfully asks the Board to require IPL to collaborate with all interested stakeholders[3] if it approves this element of the Settlement. In addition, we request the Board require that these resource planning efforts also include economic transition planning for the communities that would be affected by the retirement of power plants and that those efforts include consideration and evaluation of both ratepayer and shareholder revenue stream options to support such economic transition.

[3] Including stakeholders of MidAmerican, who owns an interest in much of the generation used by IPL.

e. Article X - Communication and Grid Projects. Given the dissatisfaction other intervenors have expressed in this docket about IPL consultation on their proposed renewable energy programs as well as grid modernization efforts, we are concerned about the sincerity of IPL's promises in the Settlement to collaborate with stakeholder groups about AMI enhancements and distribution investments. Regardless, we object to the stipulation in Settlement that only the Parties who have joined on the agreement can join in consultation about these matters. DAG respectfully asks the Board to require IPL to collaborate with all interested stakeholders if it approves this element of the Settlement.

f. Article XI - Production Tax Credit Carryforwards. DAG agrees that the Board should limit any inclusion of IPL's PTC carryforwards in the revenue requirement to cost of debt, but would prefer the Board deny any rate of return to IPL due to its lack of transparency and poor tax planning.

g. Article XII - Renewable Energy Rider. It is good that the scope of the new Renewable Energy Rider has been limited to New Wind I and II. However, additional expenses and/or financial benefits related to New Wind I and II passed on through the RER are not quantified in the Settlement, which means ratepayers could experience even more cost increases in relation to this settled rate increase. DAG asks the Board to require IPL to quantify the rate impact of the items relating to New Wind I and II that will flow through the RER.

h. Article XIII - Excess Deferred Income Taxes. While the refunding of protected and unprotected Excess Deferred Income Taxes ("***EDIT***") will reduce the financial impact of the rate increase that will follow this Settlement, if approved, the fact is that

these tax refunds were owed to ratepayers regardless and should not be used to disguise the scale of IPL's rate increase.

i. Article XVI - Rate Design. DAG understands that the Settlement does not include cost of service/rate design issues identified in the testimony of several parties in this case, including DAG. DAG continues to oppose the increased Customer Charge and other tariff changes for reasons provide in the testimony of DAG witnesses.

In addition, in the Settlement, IPL has agreed to convene at least three stakeholder meetings over the next eighteen months to discuss initial results and possible changes to the three renewable energy programs IPL has proposed. DAG objects to the stipulation that only the Parties who have joined on the agreement can participate in these meetings. DAG respectfully asks the Board to require IPL to collaborate with all interested stakeholders if it approves this element of the Settlement.

j. Article XIX - Interim Rates in Subsequent Rate Review Proceeding. DAG reiterates its view that the return on equity for all assets that do not have advance ratemaking principles should be less than 9.5% to signal the Board's dissatisfaction with IPL's management efficiency. The ultimate ROE ordered by the Board in this case is the ROE that should be the maximum for interim rates in the next rate case filed by IPL.

k. Article XX - Environmental Attributes. While DAG urges the Board to reconsider allowing IPL to establish a new partial requirements rate class for Large General Service customers (LGS-Supplementary), we believe those in the LGS-S rate class also should be able to elect environmental attributes associated from electricity generated by New Wind I and II. This seems only fair since this new provision is being offered to those in the Large General Service ("***LGS***") and the High Load Factor/Large

Volume ("***KLF/LV***") ratepayer classes. That said, DAG believes eligible customers should be required to pay the market cost for the renewable energy certificates ("***REC***") they acquire in relation to their consumption. DAG respectfully encourages the Board to require IPL to charge these customers the market rate for the RECs and then deposit the revenues in IPL's Hometown Care Energy Fund to help low income customers pay their bills.

10. In considering whether or to what extent the Settlement filed in this case should be approved, DAG urges the Board review the entire record in this case and to be mindful of the thousands of IPL customers currently living paycheck to paycheck or whose businesses operate on thin margins, who have pled with the Board for relief from the regular onslaught of rate increases they've experienced by virtue of having the "luck" to reside in IPL's service territory. DAG asks the Board to consider the impact that its decision on each and every issue in this case will have on each and every one of those customers. DAG asks the Board to modify the Settlement in the respects outlined in its Partial Objection to the Settlement.

Dated this 4th day of October, 2019.

Respectfully submitted,

By */s/ Sheila K. Tipton*

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