

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EEP-2012-0001
---	--------------------------

**FINAL ORDER**

(Issued December 2, 2013)

**TABLE OF CONTENTS**

I. PROCEDURAL HISTORY .....	2
II. SUMMARY OF FILINGS.....	5
III. CONTESTED ISSUES.....	7
A. Issue 1—Cost-Effectiveness of Plan.....	7
B. Issue 2—Plan Requirements .....	8
C. Issue 3—Appropriate Achievable Economic Potential .....	9
D. Issue 4—Annual Savings Targets.....	14
E. Issue 5—Energy Efficiency Programs and Budgets .....	16
F. Issue 15—Opt-Out.....	17
G. Issue 23—CHP Program .....	25
H. Issue 24—Renewable Energy Portfolio .....	30
IV. ISSUES PARTIALLY RESOLVED BY SETTLEMENT AGREEMENT .....	36
A. Issue 14—Demand Response Programs .....	36
B. Issue 16—Bill Identification of Cost Recovery Factors .....	43
C. Issue 17—Tracking Nonresidential Expenditures .....	46
V. ISSUES RESOLVED BY SETTLEMENT AGREEMENT .....	48
A. Issue 6—Sustained Coordination .....	48
B. Issue 7—Measurement and Verification .....	49
C. Issue 8—Technical Assistance Standards.....	50

D. Issue 9—Qualified Energy Professionals.....	52
E. Issue 10—Formal Collaboration .....	56
F. Issue 11—Residential Portfolio Programs .....	58
G. Issue 12—Nonresidential Portfolio Programs .....	59
H. Issue 13—Outreach, Education, and Training .....	60
I. Issue 18—Large General Service Energy Efficiency Cost Recovery Factors.....	60
J. Issue 19—Market Transformation.....	61
K. Issue 20—Technical Reference Manual .....	62
L. Issue 21—Net-to-Gross .....	64
M. Issue 22—Avoided Costs .....	65
N. Issue 25—Data Centers .....	67
O. Issue 26—Behavioral Programs .....	68
VI. ADMINISTRATIVE ISSUES.....	68
VII. FINDINGS OF FACT.....	70
VIII. CONCLUSION OF LAW .....	73
IX. ORDERING CLAUSES .....	73

## I. PROCEDURAL HISTORY

On June 24, 2009, the Utilities Board (Board) issued an order directing Interstate Power and Light Company (IPL) to file a new energy efficiency plan on or before December 1, 2012. IPL filed its proposed plan on November 30, 2012, for the years 2014 through 2018. IPL said that its proposed plan contained 25 energy efficiency programs with an annual budget that would increase from about \$76.9 million in 2014 to about \$81.9 million in 2018.

The Board docketed the filing, identified as Docket No. EEP-2012-0001, and set a procedural schedule by order issued on December 26, 2012. The order also required that IPL file additional information, which IPL provided on January 25, 2013.

On January 9, 2013, IPL and the Environmental Council, Environmental Law and Policy Center, and Iowa Policy Project (jointly, Environmental Intervenors) filed a joint request for extension of the procedural schedule. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) had no objection to the request for extension. On January 15, 2013, the Board granted the extension and modified the procedural schedule.

In addition to Consumer Advocate, there are five intervenors or intervenor groups in this proceeding: the Environmental Intervenors, Deere & Company (Deere), Sustainable Living Coalition, Winneshiek Energy District (WED), and the Iowa Customers for Energy Efficiency (ICEE), an ad-hoc group of IPL industrial customers. Members of ICEE are Ag Processing Inc, Equistar Chemical Company, Golden Grain Energy LLC, Kinze Manufacturing, Inc., Nestle Purina Pet Care Company, and US Gypsum Corporation.

On April 25, 2013, the Environmental Intervenors filed a motion to compel discovery requesting that the Board order the ICEE to provide complete responses to the Environmental Intervenors' first set of data requests. Additionally, the Environmental Intervenors requested an extension of time to respond to ICEE's testimony after receiving the discovery responses. The Board, on April 26, 2013,

issued an order setting an expedited schedule for the ICEE to file a response and for the Environment Intervenors to file a reply. On April 29, 2013, ICEE filed a resistance to the motion to compel, a request for a protective order, and a request to present oral argument. The motion to compel was assigned to the Board's administrative law judge (ALJ) for resolution. An in-person prehearing conference was held on May 9, 2013, at which the parties presented oral arguments on behalf of their respective positions. On May 22, 2013, the ALJ ruled on the motion to compel. ICEE appealed the judge's ruling and asked the Board to reverse the ALJ's order compelling responses to certain data responses from the Environmental Intervenors. The Board affirmed the ALJ's ruling in an order issued June 7, 2013.

On June 18, 2013, IPL, Consumer Advocate, the Environmental Intervenors, ICEE, and Winneshiek Energy District submitted a Joint Statement of Issues. On July 25, 2013, IPL, Consumer Advocate, the Environmental Intervenors, Deere, and ICEE submitted a Non-Unanimous Partial Settlement Agreement (Settlement Agreement), based on the Joint Statement of Issues, which presented proposed resolutions to many of the issues. Not all issues were settled and some issues were settled by two or more of the signatories but not all the signatories to the Settlement Agreement. WED and the Sustainable Living Coalition were not signatories to the proposed partial settlement.

A hearing was held beginning on July 29, 2013, for cross-examination of pre-filed testimony and questions regarding the Settlement Agreement. On July 31,

2013, the Board issued an order allowing the parties to file settlement comments with their post-hearing briefs on or before August 21, 2013. The order also gave the parties an opportunity to file reply comments regarding the Settlement Agreement on or before August 28, 2013.

The Settlement Agreement refers to the various issues as those issues were numbered in the Joint Statement of Issues filed by the parties. For convenience, the Board will refer to the issues by the numbers used by the parties.

## **II. SUMMARY OF FILINGS**

IPL's proposed energy efficiency plan for 2014 through 2018 contains 25 energy efficiency programs and is projected to produce total first-year savings of 815 gigaWatt-hours (GWH) over the five years, which represents, on average, 1.1 percent of annual sales as forecasted in the plan. The proposed plan also projects 436 megawatts (MW) of annual peak demand reduction by the end of 2018, of which 314 MW are from Demand Response programs. The natural gas programs target nearly 12 million therms of total first-year savings over the five years, which represents, on average, 0.88 percent of annual sales. IPL's proposed annual budget would increase from about \$76.9 million in 2014 to about \$81.9 million in 2018, amounting to a total of \$399.3 million of energy efficiency expenditures over the five-year plan period.

The Settlement Agreement filed by some of the parties lists 26 issues in a manner similar to the joint statement of issues filed by all parties. As noted earlier,

the Board will use the issue number designation used in the Settlement Agreement when discussing the 26 issues. Some issues were resolved by all signatories to the Settlement Agreement (or some of the signatories did not take a position on a particular issue or issues), while other issues were resolved by two or three of the signatories.

For convenience, the issues have been broken down into contested issues (although two signatories might agree on some of these issues), partially-settled issues (two or more signatories agree), and issues that have been largely settled (two or more signatories agreeing and others not opposing). Contested issues include savings targets, budgets, ICEE's opt-out proposal, and renewable energy. Partially-settled issues include demand response and ICEE's proposal to track nonresidential energy efficiency expenditures. Largely-settled issues include stakeholder collaborative, avoided costs, and program implementation.

Perhaps the most significant portion of the Settlement Agreement provides for an enhanced stakeholder collaboration process, which should facilitate and improve monitoring and evaluation of the plan and any program or budget changes that become necessary. A five-year energy efficiency plan is not static and the Settlement Agreement has provided a collaborative framework that should improve ongoing plan implementation.

Rule 199 IAC 7.18 provides that the Board will not approve a settlement unless it is "reasonable in light of the whole record, consistent with law, and in the

public interest." This is the standard that the Board uses when evaluating any proposed Settlement Agreement.

### **III. CONTESTED ISSUES**

#### **A. Issue 1—Cost-Effectiveness of Plan**

Issue 1 is whether IPL's energy efficiency plan as a whole is cost-effective under the societal test, utility cost test, ratepayer impact test, and participant test, pursuant to Iowa Code § 476.6(14). IPL, in its initial brief at pages 14-15, maintained that this issue is not in contention on the merits, but rather parties dispute whether other possible formulations of a cost-effective energy efficiency plan may provide greater benefits for customers. For example, the Environmental Intervenors argued that IPL could provide its customers with significantly higher energy efficiency savings targets while maintaining the cost-effectiveness of the plan. Other parties also proposed modifications to IPL's plan.

It is not disputed that IPL's energy efficiency plan as a whole satisfies the societal benefit-cost test, which is the test that must be satisfied pursuant to the Board's rules to determine cost-effectiveness of utility implementation of programs and plans. 199 IAC 35.8(1)"e"(1). While information regarding the utility, ratepayer impact, and participant tests must also be provided pursuant to the cited rule and Iowa Code § 476.6(14), it is the societal test that is used to measure the cost-effectiveness of an energy efficiency plan or program. Proposed modifications to IPL's plan, goals, and spending will be discussed in some subsequent issues.

For purposes of Issue 1, it is sufficient for the Board to determine that the 2014 through 2018 energy efficiency plan filed by IPL is cost-effective pursuant to the societal cost test, while providing the required analysis from the utility, participant, and ratepayer impact tests. Variations to IPL's plan might also satisfy this standard, but here the Board must only determine that IPL's proposed plan as a whole passes the societal cost-effectiveness test.

**B. Issue 2—Plan Requirements**

Issue 2 is whether the EEP (energy efficiency plan) meets the plan requirements set forth in 199 IAC 35.8, 35.9, and 35.10. As noted by IPL in its brief, Issue 2 does not appear to be in contention on the merits.

While IPL's initial plan filing substantially complied with the 199 IAC 35 plan filing requirements such that the Board docketed the filing and established a procedural schedule, the Board's docketing order also required extensive additional information, which resulted in the procedural schedule being amended and the dates for filing testimony and hearing delayed. The Board will require IPL (and the other investor-owned utilities) to participate in a discussion of plan filing requirements prior to the filing of the next energy efficiency plans. This meeting will be held approximately 18 months prior to the first energy efficiency plan filing date for the next plan period (which is projected to be November 1, 2017) and the goal of the meeting will be to clarify the energy efficiency plan filing requirements such that more complete information will be contained in the utility's initial filing, without the necessity



for an extensive subsequent remedial filing that would delay consideration of the plan. This meeting date will be set by subsequent order after all current plan reviews are completed.

The Board will also set the date for filing of IPL's next plan. IPL will be required to file its next energy efficiency plan on or before February 1, 2018.

IPL and the Environmental Intervenors each raised an issue under plan filing requirements. IPL claimed that the Environmental Intervenors failed to provide any program changes to achieve their suggested savings and goals and thereby failed to provide the benefit and cost information required by 199 IAC 35.6(3). The Environmental Intervenors claimed that IPL witness Haeri's testimony should be given little weight because he works for the Cadmus Group, which also completed the Statewide Assessment of Potential. Both arguments are without merit and do not warrant further discussion.

**C. Issue 3—Appropriate Achievable Economic Potential**

Issue 3 is whether IPL recognizes the appropriate amount of achievable economic potential pursuant to the Statewide Assessment, including whether the Statewide Assessment is accurate and complete and whether IPL should recognize a higher level of potential; if IPL recognized a higher level of potential, the impact this would have on its customers and on its resource planning would have to be considered. The fundamental issue here appears to be the Environmental Intervenors' contention that the Board should construct goals or savings targets for

IPL from the Statewide Assessment and that IPL should have provided a roadmap on how the Board would use the Statewide Assessment to set savings targets. IPL and Consumer Advocate reached resolution on this issue in the Settlement Agreement.

The Environmental Intervenors argued that Iowa Code § 476.6(16)"b" requires that the utilities assess the potential for energy efficiency, but that the Board is ultimately responsible for setting savings targets for the utilities to meet. The Environmental Intervenors also noted that the Board has the authority to "approve, reject, or modify energy efficiency plans and budgets." Iowa Code § 476.6(16)"e." The Environmental Intervenors said that the Board should set targets consistent with the results of the Statewide Assessment and capture as much as possible of the achievable cost-effective market potential (maximum achievable potential) that is identified in the Statewide Assessment.

IPL argued that the term "maximum achievable market potential" appears nowhere in 199 IAC chapter 35, although it does appear in the Statewide Assessment. (IPL Revised Energy Efficiency Plan, Volume 1, Book 1, Table 2.6.) IPL said that the Environmental Intervenors assume that the estimated potential from the Statewide Assessment is "achievable," in effect trying to create a new standard for development of an energy efficiency plan that has no basis in statute, rule, or Board precedent; IPL stated it did not believe this standard could realistically be met, noting that the Environmental Intervenors acknowledged that IPL has historically

performed well with regard to energy efficiency and was continuing to do so. (Tr. 795-96).

Consumer Advocate said the Board sets the goals and utilities are required to offer cost-effective energy efficiency programs tailored to meet the needs of all customer classes. Iowa Code § 476.6(14). Consumer Advocate said the goals are set based on the Statewide Assessment of potential, with the Board determining whether the proposed programs and budgets are appropriate to meet the utility's efficiency goals. Iowa Code §§ 476.6(16)"b" and "e." Regarding the Statewide Assessment, Consumer Advocate commented that while simplifying assumptions are not uncommon or inappropriate in a high level assessment of potential process, their use underscores the importance of a periodic review during IPL's five-year energy efficiency plan implementation period to consider changes in circumstances that impact the programs and achievable savings. Consumer Advocate argued that the enhanced collaborative outlined in the Settlement Agreement at Appendix 3 will address the need for more routine review and appropriate adjustments or modifications to IPL's plan.

IPL correctly pointed out that any achievable energy efficiency potential will have no impact on IPL's resource planning because its load forecasts used in resource planning already take into consideration the impact of the savings achieved by IPL's energy efficiency programs. This is not an appropriate proceeding to launch a collateral attack on IPL's load forecasts used in its application to build a gas-fired

generating facility in Marshalltown, Iowa. The proposed Marshalltown facility is the subject of a separate contested case proceeding, Docket No. GCU-2012-0001. There is no statute or rule which requires an investor-owned utility to maximize its energy efficiency potential before putting a power plant or other supply-side resource into service. The value to customers of energy efficiency is not based on a direct comparison to IPL supply-side resources, but is addressed in the development and use of avoided costs in benefit-cost tests, as specified in 199 IAC 35.

The Environmental Intervenors have not offered specific changes to IPL's energy efficiency plan or goals, other than what can be referred to as a "no holds barred" approach to energy efficiency, with no real consideration of the immediate costs to ratepayers of such an approach. The Board cannot accept such an approach. The Statewide Assessment is only intended to be a guide for setting overall program savings goals and the Assessment itself states that its results do not necessarily represent utility targets or program potential.

Pursuant to the Board's rules in 199 IAC 35, utilities file their energy efficiency plans and the Statewide Assessment as a package. The Board has the authority to modify the plan or goals, but there are not two contested case proceedings, one to decide the goals and the other to review the plan. Such a process would impede the implementation of energy efficiency programs because there would likely always be litigation concerning the goals or plans. While the Board can use the Statewide Assessment and the information contained therein as a check on the reasonableness

of the utility's goals (or as a basis for modifying the utility's goals), others factors also play a role in setting goals, such as the impact on ratepayers.

Also, contrary to the assertions of the Environmental Intervenors, the Statewide Assessment is useful not just for developing goals but in many other areas. There is extensive measure-specific data and technology information provided in the Statewide Assessment, which is used to screen technology, develop programs, and conduct preliminary benefit-cost calculations. Without this information, utilities would be forced to rely solely on data from past program results.

The Statewide Assessment is one tool available to the Board in determining what goals should be approved for a utility. It is not the only tool and the Board rejects the contention that only the Statewide Assessment can be used for determining an energy efficiency plan's goals. The market potential numbers cited in the Statewide Assessment are based on assumptions about implementation methods with potential costs and effects for Iowa ratepayers that have not been adequately documented to use as an exclusive guide. For example, the Statewide Assessment also assumes the availability of financing to overcome first cost as a barrier to participation and the use of emerging technologies as additional qualifying measures. The costs of increased incentive payments and financing costs would be burdensome to ratepayers and there is no financing mechanism available to overcome first cost in all instances. Deere and the ICEE were particularly concerned about increased costs of energy efficiency and the costs of doing business in Iowa.

The resolution of Issue 3 between Consumer Advocate and IPL is reasonable. The goals are not set in stone for the entire five-year plan period, but can be revisited if warranted by ongoing research and monitoring provided for in the Settlement Agreement. Monitoring on-going processes and addressing any changed circumstances should result in better plan revisions and implementation than a narrow focus on initial goals, which are only a guide.

**D. Issue 4—Annual Savings Targets**

Issue 4 is whether IPL's proposed annual savings targets are appropriate. This issue is related to the goals of IPL's energy efficiency plan and the Environmental Intervenors propose a 1.5 percent of MWhs sales savings target; IPL asked the Board to approve a savings target of 1.1 percent. The issue has been resolved between IPL and Consumer Advocate.

As pointed out by IPL, the Environmental Intervenors' alternative savings target is not supported by credible record evidence. If the Environmental Intervenors' recommendations were followed, spending on IPL's energy efficiency plan could increase by \$1 billion, a substantial increase in cost for which no notice was given to customers. IPL witness Penticoff said:

[T]he current average we've proposed in our 2014 to 2018 plan, 1.1 percent is actually at a higher level than the 1.05, which was the average of our current plan. So in consideration of the qualitative factors that you noted earlier in terms of codes and standards, low natural gas prices, as well as market saturation that we previously had discussed, with those challenges considered, the

1.1 percent is, as we believe, an achievable [sic] but still a stretch ... . (Tr. 125).

A dramatic change in participant funding of the incentives contained in IPL's proposed energy efficiency plan would cause serious concerns, in particular for low-income customers and employers with a significant energy cost component in their products. (Tr. 335-36, 535). The need for a dramatic increase in program scope and budget has not been demonstrated – it is unwarranted and potentially harmful. Because most energy efficiency costs occur on the front-end while benefits accrue over several years, a dramatic increase in energy efficiency costs could create a backlash among customers and put energy efficiency programs at risk. Too much has been accomplished in Iowa to risk customer rejection of energy efficiency plans that have produced consistent and cost-effective savings.

IPL's goals are reasonable and with the resolution of Issue 3 there is a platform for possible additional savings as the collaborative and monitoring process is implemented. As noted earlier, energy efficiency plans are not static and the Board expects that there will be some changes to programs during the five-year plan period as real-world experience takes the place of projections and assumptions. IPL's goals are set forth in numeric measurements, such as kWh and therms, which for most programs can be accurately measured.

IPL's proposed annual electric savings target of 1.1 percent of retail sales as forecasted in the plan and its projected energy efficiency expenditures of 2.7 percent of annual revenue would place IPL among the top 25 utilities that have achieved

savings at this level since 2004. (Tr. 299). From 1999 through 2012, IPL's energy efficiency programs have resulted in first-year savings of about 1.6 million MWh, with IPL exceeding its electric savings goals for 11 of those years. (Tr. 51-52). The goals and projected spending levels for this plan should allow IPL to build on this long-term success, while the Settlement Agreement creates a collaborative process that would allow goals or spending to increase if conditions warrant.

If IPL is able to exceed expectations, the Board has consistently granted waivers so that budgets can be increased to meet increased program participation. Programs can also be modified and adjusted. Goals or budgets are not ceilings and IPL's energy efficiency plans have a history of success. The Settlement Agreement of Issue 4 will be approved.

**E. Issue 5—Energy Efficiency Programs and Budgets**

Issue 5 is whether IPL's proposed energy efficiency programs and budgets are appropriate to achieve those energy savings and whether supplemental performance-based criteria appropriate to help maximize achievement of cost-effective energy efficiency opportunities are needed.

IPL's programs and budgets reasonably balance the goal of obtaining energy efficiency savings with the impacts of energy efficiency cost recovery on customers. Rate impacts are important for all customers, but particularly for commercial, industrial, and low-income customers. Significant energy efficiency cost recovery increases that are not readily offset by immediate avoided cost savings would likely



result in decreased public support for energy efficiency, the exact opposite of the desired result. The Board will approve the resolution of Issue 5, including the performance based criteria outlined in the Settlement Agreement.

The Board is aware of program changes indicated by the Settlement Agreement, but the Settlement Agreement does not show specifically how these changes alter goals. IPL will be required to document any program specific changes in annual savings impacts due to the Settlement Agreement. This compliance filing should be filed with the Board by January 31, 2014, and must include an update of any budget or savings changes applicable to any of the tables numbered as Table 2.19 through 2.35 (part of the Application Chapters 1-3\_Revised) filed on January 25, 2013, in this docket. In subsequent years, IPL must file an update of program features (much like Attachment A filed on December 19, 2012, as part of Docket No. WRU-2012-0013-0150 (EEP-08-1)). The update is to describe program changes that do not require a plan modification and those updates will be due on January 31 of each year.

**F. Issue 15—Opt-Out**

Issue 15 is whether opt-out provisions that would allow customers meeting certain criteria to not participate in or fund utility-sponsored energy efficiency programs should be made available and whether the Board should institute a rule making proceeding to develop the parameters of an opt-out program. IPL said that whether to allow an opt-out was within the Board's discretion. ICEE supported opt-

out while Consumer Advocate and the Environmental Intervenors opposed such a provision. Deere said a rule making to develop an opt-out would be premature.

ICEE supported an opt-out and asked that the Board commence a rule making proceeding pursuant to 199 IAC 3.4(1) to seek input from all interested parties in the design of the parameters of an opt-out program for Iowa's industrial customers. ICEE maintained that energy reductions will be greater if industrial customers are given the option to proceed independently and that the funds those customers are currently charged under IPL's energy efficiency cost recovery factor could be used to implement large energy reduction projects internally, resulting in greater energy savings that would benefit the state. ICEE argued that it was reasonable to expect that more projects would be conducted and that all Iowans benefit when industry reduces its energy usage whether the efficiency is achieved through a utility energy efficiency program or improvements the customer makes independently.

ICEE said that industrial customers that are unable to participate in IPL's energy efficiency programs incur costs through the energy efficiency cost recovery factor charge, which results in rates being increased. ICEE witness Brubaker explained the inequity in the industrial customer's situation stating, "[t]he primary beneficiary of any energy efficiency service is the customer who receives it directly, and as a result experiences a reduction in the quantity of electricity through the meter." (Tr. 1089). ICEE witness Brubaker also testified that "[c]ustomers who do not participate in the program, including those who have invested their own funds to

improve efficiency will be worse-off because they will pay higher rates and not receive the benefits of lower energy consumption." (Tr. 1090).

ICEE said that the Statewide Assessment shows the economic potential (as a percent of sales) for the industrial class is less than 10 percent, which according to witness Brubaker is overstated because it uses the societal test as the basis for evaluating economic potential. (Tr. 319-20, 528, 1142). ICEE stated that the U.S. Energy Information Administration (EIA) published findings in March 2013 indicating that manufacturing energy usage decreased 17 percent from 2002 to 2010 while gross output declined by only 3 percent. (Tr. 1084). ICEE maintained that the findings of the Statewide Assessment and the evidence from EIA lead to the conclusion that Iowa should focus its attention on providing strong energy efficiency programs for the customers in the residential and commercial sectors. (Tr. 1088).

ICEE said that an opt-out program is consistent with Iowa's legal framework because broad authority is delegated to the regulatory agency pursuant to Iowa Code §§ 476.1, 476.2 and 476.15, which gives the Board authority to regulate the rates and services of public utilities. ICCE argued that the Iowa Legislature has given the Board the broad authority to promote the use of energy efficiency strategies (Iowa Code § 476.1), which includes exercising its expertise and deciding if an energy efficiency program that allows industrial customers to opt out of the utility designed energy efficiency plans and implement their own energy efficiency projects is a strategy that promotes energy efficiency.

ICEE acknowledged that Iowa Code § 476.6(16)"a" requires that energy efficiency plans include a range of programs for all customer classes. By recognizing the special needs of the industrial class and creating an opt-out program, ICEE argued that the Board would be fulfilling that legislative mandate and that an opt-out program would be an option offered to customers meeting criteria determined by the Board; this would not affect a rate-regulated utility's duty to include programs for all customer classes since the utility would continue to offer programs to all classes.

IPL said that the decision to allow an opt-out provision and the means by which the provision would be developed is solely within the discretion of the Board. IPL noted that its 2014-2018 energy efficiency plan is based upon the participation of, and benefits to, the entirety of its customer base. If the Board chooses to allow large customers to opt out of IPL's 2014-2018 EEP before the plan's conclusion, IPL said it would need to re-evaluate and reconfigure the plan and that there are a variety of considerations regarding an opt-out provision that the Board should examine more fully in a different type of proceeding. IPL argued that such a change in Iowa's energy efficiency policy would require broader stakeholder input than represented in this energy efficiency plan proceeding.

Consumer Advocate noted that ICEE's proposal was that the Board find that an opt-out provision from utility-sponsored energy efficiency programs should be available for certain large customers and that a rule making should be instituted to determine opt-out parameters. (Tr. 1092). Consumer Advocate pointed out that

ICEE does not propose criteria for the opt-out program but prefers not using energy efficiency criteria. (Tr. 1117-18). Consumer Advocate witness Bodine opposed ICEE's opt-out proposal as being inconsistent with Iowa's long-standing policy of promoting comprehensive energy efficiency policies and recommended against the Board adopting an undefined opt-out proposal prior to any details being provided. (Tr. 970-71, 976).

Consumer Advocate cited Iowa Code §§ 476.41, 473.3, and 266.39C as setting forth energy efficiency as a priority resource in order to reduce Iowa's reliance on energy production from non-renewable energy resources. Consumer Advocate said that Iowa law directs the Board to oversee the investor-owned utilities' development and implementation of cost-effective energy efficiency programs that meet the needs of all customer classes. Iowa Code § 476.6(14). Consumer Advocate pointed out that Iowa utilities are not permitted to procure new generation resources subject to advanced ratemaking principle determination without showing the utility has in effect a Board-approved energy efficiency plan. Iowa Code § 476.53(c)"1." Consumer Advocate said that in rejecting an opt-out proposal in IPL's last energy efficiency plan proceeding, the Board said that "Iowa has a strong public policy supporting and developing energy efficiency and the Board will not undermine that public policy by exempting certain customers from the energy efficiency paradigms." Interstate Power and Light Company, Docket No. EEP-08-1, "Final Order," p. 33 (6/24/2009).

Consumer Advocate argued that while ICEE contends the primary beneficiary of any energy efficiency service is the customer who receives it directly and as a result experiences a reduction in the quantity of electricity through the meter; in fact all customers, whether they participate directly or not, benefit from energy efficiency programs. (Tr. 474, 961-62, 1089). Consumer Advocate noted that nonresidential customers contribute a significant portion of IPL's overall energy efficiency savings and in 2012 contributed 133,459,759 kWh of IPL's total electric savings of 192,233,926 kWh. (IPL 2012 Annual Report, Appendix A, (Tr. 487).) Consumer Advocate said that an opt-out program targeted to nonresidential customers could significantly reduce customer participation and impacts and threatens the viability of these programs. (Tr. 963).

Consumer Advocate said that ICEE has not analyzed the number or percentage of IPL's individual industrial customers that are already efficient. (Tr. 1119). Consumer Advocate argued that the failure of ICEE coalition members to prove the central thesis of their argument – that they are already energy efficient and have limited opportunities to participate in IPL's energy efficiency programs (Tr. 1118) – is indicative of the difficulties that could be expected in administering an opt-out program that utilizes energy efficiency criteria. Consumer Advocate said there is inadequate justification for incorporating an opt-out program in IPL's plan or opening a rule making to explore ICEE's proposal.

Consumer Advocate also argued that ICEE places undue reliance on IPL's Statewide Assessment by asserting that it demonstrates industrial customers have achieved most of their available energy efficiency potential. (Tr. 1087). As explained by other witnesses, Consumer Advocate said, there are flaws in ICEE's assertion, including that the industrial sector continues to offer an important source of cost-effective economic energy efficiency potential and that industrials account for 26 percent of Iowa's total technical potential and 28 percent of Iowa's economic potential. (Tr. 304-05, 964).

The Environmental Intervenors said that an opt-out provision is beyond the scope of the Board's authority regarding energy efficiency, contradicts the legislative policy favoring energy efficiency and legislative requirements that energy efficiency plans include programs to meet the needs of industrial customers, and would leave significant amounts of industrial energy efficiency unrealized. ICEE cited Iowa Code § 476.1(7), which provides that "[t]he jurisdiction of the board under this chapter shall include efforts designed to promote the use of energy efficiency strategies by rate or service-regulated gas and electric utilities." The Environmental Intervenors argued that an opt-out program is not an energy efficiency program or service provided by a utility, but rather constitutes a way to avoid the energy efficiency services of a utility.

The Environmental Intervenors also cited Iowa Code § 476.6(16)"a," which provides that an energy efficiency plan "shall include a range of programs, tailored to the needs of all customer classes, including residential, commercial, and industrial

customers, for all energy efficiency opportunities." The Environmental Intervenors argued that creating a mechanism for industrial customers to opt out of utility energy efficiency programs contradicts the legislative requirement of Chapter 476 to develop a plan to meet the needs of all customer classes.

The Environmental Intervenors said that there are significant energy efficiency savings still available in IPL's service territory and there is no evidence that an opt-out program would help attain those savings. The Environmental Intervenors argued that the customers advocating for an opt-out provision have failed to assess and implement energy efficiency opportunities at their facilities and the Board should reject ICEE's proposal to create a rule making for an opt-out program.

Deere said a rule making to implement opt-out provisions would be premature because sufficient evidence was not provided in this proceeding to allow the Board to develop the policy necessary to initiate a proposed rule making on opt-out provisions. Deere said that the details of an opt-out alternative have not been presented and proponents have requested a separate proceeding. (Tr. 1117-18). Depending on the design, Deere noted that an opt-out alternative could have significant impacts on both the interruptible program and customers who continue to participate in IPL's energy efficiency program.

The opt-out issue has been raised previously in various forums, including IPL's last energy efficiency plan docket. The Board did not approve opt-out then and will not approve it now. No specifics were provided by the ICEE as to the parameters of



any opt-out plan or what its impacts might be on IPL's proposed energy efficiency plan and other IPL customers. Because there is a lack of consensus among stakeholders as to whether any opt-out should be considered or is even permitted by statute, and where there has been no showing of any likelihood that an opt-out would be a net benefit, a rule making proceeding would not be a productive use of resources.

In addition to the significant legal questions revolving around whether the Board has the statutory authority to implement an opt-out process, the Board is not persuaded that allowing an opt-out is good public policy, particularly in view of the existing legislative pronouncements supporting energy efficiency efforts. All utility customers, even those who do not directly participate in energy efficiency programs, benefit from the avoided cost savings that are the primary goal of energy efficiency programs. There are also intangible benefits such as improved air quality because less generation is used than otherwise would be. Iowa has a strong public policy of supporting and developing energy efficiency and the Board will not undermine Iowa's policy by allowing certain customers to opt-out of the energy efficiency paradigm.

**G. Issue 23—CHP Program**

Issue 23 is whether IPL's Combined Heat and Power (CHP) program should 1) be better defined in IPL's plan to include more specific program information, guidelines, savings targets, and incentives; and 2) be expanded.

IPL said its current plan supports CHP through its Custom Rebate program and its existing cost-based tariffs. IPL's Custom Rebate program provides qualifying customers<sup>1</sup> an incentive of 150 percent of the first-year energy dollar savings associated with the primary fuel serving the thermal load.<sup>2</sup> IPL has had success with its current CHP incentives and notes 70 percent of CHP installations in Iowa are located within IPL's service territory. (Tr. 470).

The Environmental Intervenors suggested that IPL consider four different policies to further IPL's CHP participation. The four policies included having an energy efficiency portfolio standard, accounting for system efficiency, having an energy savings calculation formula, and defining system eligibility and incentive level caps. IPL said witness Vognsen points out those considerations are not appropriate for the scope within which IPL operates. (Tr. 470-71).

At the hearing the Board took administrative notice of "The Iowa NGA<sup>3</sup> Policy Academy Action Plan on Enhancing Industry through Combined Heat and Power in Iowa" (NGA Report), which notes that a "key factor" in a business's decision to incorporate CHP is economic feasibility. IPL pointed out that the report goes on to

---

<sup>1</sup> Qualifying customers are those who: 1) Participate in IPL's EEP associated with the primary fuel source related to thermal load; 2) Install the customer-owned CHP project on the customer's site and size the project so that it meets the customer's thermal load characteristics with electricity, no more than the customer can use on site, because it is an ancillary benefit; and 3) Complete a pre-approved feasibility study or site assessment.

<sup>2</sup> IPL will reimburse 50 percent of the required study cost up to \$7,500 and will reimburse an additional 50 percent of the study cost up to \$7,500 if the customer implements the project and the project is found to be cost-effective in the study. If the project is not cost-effective, the customer will not be eligible for a custom rebate, but may still be eligible for incentives through IPL's other EEP programs.

<sup>3</sup>National Governors Association.

say, "In Iowa, the price of electricity and natural gas are relatively low making the economics of CHP more difficult."

IPL said it is proposing to continue its current CHP Custom Rebate incentive. IPL noted that this is a significant incentive, which is demonstrated by the Environmental Intervenors' Exhibit 209. With this incentive structure, IPL said it has successfully managed its CHP program. Although IPL pledged to continue to evaluate the CHP incentives, IPL does not suggest instituting any changes unless and until those changes are demonstrably viable in Iowa.

The Environmental Intervenors maintained that CHP technologies meet the definition of an energy efficiency measure in that they are "activities on the customers' side of the meter which reduce the customers' energy use or demand"<sup>4</sup> for energy and they are consistent with Iowa Code § 476.6(16)"a," which requires that a range of programs tailored to the needs of all customer classes be included in the utility's energy efficiency program. Furthermore, the Environmental Intervenors said that including CHP in utility energy efficiency plans advances the efforts of the Report.

The Environmental Intervenors said that CHP technologies provide both electricity and thermal energy more efficiently than conventional methods. (Tr. 1043).

---

<sup>4</sup> 199 IAC 35.2.

The Environmental Intervenors argued that topping<sup>5</sup> cycle CHP could be analogized to a new construction program where the goal is to maximize efficiency in a new project, while bottoming<sup>6</sup> cycle CHP or waste heat to power (WHP) could be analogized to retrofits where the goal is to make the existing system as efficient as possible. In either application, the Environmental Intervenors said that customers with CHP use less overall energy to meet electric and thermal energy needs.

The Environmental Intervenors noted that IPL has included CHP as a measure in its Custom Rebate program, but did not include CHP savings when savings targets were calculated. The Environmental Intervenors said they support IPL's inclusion of CHP in the energy efficiency plans and think it is important that qualifying CHP measures are clearly identified and effectively marketed to IPL customers.

The Environmental Intervenors said that the Energy Resource Center working with ICF International has analyzed the technical potential for CHP in IPL's service territory and estimated there are approximately 800 MW of technical potential and, that even if a fraction of this potential is captured, it represents a significant increase from IPL's current efficiency potential. Because the Statewide Assessment did not

---

<sup>5</sup> "[F]uel is combusted in a prime mover such as a gas turbine, micro turbine, reciprocating engine, or fuel cell for the purpose of generating both electricity and thermal energy. The thermal energy, which comes from using heat that 'would otherwise be lost in the prime mover's hot exhaust or cooling systems is recovered to provide process or space heating, cooling, and/or dehumidification.'" (Tr. 1044).

<sup>6</sup> "[T]he CHP system takes advantage of the heat that is generated as part of the industrial process and is normally vented to the atmosphere." "In the WHP process a portion of the heat rejected from the industrial process is recovered and typically used to produce high grade steam through a heat recovery steam generator and then the steam utilized in a steam turbine to generate the electricity." (Tr. 1044).

include CHP as a measure, the Environmental Intervenors said that IPL did not include its potential when deriving its savings targets.

The Board is reluctant to expand IPL's current CHP program because the technical potential cited by the Environmental Intervenors does not equate to economic or market potential. The NGA Report indicates that because of Iowa's relatively low electric and natural gas rates, the economics of CHP, particularly the topping cycle CHP projects, are difficult. The Board is also concerned that the topping cycle CHP projects, when they produce energy, may not result in an overall energy usage reduction, but only a replacement of utility generation with customer generation.

CHP that utilizes waste heat, however, does reduce overall energy usage and should remain in IPL's energy efficiency plan. It has been difficult to measure the savings from waste heat recovery or bottoming cycle CHP, which is why savings from CHP have not been made part of IPL's savings targets. Nevertheless, IPL has been successful with the CHP project and it should be continued. The Board will not require IPL to establish specific CHP-related targets or incentives, as requested by the Environmental Intervenors.

The Board agrees with the Environmental Intervenors' recommendations that IPL should provide more detailed information related to its CHP-related rebates both on IPL's Website for energy efficiency programs and in such things as newsletters and brochures. Perhaps most importantly, IPL is to ensure that its key account

managers effectively market the Nonresidential Custom Rebate program to include the specifics of which CHP projects would be eligible for rebates.

#### **H. Issue 24—Renewable Energy Portfolio**

Issue 24 is whether IPL should be allowed to discontinue its Renewable Energy Portfolio. IPL asked to discontinue the renewable energy portfolio because it has not been cost-effective; the Environmental Intervenors, Consumer Advocate, and WED ask that the program be maintained or modified.

IPL argued that its renewable energy program was approved in the last plan proceeding as a pilot program and that after actively promoting the program and its stated goals, IPL has determined that sufficient energy efficiency savings were not demonstrated to warrant continuation of the pilot.

The Environmental Intervenors want the program to be continued or modified, but not dropped. The Environmental Intervenors argued that the Board approved the renewable program as part of IPL's current plan to guide highly-motivated customers toward optimal investments in energy efficiency and renewable technology<sup>7</sup> and "to maximize energy efficiency first and then provide renewable incentives for the site-specific needs of customers."<sup>8</sup> The Environmental Intervenors said that the Board determined there was no significant difference between renewable technologies and energy efficiency on the customer's side of the meter.<sup>9</sup>

---

<sup>7</sup> Docket No. EEP-08-1, "Order Approving, in Part and with Conditions, Renewable Energy Program" at p. 9 (April 29, 2010).

<sup>8</sup> *Ibid.*, p. 12.

<sup>9</sup> *Ibid.*, p. 3.

The Environmental Intervenors also said that the Board found that renewable programs would be consistent with prior Board decisions which allowed demand-side management as part of energy efficiency.<sup>10</sup> The Environmental Intervenors noted that the Board required IPL's renewable energy program to link the incentives for renewables to customers' efforts to reduce energy use through energy efficiency<sup>11</sup> and found that the renewable energy program would probably not be cost-effective but some costs might decline if a market develops.<sup>12</sup>

While the Environmental Intervenors argued that the renewable program may not need to be cost-effective, they also noted that program results through June 2013 are now available and they show an increasing number of projects and cost savings. The Environmental Intervenors said a modified program could focus only on cost-effective or close-to-cost-effective solar projects.

WED said that the Iowa energy efficiency programs do not belong to utilities, but rather the utilities are entrusted to use ratepayer funds to the benefit of customers and society. WED asked the Board to instruct both IPL and MidAmerican to provide funding to Consumer Advocate in order that it might contract an independent study regarding the value of customer-owned solar PV, to order IPL to continue its renewable program and to ask IPL to develop customer incentives based on a percentage of the actually installed cost of certain measures.

---

<sup>10</sup> Ibid., p. 3.

<sup>11</sup> Ibid., p. 3.

<sup>12</sup> Ibid., p. 8-9 citing the Final Order, pp. 14-15.

Consumer Advocate supported continuation of the renewable program and noted that in Docket No. EEP-08-1 IPL stated that a small number of "green-minded" residential and business owners would be willing to take risks (installing renewable technology) regardless of payback periods, but the program sought to expand renewable technology beyond these early adopters.<sup>13</sup> By offering incentives, Consumer Advocate said that IPL maintained that the utility would thereby shorten payback periods, encouraging more customers to install the technologies.<sup>14</sup> (Docket No. EEP-08-1, Tr. 592).

Consumer Advocate noted that in 2008, IPL's witness testified that renewable energy was consistent with language in the Iowa statutes concerning allowable program components and further explained:

1) IPL is always seeking to add cost effective measures or delivery mechanisms that encourage customers to reduce their peak demands – which delay the need to add production and delivery capacity to the IPL system – and to promote efficient energy use – which avoids the combustion of non-renewable resources.

2) Over time, renewable technologies have become more cost effective which stimulates customer interest in, and adoption of, these technologies.

3) Increased interest in climate change has led to an increased interest in renewable energy as an important component of the supply portfolio, not only as the energy source in a centralized power station such as a wind farm but also as a resource behind the customer meter.

---

<sup>13</sup> Interstate Power & Light Company – 2009-2013 Energy Efficiency Plan, Section 8.1, pp. 147-48 (April, 2008), of which the Board took administrative notice.

<sup>14</sup> Ibid. pp. 147-48



(Docket No. EEP-08-1, Consumer Advocate Hearing  
Exhibit 104, pp. 3-4)

Consumer Advocate said that the Board accepted IPL's arguments, stating in its June 24, 2009, final order in Docket No. EEP-08-1 that:

The Board finds no precise definition of energy efficiency in Iowa Code chapter 476. The Board can discern no difference between the use of renewable technologies and classic energy efficiency measures when those activities take place on the customers' side of the meter. As do classic energy efficiency measures, the use of renewable technologies reduces a customers' demand and energy use from the utility. (Exhibit KGK-1, Schedule A, pp. 12-13). Interstate Power and Light Company, Docket No. EEP-08-1, "Final Order" (6/24/2009), p. 11.

Consumer Advocate argued that these conclusions are consistent with Iowa public policy, which seeks to promote energy efficiency and renewable energy as priority resources in order to reduce Iowa's reliance on energy production from non-renewable energy resources. Iowa Code §§ 476.41, 473.3, 266.39C. Consumer Advocate said that the matter of whether renewable energy satisfies applicable criteria for inclusion in energy efficiency plan portfolios was litigated and determined in IPL's current plan and there have been no changes in the underlying nature of applicable renewable energy measures that would change these conclusions.

In approving IPL's renewable program as a pilot program in Docket No. EEP-08-1, the Board expressed concerns and noted that incentives for such programs must be designed to avoid transforming a renewable energy efficiency program operated under the umbrella of energy efficiency into a program that primarily

promotes customer on-site generation. Also, as noted by IPL, renewable programs today receive a variety of incentives from other sources, such as tax credits or rebates, and a renewable energy program is no longer needed as part of an energy efficiency program. Because the program has not been cost-effective, IPL wants to discontinue the program as part of its energy efficiency plan but it pledged to continue its programming to help customers evaluate customer-owned on-site generation.

IPL's evidence clearly shows that the renewable program is not cost-effective, even with recently declining renewable energy costs. IPL's 2012 annual report (Table D-27A) shows that the societal benefit cost ratio of the program is 0.26, which is substantially less than the 1.0 ratio needed to pass this test. No credible evidence was presented that the renewable energy program could quickly or easily become cost-effective, even though it has been in operation for several years. The program was begun as a pilot and the Board is unwilling to continue offering incentives as part of a pilot program that is not cost-effective for another five-year plan period, particularly when there are other incentives available for the installation of renewable energy. Also, the Board continues to have concerns about programs that reduce a customer's usage of utility-purchased generation, but not the customer's overall usage, particularly when this is not done in a cost-effective manner. While the renewable program reduces reliance on out-of-state fossil fuel such as coal, which is a legislative objective, a customer's behind-the-meter installation of renewable energy does not, by itself, reduce the customer's overall energy consumption.

The Board is concerned that the IPL renewable energy program has created an imbalance between promotion of renewable energy and energy efficiency by providing funding for renewable technologies at a per kWh level that would not be appropriate for energy efficiency programs. Therefore, the Board will suspend the part of the renewable energy program that pays incentives to customers for renewable installations, but will direct IPL to continue offering the information and technical assistance for renewable projects that it currently offers by providing this as part of its outreach, education, and training program. Also, for those projects that are currently in IPL's program pipeline, the incentives are to be paid pursuant to the renewable program guidelines.

The Board is also concerned that IPL has not completed a thorough evaluation of the renewable energy pilot. IPL's reports for 2011 and 2012 did not adequately address, for example, whether the projects facilitated market development, how the projects compare to other renewable promotions, how the incentives offered by IPL compare to tax or other incentives for renewable energy, and what can be learned about renewable energy system installation costs. IPL will be required to file a complete evaluation of the renewable program for the years 2010 through 2013, with the report due on or before March 16, 2015. If complete information is not available at that time, IPL shall provide supplemental reports every six months from that date.

The debate over IPL's renewable program is part of a larger discussion regarding distributed generation in general. There are potential long-term

consequences associated with customer-owned behind-the-meter renewable generation and other distributed generation. As noted by IPL, its tariffs and rates were not designed to accommodate a significant number of distributed generation installations, and such a shift would likely require substantive changes to those tariffs and rates to, among other things, protect non-participating customers from undue cost shifting. (Tr. 586). The Board intends to commence a notice of inquiry in late 2013 or early 2014 to address the broad policy and technical issues associated with potential widespread use of distributed generation.

#### **IV. ISSUES PARTIALLY RESOLVED BY SETTLEMENT AGREEMENT**

The following issues have been settled by two or more signatories to the Settlement Agreement, but have been disputed by at least one signatory to the agreement. WED and the Sustainable Living Coalition were not signatories to the Settlement Agreement.

##### **A. Issue 14—Demand Response Programs**

Issue 14 is whether IPL has proposed appropriate Demand Response Portfolio programs. Issue 14 has been partially resolved between IPL and Consumer Advocate regarding cross-promotion of other programs through the direct load control program, with IPL sharing its comprehensive marketing plan with interested stakeholders at the October/November stakeholder meeting that is also referenced with respect to Issue 10. The Environmental Intervenors, ICEE, and Deere have not

taken a position on this aspect of the settlement. The cross-promotion of other programs through the direct load control program is reasonable and will be approved.

The issue regarding the appropriate levels of credits for customers taking interruptible service remains in dispute. IPL supported the current method for calculating the interruptible credits and notes that Consumer Advocate recommends IPL re-initiate a joint process to establish through a new tariff Rider INTSERV credits utilizing "regional electric market" data "if at all possible." (Tr. 959). IPL chose not to base the calculation of interruptible credit on short-term capacity auctions administered by the Midcontinent Independent System Operator, Inc. (MISO), because the interruptible program is intended to focus on long-term resource reliability and load relief. IPL said witness Vognsen noted that a shift to a credit based on the short-term capacity auction could cause customers to re-think the value of participating in the program (Tr. 468) and may have a negative impact on customers who made an investment based on the current interruptible credit level. (Tr. 489-90, 563-64).

IPL said that basing the interruptible credit on the short-term capacity auction could introduce customer uncertainty, which would make capacity planning more difficult. IPL argued that if the interruptible credit level changes drastically or frequently, the level of customer participation may follow those changes; that is, it will be high when the credit is high and low when the credit is low.

At hearing IPL noted that Consumer Advocate suggested that IPL could bring its nonresidential interruptible credit more in line with those of MidAmerican. However, IPL said that might not be possible because IPL's current interruptible credit is based on its approved avoided generation, transmission, and distribution costs (Tr. 467-69), which are different from MidAmerican's. (Tr. 484, 1011). Additionally, IPL noted that the parties have agreed with respect to Issue 22 to discuss the issue of avoided costs in a separate investigative proceeding rather than this docket.

IPL pointed out that the nonresidential interruptible program also "supports the reliability of the distribution and generation systems ... ." (Tr. 469). Given the value provided by the interruptible program, the investment required from participating customers, and the dubious merits of the credit recalculation, IPL cautioned against instituting any substantial change to the nonresidential interruptible credit program.

Consumer Advocate said it recognized the benefits of the long-standing interruptible program, but takes issue with IPL's refusal to review whether the current interruptible credit level is appropriate given the lower prevailing market prices for short-term capacity and the significant market changes that have taken place since IPL's interruptible credit was last reviewed in 2006. (Tr. 958). Consumer Advocate noted that IPL admitted that market changes implemented by MISO provide greater flexibility to meet reserve margin, more fully utilize its generation resources in periods

of high demand, and diminish IPL's need to rely on interruptible capacity in these periods. (Tr. 499-500).

Consumer Advocate contrasted the testimony of its witness and IPL's witness. Consumer Advocate said that IPL witness Vognsen is opposed to using short-term capacity prices to establish interruptible credit levels because no other programs are evaluated that way. (Tr. 467). Consumer Advocate witness Bodine recommended short-term capacity rates be considered as one factor in setting the interruptible credit level because interruptible contracts are not long-term in nature and should reflect some element of the short-term commitment. (Tr. 504, 958).

While IPL is concerned that if a substantial change in the interruptible credit is introduced a number of participants would find that the program is no longer economical, Consumer Advocate argued that a number of circumstances relevant to interruptible capacity value have changed and warrant IPL's review of whether the interruptible credit level is appropriate. Consumer Advocate noted that IPL has not undertaken an analysis of credit levels necessary to support IPL's desired level of interruptible capacity. (Tr. 468, 568). Consumer Advocate maintained that IPL's concerns about customer participation impacts are speculative and unsupported and that MidAmerican's load management program considers regional electricity and capacity prices periodically, offers a lower interruptible credit level, and continues to be successful. (Tr. 977-78, 987).

Consumer Advocate pointed out that IPL pays approximately \$23 million annually for interruptible capacity, which has only been used during IPL's summer peak period during its current five-year energy efficiency plan. (Tr. 491, 502). Consumer Advocate said that IPL claims that the interruptible credit levels were set based on the cost of resources IPL would otherwise need to procure in lieu of maintaining interruptible capacity (Tr. 490-91), but it is unclear whether IPL will need such capacity following the addition of the Marshalltown Generating Station. (Tr. 495-96).

Consumer Advocate said that it is understandable that interruptible customers are satisfied with the current credit level and do not want lower interruptible credits, but that is not a legitimate reason for not reviewing the appropriateness of the credit level. Consumer Advocate argued that interruptible credits were moved from base rates to the energy efficiency cost recovery factor for the express purpose of facilitating review of the program and associated costs and that it is time to review IPL's credits to take into account the most recent information. (Tr. 494).

ICEE supported IPL's current interruptible credit levels and noted that IPL's residential and nonresidential demand response programs have a societal and ratepayer impact B/C ratio well in excess of 2.0 (Exhibit MEB-R1) and both programs provide substantial benefit to all customers by reducing the level of rates. ICEE said it was unclear why Consumer Advocate witness Bodine singled out the avoided capacity cost used to judge the credits for the nonresidential interruptible program for



further scrutiny when the same capacity credits are used to evaluate all energy efficiency and demand response programs.

ICEE said that industrial customers rely on the stability of the interruptible program and the program could be damaged if changes to the credit levels are made. (Tr. 523, 525-26). ICEE pointed out that Consumer Advocate witness Bodine acknowledged that his proposal could damage the nonresidential interruptible program and its participants. ICEE said that Consumer Advocate's proposal should be rejected. (Tr. 977-78).

Deere also argued that IPL's interruptible credit levels are appropriate and should not be reduced and that the testimony presented at hearing strongly supports the interruptible program's value for all customers and in fact suggested the interruptible credit may be undervalued. Deere noted that the interruptible program derives value not only as a generation capacity offset, but also provides reliability benefits in the form of transmission and local distribution system response. (Tr. 552-53).

Deere said that Consumer Advocate witness Bodine understands that the MISO capacity market is not long-term and properly acknowledged at hearing that many other pieces of information would be required before changes to the credit levels were adopted. (Tr. 976). Deere said that the MISO value cited (\$1.05/MW-day or \$0.38/kW-year) is not reflective of IPL's capacity cost to serve a customer with even one individual component of generation, transmission, or distribution and is

currently at least two, if not three, orders of magnitude below what Large General Service customers pay in demand charges on their bills. Deere pointed out that IPL witness Vognsen concluded that "combined with the generation value, the total value for kW in 2014 computes to \$248, almost four times the annual credit paid." (Tr. 468-69). Deere said that without the interruptible program, IPL might need to procure power at peak times, which are potentially at the highest cost of the year and this would negatively impact all customers via IPL's energy adjustment clause. (Tr. 983-84).

The initial issue regarding demand response was whether IPL has proposed appropriate Demand Response Portfolio programs. IPL and Consumer Advocate have agreed to the cross promotion of other energy efficiency programs through its Direct Load Control program and this portion of the issue is settled, but the issue was expanded and now includes the question of whether the credit levels paid in IPL's Nonresidential Interruptible program should be revised.

IPL's nonresidential interruptible credit level was set in 2006 and has not been changed since that time. Consumer Advocate argues the market has changed since 2006 and IPL should review its interruptible credit levels to incorporate the short-term capacity market in some way. IPL, ICEE, and Deere believe the interruptible credits are appropriate, should not be changed, and should continue to be based on avoided cost.

The Nonresidential Interruptible program benefits all customers and provides IPL the flexibility to shed load rather than purchase power during peak hours. Customers participating in the nonresidential interruptible program have made a conscious decision to participate and many have made long-term investments to take advantage of the program. Therefore, any changes to the interruptible credit levels should not be made lightly or without appropriate analysis.

There is not sufficient evidence in this docket to reduce the credit levels because some of the evidence indicates credit levels might be too low. The current interruptible credit level will be maintained. That being said, credit levels have not been reviewed since 2006 and the Board encourages IPL to bring forth this issue in the collaborative. Because of the significant long-term investments made by many participants in the program, any proposed changes to the interruptible credit level should be fully vetted by interested stakeholders and implemented in a way that allows participants to continue to receive value from those investments. If a review shows that credit levels should be changed, it would be most appropriate to propose those in IPL's next plan filing so that participants will have sufficient lead time to adapt to the changes.

**B. Issue 16—Bill Identification of Cost Recovery Factors**

Issue 16 is whether the energy efficiency cost recovery factors should be explicitly identified on customers' bills. IPL and ICEE have proposed a resolution to this issue, agreeing that no sooner than the implementation of IPL's new customer

information system, IPL will display on customers' bills the energy efficiency cost recovery factors in the form of a monthly charge and corresponding factor. Deere and Consumer Advocate do not take a position on this issue. The Environmental Intervenors object to the proposed resolution.

IPL said that it has experienced incidents where customers have not been able to appropriately tie the rates in IPL's tariffs to the amount of their bills and that this problem has often been attributable to the energy efficiency cost recovery factors. (Tr. 549). IPL said displaying the charges and factors on the bill will increase transparency for customers.

ICEE noted that Iowa Code § 476.6(16)"g" provides that "[t]he utility shall not represent energy efficiency in customer billings as a separate cost or expense unless the board otherwise approves." ICEE said customers do not know what the energy efficiency charge is unless they calculate it themselves. Unlike revenue expense items related to the cost of generating electricity (which are not listed separately on the bill), ICEE said that energy efficiency charges are different because they are charges that are directed and marketed to customers, not a component of energy charges.

The Environmental Intervenors said that customers' electric bills cover numerous costs which are not listed separately. Also, the Environmental Intervenors point out that suddenly including energy efficiency charges as a separate line item

could present a confusing and distorted message as it would appear to customers that this is a new charge, which it is not.

The proposed resolution of this issue is not reasonable, in the public interest, or supported by the evidence, and the Board will reject it. Providing energy efficiency cost recovery factors and charges as separate line items on customers' bills is misleading because while the charges would be transparent, the benefits attributable to energy efficiency programs would not be apparent. As the Board has said:

The Board will not require separate line item listing of energy efficiency charges. Separating out one item of the total cost of providing energy service is misleading and could undermine, rather than encourage, participation in energy efficiency programs. Because many energy efficiency programs produce long-term benefits (20 years or more), quantifying those benefits to correspond with EECR [energy efficiency cost recovery] charges would be difficult, if not impossible, particularly on an individual customer basis. MidAmerican Energy Company, "Final Order," Docket No. EEP-08-1 (6/24/2009), p. 34.

In 1985 selected itemization was tried unsuccessfully. MidAmerican, in 1996, filed an alternative electric pricing plan in Docket No. APP-96-1 which included a proposal for a Public Programs Charge (similar in concept to the energy efficiency cost recovery factors) to be shown as a separate line of the customers' bill. The Board, cognizant of the unsuccessful history of itemizing some charges on customers' bills, approved the "Public Programs Charge as proposed by MidAmerican, subject to approval of a public education campaign and decisions on the title or label of the charge and the extent to which the charge will be itemized."

MidAmerican Energy Company, "Order Conditionally Approving Line Item(s) Billing,"  
Docket Nos. APP-96-1, RPU-96-8 (8/5/1997), p. 11.

The MidAmerican order provided specific information and design criteria for an education program for the Public Programs Charge. MidAmerican submitted its proposed plan in September 1997, but the Board in May 1998 rejected the education program because the proposed public education campaign did not adequately describe the programs or inform the customers of the costs, benefits, and results of the programs included in the Public Programs Charge. The proposed resolution in this docket did not include any type of public education campaign at all.

While the Board rejects the line item charge here, the Board notes that interested customers are able to calculate the charges from IPL's publicly-filed tariff sheets, which are available on IPL's Website. IPL should train its customer service personnel so that interested customers who inquire can be told how to calculate their individual energy efficiency cost recovery charges. Those inquiring customers should also receive information on the benefits of energy efficiency.

**C. Issue 17—Tracking Nonresidential Expenditures**

Issue 17 is whether IPL should be ordered to track nonresidential energy efficiency expenditures by rate class as well as by program. IPL and ICEE resolved this issue with IPL, agreeing to track nonresidential energy efficiency expenditures by rate class as well as by programs. IPL said in its initial brief at page 42 that this will allow for increased accuracy regarding the future allocation of costs across

nonresidential classes. IPL said that currently the calculation of the annual energy efficiency cost recovery factor is an allocation based on the non-energy efficiency cost recovery revenue and the incentive expenditures are allocated the same way, although IPL has agreed to directly assign incentive costs to those customer classes or rate schedules. The Environmental Intervenors and Deere did not take a position on Issue 17.

Consumer Advocate objected to the settlement of Issue 17, with its witness stating that he assumed ICEE would use the information to justify an opt-out procedure. Consumer Advocate also objected to the settlement because the costs to track the information are not specified and the potential or expected benefits of the tracking are unclear.

IPL said that after assessing a system solution, it believes it will entail minimal costs to track the information. ICEE noted that cost-based rates are important and tracking expenditures by rate class can more accurately assign costs to a particular customer class.

Based on IPL's assertions that the cost of tracking will be minimal with its new system, the Board does not see any harm to customers from tracking this information and additional information could benefit future energy efficiency plan development. The Board does not see this information as a precursor to an opt-out program. While some costs will still need to be allocated, the tracking agreed to in the settlement could provide for more accurate cost allocation in the future. The Board will approve

the tracking contained in the settlement and will include those minimal costs in IPL's energy efficiency plan.

## **V. ISSUES RESOLVED BY SETTLEMENT AGREEMENT**

The following issues appear to be settled by two or more signatories to the Settlement Agreement and not disputed by other signatories to the Settlement Agreement, though they may be disputed by non-signatories. While some of these issues were initially disputed, they were not addressed as disputed issues in brief. WED and the Sustainable Living Coalition were not signatories to the Settlement Agreement.

### **A. Issue 6—Sustained Coordination**

Issue 6 is whether IPL's proposed energy efficiency programs demonstrate a sufficient level of consistent and sustained coordination, such that there is integrated, systematic, and cost-effective implementation of energy efficiency measures within and across program sectors. IPL and Consumer Advocate settled this issue, with IPL agreeing to incorporate provisions for third-party contracting into its requests for proposals (RFP) process for Assessment contractors as outlined in Appendix 2 of the Settlement Agreement. IPL also agreed to work with Green Iowa AmeriCorps (GIAC) to develop a supplemental weatherization program and will try to use its Hometown Rewards program to engage other third parties or local resources.

The Environmental Intervenors objected to this provision but did not provide detail regarding their objection, other than to say this item impacts the



appropriateness of IPL's savings targets, budgets, and programs to meet those targets and budgets. WED objected to the resolution of this issue because program details are not yet available. ICEE and Deere took no position on this issue.

Some of the issues raised by WED in its direct and rebuttal testimony have been addressed by the resolution of Issue 6. While not all details are in place, it appears a reasonable process has been agreed to so that third-party contractors will have an opportunity to participate in IPL's programs and a supplemental weatherization program will be developed. The Board approves this settlement term, which demonstrates that IPL's proposed energy efficiency programs demonstrate a sufficient level of consistent and sustained coordination.

**B. Issue 7—Measurement and Verification**

Issue 7 is whether IPL has proposed an appropriate plan and budget for the evaluation, measurement, and verification of its energy efficiency plan. The issue was resolved in the Settlement Agreement by IPL, Consumer Advocate, and the Environmental Intervenors; Deere and ICEE did not take a position.

The settling parties agreed that the evaluation, measurement, and verification (EM&V) plan contained in Appendix 1 to the Settlement Agreement is the appropriate resolution of this issue. IPL noted in its brief that quality assurance and quality control for IPL's programs will be addressed in the EM&V plan and that as this plan is implemented, IPL will monitor whether budget adjustment is necessary in order to fully implement the plan components. (IPL Initial Brief, p. 26).

It appears that the EM&V process agreed to in the Settlement Agreement will include stakeholder input into the development of a request for proposals for engaging an independent EM&V contractor and that IPL will provide informational updates throughout the implementation of the evaluation plans and will consult stakeholders prior to taking remedial action, such as dismissing the EM&V contractor.

The Board will approve the settlement of Issue 7. The Board will require IPL to include an update on its EM&V activities in its annual reports and also require IPL to promptly file with the Board any EM&V reports.

**C. Issue 8—Technical Assistance Standards**

Issue 8 is whether technical assistance standards are adequate and effective to achieve high levels of "conversion," or practice, implementation, and to adequately attribute practice implementation and savings back to technical assistance provided versus stand-alone prescriptive or custom rebates. Issue 8 is resolved between IPL and Consumer Advocate; ICEE, the Environmental Intervenors, and Deere did not take a position on this issue.

IPL noted that WED appeared to dispute IPL's conversion rates and proffered that a local entity could do more to spur customers from assessment to implementation. (Tr. 409). IPL said that WED witness Johnson contended that current assessments "are a program driven product – the technical provider is incentivized to get in, produce a report and move on." (Tr. 393). IPL noted that its witness Donnolly described the assessment process and the new system IPL is

launching to track its assessments. (Tr. 252-53, 255-57). With the new tracking mechanism, IPL said that it believes its conversion rate will increase and that WED's concerns are unfounded. (IPL Initial Brief, pp. 27-28).

WED said its experience has shown that high-quality technical assistance can provide the foundation for very high rates of customer practice implementation and satisfaction. WED requested that the Board direct IPL to improve its proposed assessments by: 1) ensuring all technical providers are certified by BPI and/or RESNET; 2) requiring that all assessments include a blower door test and all comprehensive assessments use modeling software approved by BPI or DOE to provide reliable predictions of energy and financial savings; 3) including all energy sources and uses; 4) providing an energy action plan that identifies the customer's decision priorities, schedule, and timeline and specific follow-through steps; and 5) aligning program-based financial incentives for both provider and customer to maximize outcomes rather than the number of customers served. (WED Initial Brief, pp. 2-5).

WED claims that its model has yielded high customer implementation and satisfaction results, but WED provided no data related to the cost-effectiveness of its program. IPL's proposed Residential Assessment program offers both a basic and comprehensive audit and offers a bonus rebate for customers participating in the comprehensive audit who implement multiple efficiency measures. Additionally, IPL clarified that savings accounted for under the Residential Assessment program

include both direct install and prescriptive measures and not just the direct install measures. (IPL Reply Comments, pp. 5-6). IPL implemented a new tracking system that will help monitor the conversion rate of customers and which IPL believes will help increase its conversion rate.

The Board typically does not approve technical assistance standards, but rather allows the utility (with the assistance of stakeholders) to determine the appropriate standards the utility relies on for technical assistance. If the standards are not producing the desired savings results or customer satisfaction, then IPL will need to re-examine those standards. The evidence shows that IPL has taken steps to address WED's concerns related to this issue and WED has not provided sufficient data to persuade the Board that IPL's proposed residential or nonresidential assessment programs should be modified. The settlement of Issue 8 will be approved as the Board relies on IPL, with input from stakeholders, to set appropriate standards for technical assistance that will achieve the desired savings results.

**D. Issue 9—Qualified Energy Professionals**

Issue 9 is whether technical assistance (energy auditing, assessments, planning, and follow-through) to all customer classes ought to be open to additional qualified energy professionals not currently participating in IPL's energy efficiency plan. This issue is resolved between IPL and Consumer Advocate; the Environmental Intervenors, ICEE, and Deere have not taken a position on this issue.

WED objects to this settlement item based on program implementation details that IPL does not have available at this time. (Tr. 266).

IPL said that it has incorporated provisions for third-party subcontracting within its RFP process. IPL concurs with Consumer Advocate that the RFP, entitled "Interstate Power & Light Company Request for Proposals for Energy Assessment Delivery: Residential and Small Business in Iowa and Minnesota" and contained in Appendix 2 to the Settlement Agreement, alleviates the concerns expressed in testimony regarding these programs. During contract negotiations with the successful bidder, IPL said that it will reserve the right to allow third-party qualified subcontracting and will also retain the right to require the vendor to support third-party subcontracting as defined and directed by IPL. IPL noted that it will retain oversight, management, and direct access to the third-party contractor. (IPL Initial Brief, pp. 28-29).

WED addressed this issue at pages 5 through 9 of its initial brief. WED said that it was encouraged by IPL's willingness to incorporate third-party subcontracting into its RFP process and believes that this is the area with the greatest potential for streamlining and cost savings if implemented by a qualified third party such as the Iowa Energy Center or the Center for Energy and Environmental Education.

To promote efficiency, fairness, and cost-effectiveness in implementing third-party vendors for technical assistance, WED said that IPL should develop and release the RFP in consultation with Consumer Advocate; provide clear qualifications

for technical service providers; give priority to local professionals and organizations where provider territories overlap; allow customers to choose their technical service provider; have a transparent decision-making process for approving and denying third-party providers that is open to appeal with Consumer Advocate as arbitrator; and reimburse third-party technical providers at the same rate for services as the principal vendor. If properly implemented, WED said that this will be a significant step toward ending the current lockout of a large number of Iowa energy professionals from the investor-owned utilities' energy efficiency programs.

WED said that it is also encouraged by IPL's willingness to work with GIAC teams that share service territories to develop a "supplemental weatherization program" for customers on the community action program (CAP) agencies' waiting lists. However, WED noted its concerns about limiting GIAC's work, which will create significant administrative costs and burdens. WED argued that confidentiality agreements between GIAC, host organizations, and CAP agencies could be difficult to develop and implement and that confusion within the community and among potential customers could develop over different programs with similar names. WED said that data management will be duplicative as GIAC teams currently serve populations much broader than those on CAP agency waiting lists.

Another concern expressed by WED is that IPL has ignored the opportunity presented by a community-based stand-alone Direct Install program open to all customers. WED witness Johnson declared that past Residential Assessment

program savings come from direct install efforts of auditors and that limiting direct install participation to those requesting an assessment or those on CAP agency waiting lists precludes the vast majority of customers from receiving direct install services.

WED asked that the Board consider directing IPL to offer a new residential Direct Install program based upon the expanded direct install practices included in IPL's proposed Residential Assessment and open for local implementation through the third-party vendor process. WED said that if the Board does not consider this approach feasible, WED requests that the proposed settlement be revised to allow GIAC teams to provide full-scope direct install services to all residential customers served in those communities on a pilot-project basis. WED said that this pilot should include the following: the scope for direct install refined by a Consumer Advocate-led collaborative; clearly defined financial reimbursement for local GIAC hosts based on actual savings from installed measures and supplemented by outreach and education funding for community activities and projects; the program should be open to all customers in the community with priority given to customers on the CAP waiting list; and lessons learned from the GIAC pilot should form the basis of a future Residential Direct Install program, if the pilot project is successful.

This issue relates to whether any qualified professional should be eligible to provide services for IPL's Assessment program rather than the services being provided by just one contractor. WED also argues that direct install measures do not

need to be installed by an energy assessment professional, but could be installed by community organizations like GIAC. WED recommends IPL implement a stand-alone direct install program available to all customers – not just those who receive an energy assessment – but has not presented a fully developed proposal complete with cost-effectiveness data.

The Settlement Agreement resolves this issue between IPL and Consumer Advocate. IPL has incorporated provisions for third-party subcontracting within the RFP entitled "Interstate Power & Light Company Request for Proposals for Energy Assessment Delivery: Residential and Small Business in Iowa and Minnesota" contained in Appendix 2 to the Settlement Agreement. The RFP will allow IPL to support local, third-party contractors and should address some of WED's concerns that qualified energy planning professionals should be able to participate in IPL's Assessment programs. Also, as noted in this discussion on Issue 8, IPL clarified that savings accounted for under the Residential Assessment program include both direct install and prescriptive measures and not just the direct install measures. (IPL Reply Comments, pp. 5-6). The Settlement Agreement on this issue will be approved.

**E. Issue 10—Formal Collaboration**

Issue 10 is whether a more formal collaboration or enhanced reporting process for energy efficiency plan performance is warranted. This issue has been resolved among IPL, Consumer Advocate, and the Environmental Coalition. ICEE



and Deere did not take a position and WED did not appear to object to this provision in testimony or brief.

The signatories to this settlement issue agree to a format commemorated in Appendix 3 to the Settlement Agreement entitled "Collaboration Plan for IPL and 2014-2018 Energy Efficiency Plan Stakeholders." Consumer Advocate noted at page 6 of its initial brief that the enhanced collaboration process embodied in Appendix 3 will help address the need for routine review and is compatible with the ongoing review, adjustment, and modification that is provided for in energy efficiency plans.

The Settlement Agreement enhances the current Consumer Advocate-led collaborative process, which has worked well in providing stakeholder input into the investor-owned utilities' energy efficiency process. Appendix 3 outlines specific reporting and meeting timelines as well as priority topics, such as the EM&V plan and the technical reference manual. The Settlement Agreement appears to provide more structure to the collaborative process, but IPL retains the ultimate responsibility for implementing its energy efficiency plan with input from the stakeholder collaborative.

The Settlement Agreement also refers to plan and program modifications. The Board reminds the parties and other stakeholders that the Board's rules provide for a plan or budget modification if certain conditions occur, such as a change in the total annual plan budget by plus or minus 5 percent. 199 IAC 35.6(4). However, utilities have modified programs without Board approval during the plan period if program

changes are needed. Utilities are encouraged to continue this practice but also to seek and consider stakeholder input prior to making any program changes. Those program changes only require a formal plan modification or request for waiver filing with the Board if the thresholds in 199 IAC 35.6(4) are met.

The Board is pleased that the parties want to continue the stakeholder collaborative and take steps to assure its continued success. The resolution of Issue 10 will be approved.

**F. Issue 11—Residential Portfolio Programs**

Issue 11 is whether IPL has proposed appropriate Residential Portfolio Programs, including recognition of the potential for stand-alone direct install programming open for implementation by qualified community-level organizations including, but not limited to, GIAC teams and hosts. This issue is settled between IPL and Consumer Advocate. Deere and ICEE do not take a position. The Environmental Intervenors support the LED settlement delineated in 11.C and 11.I of the Settlement Agreement, but raises issues contrasting IPL's spending versus savings on the Change-a-Light program relative to MidAmerican's program. The Environmental Intervenors do not take a position on the remainder of the proposed Issue 11 Settlement Agreement.

IPL has a full range of residential programs. IPL in its initial brief at pages 29-33 outlined the steps it has agreed to take, including greater emphasis on LEDs and increasing the total number of bulbs in the Change-a-Light program, decreasing CFL

incentives, and LED incentives that will adjust over the plan period to keep the incentive between 50 and 100 percent of the incremental measure costs. There is also the potential for stand-alone direct install programming open for implementation by qualified community-level organizations including, but not limited to, GIAC teams and hosts.

The Board will approve the Settlement Agreement on Issue 11. IPL has enhanced its residential offerings and improved its Change-a-Light program. The Board recognizes that there are differences between IPL's lighting program and MidAmerican's, but there are service territory differences between the two utilities as well as differences in the number of electric customers and participating retailers, making it difficult to offer identical Change-a-Light programs.

**G. Issue 12—Nonresidential Portfolio Programs**

Issue 12 is whether IPL has proposed appropriate Nonresidential Portfolio programs. IPL and Consumer Advocate resolved this issue, while the Environmental Intervenors specifically support the Business Assessments portion of the settlement (12.B) but take no position on the remainder of this issue. ICEE and Deere do not take a position on this settled issue.

IPL's plan includes agricultural options, commercial new construction, and prescriptive and custom rebates. With respect to Business Assessments, IPL now has a system that will allow for tracking of assessment recommendations and matching those recommendations to its program offerings and will issue an RFP

consistent with Consumer Advocate's recommendations for third-party inclusion, as described in the Settlement Agreement for Issues 9 and 11.

The proposed settlement of Issue 12 will be approved. IPL's plan contains a broad range of nonresidential options and the Settlement Agreement appears to improve on the current plan portfolio.

**H. Issue 13—Outreach, Education, and Training**

Issue 13 is whether IPL has proposed appropriate Outreach, Education, and Training Portfolio programs, including the potential for local or community programs including, but not limited to, GIAC teams and hosts for local activities. IPL and Consumer Advocate settled this issue; Deere, ICEE, and the Environmental Intervenors take no position.

Pursuant to the Issue 13 agreement, IPL agreed to utilize GIAC not only as part of Issue 11D, but also as a resource to serve manufactured housing in the communities in which GIAC is located. IPL also will share a comprehensive marketing plan at the October/November stakeholder meeting described in Appendix 3 to the Settlement Agreement. The agreement on Issue 13 is reasonable and will be approved.

**I. Issue 18—Large General Service Energy Efficiency Cost Recovery Factors**

Issue 18 is whether IPL should revise its Large General Service EECR factors to a two-part EECR factor with a separate demand factor for recovery of costs associated with direct load control and interruptible program costs and an energy-

based factor for all other eligible energy efficiency costs. IPL, Consumer Advocate, and ICEE agreed to the settlement terms on this issue; the Environmental Intervenors and Deere did not take a position.

Pursuant to the Settlement Agreement, the signatories agreed to examine any appropriate revision to IPL's Large General Service rate design in the context of IPL's rate case. While ICEE and Deere commented favorably in their briefs about the possibility of splitting Large General Service energy efficiency cost recovery factors into kW (demand) and kWh (energy) components, the Settlement Agreement does not take a position on the merits of the issue, only stating that any proposed revision would be examined in IPL's rate case.

The Board agrees that examining rate design changes is most appropriate in a rate case proceeding and will approve the settlement on Issue 18. However, 199 IAC 35.12(3) appears to require a uniform energy efficiency cost recovery factor and any proponents of placing demand response energy efficiency costs in a kW charge instead of a kWh charge should be prepared to address this issue, as well as provide any evidence of billing impacts, particularly on lower load factor customers.

**J. Issue 19—Market Transformation**

Issue 19 is whether IPL is appropriately integrating a market transformation approach in its program and, if so, what are the implications of market transformation (e.g., when the market has been transformed via energy efficiency codes and standards or other intervention strategies). The issue has been settled between IPL

and Consumer Advocate. ICEE, the Environmental Intervenors, and Deere did not take a position on the issue and WED and the Sustainable Living Coalition did not file comments addressing this issue.

In Consumer Advocate witness Foster's direct testimony, an argument was made that IPL should move to a "market transformation" approach which moves away from prescriptive measures, high rebate levels, and contractor-delivered programs to comprehensive, customer-centered, multi-year approaches or strategies that may result in greater savings. IPL noted that the settlement terms for Issues 5 (performance-based incentives), 7 (EM&V), 10 (collaborative meetings), and 20 (Technical Reference Manual) address the concerns raised regarding market transformation. (IPL Initial Brief, p. 43). The Board will approve the market transformation portion of the Settlement Agreement.

**K. Issue 20—Technical Reference Manual**

Issue 20 involves considerations regarding a technical reference manual, including formulation, consistency among utilities, timing of implementation, and independent oversight process and administration. IPL, Consumer Advocate, and the Environmental Intervenors settled this issue; ICEE and Deere did not take a position.

IPL said that it agreed to work with MidAmerican, Black Hills Energy, and interested stakeholders in the development of a technical reference manual. (IPL

Initial Brief, p. 43). The development strategy for the manual is detailed in Section 4 of Appendix 1 to the Settlement Agreement.

Consumer Advocate noted that IPL's participation in a process to develop and maintain a statewide technical reference manual will also serve to bring improved precision and more rigorous and frequent review to the deemed savings employed in the Statewide Assessment. (Consumer Advocate Initial Brief, p. 6). Consumer Advocate witness Foster explained that the development of standard and defensible protocols for calculating savings through a technical reference manual can be expected to contribute to reported savings more closely mapping to verified savings and providing structure for program planning and goal setting. (Tr. 162-63).

The Board believes a collaborative process to develop and maintain a statewide technical reference manual is a worthwhile endeavor and will approve this portion of the Settlement Agreement. The Evaluation, Measurement, and Verification Framework document (Appendix 1 of the Settlement Agreement) contains a section related to the development of a technical reference manual. The Settlement Agreement provides that the investor-owned utilities and interested stakeholders will form a planning committee to develop an RFP for an independent, third-party contractor to be selected through a competitive bidding process. IPL expects to have the TRM completed in time for use in the Statewide Assessment for the 2019-2023 energy efficiency plans, targeting the beginning of the third quarter 2016 for completion. IPL has included the cost for the TRM in its plan budget.

**L. Issue 21—Net-to-Gross**

Issue 21 deals with the implications of, and consideration to be given to, implementing net-to-gross ratios other than 1.0 for specific programs. This issue has been resolved between IPL, Consumer Advocate, and the Environmental Intervenors. Deere and ICEE have not taken a position on this issue.

According to the Settlement Agreement, net-to-gross will be addressed in the context of the EM&V framework described in Issue 7 and the technical reference manual described in Issue 20. The Environmental Intervenors reserved the right to contest the implications of net-to-gross on the savings targets and budgets in IPL's 2014-2018 plan; savings targets and budgets were addressed earlier in this order.

The Evaluation, Measurement, and Verification Framework document (Appendix 1 of the Settlement Agreement) contains a section related to net-to-gross. The collaborative review of net-to-gross involving the other investor-owned utilities and interested stakeholders will be postponed until the investigation concerning the methods and policy implications of the Department of Energy's Uniform Methods Project is complete. The collaborative's report is expected to be complete by the third quarter of 2015 so the findings can be considered in the current plan and used to inform the next Statewide Assessment. Additionally, IPL plans to investigate market conditions with a focus on understanding the saturation of specific technologies through targeted studies which will inform IPL's future program design and help to set incentive levels that would minimize free ridership.



The settlement provisions on net-to-gross that include a collaborative process are reasonable and will be approved. The final report on net-to-gross is to be submitted to the Board on or before September 30, 2015.

**M. Issue 22—Avoided Costs**

Issue 22 is whether avoided cost timing and methodologies should be revised or addressed in this proceeding. IPL, Consumer Advocate, and the Environmental Intervenors have settled this issue. Deere and ICEE took no position. The three signatories agreed to request an investigative proceeding before the Board to address the issue of avoided cost in more detail. Pursuant to the agreement, the three signatories are to submit the request, either singularly or jointly, by January 15, 2014.

By way of background, this issue first arose in Docket No. TF-2012-0546, a revision to IPL's Cogeneration and Small Power Production tariff. The proposed tariff revised IPL's standard rates for purchases of energy and capacity from qualifying facilities (QF) with a capacity of 100 kW or less (Small QFs) under the Public Utility Regulatory Policies Act of 1978 (PURPA) and 199 IAC 15.5(3). Various issues were raised by intervening parties, including whether utilities should use the same uniform avoided cost methodology for purchasing energy and capacity from PURPA QFs and for energy efficiency plan dockets, whether avoided cost methodologies should be made more transparent, and which would be the most appropriate forum for

addressing these issues. The parties to the tariff filing agreed to continue the discussion in IPL's energy efficiency plan filing.

Similar issues were raised and refined in the current plan proceeding docket.

Some of the issues raised were:

- a) Whether IPL's current avoided cost methodologies are compliant with 199 IAC 35.9(7), 199 IAC 35.10 (2), and 199 IAC 35.10(4) and whether changes in methodology are warranted;
- b) Whether the identified avoided costs accurately reflect the costs that IPL avoids by implementing energy efficiency and customer-sited renewable energy programs;
- c) Whether avoided cost determinations should be computed using the same methodology for both EEP development (199 IAC 35.9(7)) and PURPA qualifying facilities pricing (199 IAC 15.5); and
- d) Whether a change in avoided costs of more than 10-20 percent during plan implementation should result in an updated screening of energy efficiency programs to consider whether program changes or plan modifications are warranted.

The Environmental Intervenors argued that IPL's avoided costs were too low and Consumer Advocate recommended three adjustments to IPL's methodology: reducing IPL's reserve margin from 15 to 12 percent, applying IPL's distribution demand loss factor to its transmission avoided capacity costs, and applying IPL's distribution energy loss factor to its avoided energy costs. Other interested persons have questioned which components of IPL's energy efficiency plan avoided costs should be used in determining avoided costs for PURPA QFs.

The Board believes it is appropriate to continue the discussion and will approve the settlement of Issue 22. The signatories requesting the investigative

proceeding are to specify the issues they intend to address that have not already been addressed in either the tariff proceeding or the IPL energy efficiency plan proceeding, specify their respective ongoing concerns, and propose solutions for discussion that would address their concerns. The signatories indicated in the Settlement Agreement that the proposal would be filed individually or jointly.

The Board will approve IPL's proposed avoided costs for this proceeding, and for consistency and continuity, these avoided costs will remain in effect until IPL's next energy efficiency plan; the current avoided costs for energy efficiency purposes will not be revised for this plan period (2014-2018) as a result of any findings or recommendations that result from the investigation.

**N. Issue 25—Data Centers**

Issue 25 is whether IPL should include a program or program track targeted at data centers. IPL in its initial brief at page 57 said that this issue is resolved between IPL and Environmental Intervenors; Consumer Advocate, ICEE, and Deere did not take a position. IPL said it provided an action plan with a proposed timeline regarding plans to research, evaluate, and implement a data center pilot through its Research, Development, and Demonstration program, attached as Appendix 4 to the Settlement Agreement. IPL said that it will involve interested stakeholders in the RFP development for the market potential study and stakeholders will also be involved in defining the parameters IPL will use in determining whether to move forward with the pilot. IPL and the interested stakeholders are assuming that a pilot will go forward

unless the market study shows there is no potential. The action plan agreed to by IPL and the Environmental Intervenors is reasonable and the Board will approve this portion of the Settlement Agreement.

**O. Issue 26—Behavioral Programs**

Issue 26 is whether IPL should include behavioral programs, such as Opower. Issue 26 is resolved between IPL, Consumer Advocate, and the Environmental Intervenors; Deere and ICEE did not take a position.

In addition to the residential programming addressed in paragraph 11.C of the Settlement Agreement, IPL will offer a nonresidential sustainability pilot that utilizes behavioral approaches (peer groups in similar geographic locations) to motivate energy efficiency decisions. This is a reasonable approach and will be approved.

**VI. ADMINISTRATIVE ISSUES**

The Board will require IPL to clarify the new plan, as modified by the settlement and the Board's decisions in this order, to reduce any potential confusion in interpreting the new plan. As indicated earlier, the Settlement Agreement does not show specifically how changes made in the Settlement Agreement will alter established goals. IPL will be required to document any program specific changes in annual savings impacts that result from the Settlement Agreement and this order. This compliance filing should be filed with the Board by January 31, 2014, and must include an update of any budget or savings changes applicable to any of the tables numbered as Table 2.19 through 2.35 (part of the Application Chapters 1-3\_Revised)

filed on January 25, 2013, in this docket. In subsequent years, IPL must file an update of program features (much like Attachment A filed on December 19, 2012, as part of Docket No. WRU-2012-0013-0150 (EEP-08-1)). The update is to describe program changes that do not require a plan modification and those updates will be due on January 31 of each year.

There are other administrative requirements that the Board will address. First, as noted earlier, IPL will be required to file its next energy efficiency plan on or before February 1, 2018, with a target effective date for the new plan of January 1, 2019. Second, IPL will be required to continue filing annual reports presenting the results of its energy efficiency plan implementation on or before May 1 of each year. Third, a report on net-to-gross is to be filed on or before September 30, 2015. Fourth, a completed TRM is to be filed on or before September 30, 2016. Fifth, a complete evaluation of the renewable program is to be filed on or before March 16, 2015.

Also, as discussed earlier, the Board intends to convene a meeting approximately 18 months before the first plan filing in the next cycle for all interested stakeholders to discuss what the Board expects to see in the initial plan filings so that the Board will not need to issue orders requiring extensive additional information, which disrupts the plan schedule. As a guide, the Board's requests for additional information in this proceeding contain much of what the Board will expect to see in the next initial plan filings. Notice of the meeting will be provided to all parties to the plan proceeding and the Board expects that Consumer Advocate or another

participant will announce the date, location, and time of the meeting during the collaborative meetings. The notice of the meeting will also be posted on the Board's Website.

One final matter will be addressed. On October 16, 2013, ICEE filed a motion asking that the Board accept its attached updated membership list. On October 16, 2013, the Environmental Intervenors filed an objection, stating that it was too late in the proceeding to add a member unless the new member filed a late-filed exhibit identifying all energy efficiency measures and all energy feasibility studies and audits it has conducted.

The Board does not determine who is a member of an ad-hoc intervenor group but asks that the members be identified to facilitate any discovery or questions at hearing. The motion filed by ICEE was unnecessary; ICEE merely needed to file a new membership list or document identifying the new member. Because the Board does not determine group membership, the Board will not rule on ICEE's motion or the objection.

## **VII. FINDINGS OF FACT**

1. Subject to the modifications to the Settlement Agreement contained in this order and the Board's decisions on the contested issues, the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest.

2. It is reasonable to find that the 2014 through 2018 energy efficiency plan filed by IPL is cost-effective pursuant to the societal cost test, while providing the required analysis from the utility, participant, and ratepayer impact tests.

3. It is reasonable to find that IPL's energy efficiency plan meets the plan requirements set forth in 199 IAC 35.8, 35.9, and 35.10.

4. The Settlement Agreement's resolution of the appropriate amount of achievable economic potential pursuant to the Statewide Assessment is reasonable.

5. IPL's annual savings targets as contained in the resolution to Issue 4 in the Settlement Agreement are reasonable.

6. It is reasonable to conclude that IPL's proposed energy efficiency programs and budgets, as modified by the Settlement Agreement, are reasonable to achieve IPL's projected savings.

7. It is unreasonable to include an opt-out provision for certain large customers and it is also unreasonable for the Board to institute a rule making or other proceeding on the topic.

8. It is unreasonable to expand IPL's combined heat and power offering, but reasonable to continue the current CHP assistance efforts.

9. It is reasonable to suspend the portion of IPL's renewable energy program that pays incentives to customers for renewable installations, but to continue requiring IPL to provide information and technical assistance to customers seeking to understand the costs and benefits of renewable projects.

10. Modifying the interruptible credit levels at this time is unreasonable.
11. Identifying energy efficiency cost recovery factors as a separate line item on customers' bills is unreasonable.
12. It is reasonable to allow IPL to track nonresidential energy efficiency expenditures by rate class as well as by program.
13. The Settlement Agreement's resolution of sustained coordination is reasonable.
14. The evaluation, verification, and measurement plan contained in the Settlement Agreement is reasonable.
15. It is reasonable to address technical assistance standards as provided for in the Settlement Agreement.
16. The process for participation in IPL's energy efficiency plan by qualified energy professionals is reasonable.
17. The collaboration process outlined in the Settlement Agreement is reasonable.
18. IPL's residential portfolio programs are reasonable.
19. IPL's nonresidential portfolio programs are reasonable.
20. The Settlement Agreement's resolution of outreach, education, and training is reasonable.
21. The Settlement Agreement's resolution of large general service energy efficiency cost recovery factors is reasonable.



22. The Settlement Agreement on market transformation is reasonable.

23. Developing a statewide technical reference manual is reasonable.

24. The Settlement Agreement's resolution of the net-to-gross issue is reasonable.

25. It is reasonable to address general topics related to avoided costs in another docket and it is reasonable to approve, for the duration of the IPL energy efficiency plan, the energy efficiency-related avoided costs developed and used for this plan.

26. It is reasonable to include an energy efficiency program for data centers.

27. The Settlement Agreement's resolution regarding behavioral programs in reasonable.

### **VIII. CONCLUSION OF LAW**

The Board has jurisdiction of the parties and the subject matter in this proceeding pursuant to Iowa Code chapter 476 (2013).

### **IX. ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The non-unanimous partial settlement agreement filed on June 18, 2013, by Interstate Power and Light Company, Consumer Advocate, the Environmental Intervenors, ICEE, and Deere is approved, subject to the clarifications

and modifications contained in this order. IPL's energy efficiency plan filed on November 30, 2012, as amended on January 25, 2013, and as modified by the Settlement Agreement and this order, is approved. IPL will be required to document any program specific changes in annual savings impacts and update the total savings impacts by year due to the Settlement Agreement and this order. This information shall be filed with the Board on or before January 31, 2014, and shall include an update of any budget or savings changes applicable to any of the tables numbered as Table 2.19 through 2.35 (part of the Application Chapters 1-3\_Revised) filed on January 25, 2013, in this docket. In subsequent years, IPL must file an update of program features (much like Attachment A filed on December 19, 2012, as part of Docket No. WRU-2012-0013-0150 (EEP-08-1)). The update is to describe program changes that do not require a plan modification and those updates will be due on January 31 of each year.

2. IPL shall file its next energy efficiency plan on or before February 1, 2018. The Board intends to schedule by subsequent order a meeting with all investor-owned utilities and interested stakeholders to discuss filing requirements for the next energy efficiency plans; the meeting will be held approximately 18 months prior to the first scheduled plan filing.

3. IPL shall continue to file annual energy efficiency reports on or before May 1 of each year. The annual reports shall include updates on EM&V activities. Final EM&V reports are also to be filed, as they become available.

4. IPL shall file a complete evaluation of its renewable energy program for the years 2010 through 2013 on or before March 16, 2015. The reports shall include the information identified in the body of this order, but the report is not limited to the identified information.

5. IPL shall submit a final report on net-to-gross on or before September 30, 2015. The filing may be made jointly with other utilities.

6. IPL shall file a completed TRM on or before September 30, 2016. The filing may be made jointly with other utilities.

7. Motions and objections not previously granted or sustained are denied or overruled. Any argument in the briefs not specifically addressed in this order is rejected either as not supported by the evidence or as not being of sufficient persuasiveness to warrant comments.

**UTILITIES BOARD**

/s/ Elizabeth S. Jacobs

/s/ Nick Wagner

ATTEST:

/s/ Joan Conrad  
Executive Secretary

/s/ Sheila K. Tipton

Dated at Des Moines, Iowa, this 2<sup>nd</sup> day of December 2013.