

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER COMPANY	DOCKET NOS. EEP-94-40 TF-99-178 TF-99-179 (ECR-96-1)
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**ORDER REQUIRING ADDITIONAL INFORMATION, AMENDING PROCEDURAL
SCHEDULE, AND PROPOSING TO TAKE OFFICIAL NOTICE**

(Issued November 19, 1999)

On June 14, 1999, Interstate Power Company (Interstate) filed a proposed modification of its energy efficiency plan identified as Docket No. EEP-94-40. On July 14, 1999, the Utilities Board (Board) issued an order setting the proposed modification for hearing and also establishing the proceeding as an investigation of Interstate's implementation of its energy efficiency plan, pursuant to IOWA CODE § 476.6(19)"e" (1999). That section states, in part:

The board shall periodically conduct a contested case proceeding to evaluate the reasonableness and prudence of the utility's implementation of an approved energy efficiency plan and budget. If a utility is not taking all reasonable actions to cost-effectively implement an approved energy efficiency plan, the Board shall not allow the utility to recover future costs at a level other than what the board deems reasonable and prudent. If the result of a contested case proceeding is a judgement against a utility, that utility's future level of cost recovery shall be reduced by the amount by which the programs were found to be imprudently conducted.

On September 8, 1999, Interstate filed its initial direct testimony. On October 13, 1999, the Board issued an order temporarily suspending the procedural schedule, stating there were deficiencies in Interstate's testimony. In reviewing Interstate's initial filing, the Board concluded that Interstate had not provided testimony, which would enable the Board to make a decision as to whether to grant or deny the proposed modification.

Although Interstate's testimony contains a significant amount of data about its energy efficiency programs, there is little analysis of the data or testimony regarding the proposed reduction in spending. The testimony shows Interstate's actual expenditures have declined from 93 percent of budget in 1996 to 49 percent of budget in 1998. There is no explanation for this reduction in spending. Second, the data shows energy and capacity savings for electric and gas programs have declined significantly between 1996 and 1998. Similarly, Interstate provided little or no explanation for this decline. In addition, Interstate provided testimony that suggests avoided costs to be used in 1999 and thereafter may be more than three times the avoided costs used to evaluate Interstate's programs in 1996 through 1998. Interstate provided no explanation of how this change could affect implementation of programs in 1999 and subsequent years.

Therefore, the testimony filed by Interstate in support of its proposed modification and in support of its past implementation of its approved energy efficiency plan is inadequate. Pursuant to IOWA ADMIN. CODE 199-35.13, the burden is on Interstate to prove it has taken all reasonable actions to cost-effectively

implement the plan as it was approved. Further, the Board's rules and orders make it mandatory for Interstate to file testimony in support of its past implementation of its approved plan and in support of a proposal to modify its approved energy efficiency plan. Interstate's filing does not satisfy these requirements.

The Board will allow Interstate an additional opportunity to provide support for its application to modify its plan and demonstrate prudent implementation of its approved plan. Because the Board earlier directed Interstate to refund amounts over collected for the previous period, a brief delay in the procedural schedule will not prejudice ratepayers and may enable Interstate to remedy the deficiencies in its filing. Therefore, attached to this order is a list of supplemental information the Board will direct Interstate to file. The Board will set a new procedural schedule.

In addition, in order to investigate further the issue raised in Interstate's testimony regarding a significant decline in advertising expenditures, the Board will propose to take official notice of data provided by Interstate to the Manager of the Board's Energy Section, on September 21, 1999. The information was provided by Interstate employee Brian Dunn and is entitled "Advertising Dollars." A copy of the information is attached to this order. The portion of the data that is identified as Interstate Power Company (Iowa Jurisdictional), contains an account identified as FERC 909 Informational & Instructional (Primarily DSM related). The Board finds this information to be the proper subject of official notice and proposes to take official notice on its own motion. The parties will have an opportunity to contest the information prior to or during the hearing in these proceedings, if necessary.

IT IS THEREFORE ORDERED:

1. Interstate shall file testimony containing the information and data identified in the document identified as Attachment A and attached to this order.
2. The Board proposes to take official notice on its own motion of the document identified as Attachment B and attached to this order.
3. The procedural schedule is amended as follows:
 - a. On or before December 13, 1999, Interstate Power Company shall file the supplemental information identified in Attachment A.
 - b. On or before January 13, 2000, the Consumer Advocate Division of the Department of Justice and any intervenors may file rebuttal testimony, with underlying testimony and exhibits.
 - c. All parties may file rebuttal testimony to the testimony and exhibits filed on January 13, 2000, on or before January 27, 2000.
 - d. A hearing shall be held beginning at 10 a.m. on February 11, 2000. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. The hearing shall be held in the Iowa Utilities Board Hearing Room, 350 Maple, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5979 in advance of the scheduled date to request that appropriate arrangements be made.

e. The parties may file simultaneous initial briefs on or before
February 18, 2000.

f. All parties who filed initial briefs may file reply briefs on or before
February 25, 2000.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr. /s/ Diane Munns
Executive Secretary

Dated at Des Moines, Iowa, this 19th day of November, 1999.

ADDITIONAL INFORMATION AND DATA TO BE PROVIDED BY INTERSTATE POWER COMPANY IN DOCKET NO. EEP-94-40

A. Modification Issues:

1. Interstate should provide an explanation of why Interstate believes a major spending modification is justified. Interstate should explain why, in light of Interstate's adoption of Alliant avoided costs for 1999, which are much higher than those used to calculate the benefits of the current programs, spending should not be maintained or increased.
2. Interstate should calculate the benefits and costs of implementing its proposed programs for 1999 and 2000, using the new Alliant avoided costs and the assumptions found in its energy efficiency plan approved in 1995, including the original budget and original participation estimates from Docket No. EEP-94-40.
3. Interstate should provide a description of the costs, benefits, and energy and capacity savings for 1999 and 2000, using the assumptions in its proposed modification.

B. Prudence Issues:

1. Interstate should provide, in one place, a description of its monitoring and evaluation of programs, including how both impact and process evaluations were conducted.
2. Interstate should explain what steps were taken to investigate and counteract the declining participation in programs.
3. Interstate should specifically explain why spending on advertising and promotion declined to near zero in 1998.
4. Interstate should summarize past cost data for the entire plan, broken down by cost categories consistent with the Board's requirements for the energy efficiency plan and broken out by electric and gas spending.
5. Interstate should identify for past cost data how much of each category of costs was recovered through energy efficiency factors and how much through regular rates.

6. Interstate should provide additional information and data on the Interruptible Pricing Program, including capacity and energy savings and benefit/cost data. Interstate should explain the funding of this program, including funding recovered through regular rates.
7. Interstate should provide additional information on the Shared Savings program, including implementation information and data on spending, energy and capacity savings, and costs and benefits.
8. Interstate should include for past cost data a detailed explanation of how costs for the Iowa Energy Center were allocated to other programs and why.
9. Interstate should describe, for past impact data for energy and demand savings, the long-term effects of energy and demand savings for each program, including the effects of attrition. If these data are part of the DSManager program, the data should be compiled separately to allow analysis apart from DSManager.
10. Interstate should explain the calculation or derivation of past impact data, especially DSManager data, including how variables were determined such as attrition, escalation rates, discount rates, "free riders," and "free drivers."