

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EEP-02-38
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**ORDER APPROVING SETTLEMENT**

(Issued April 27, 2005)

**INTRODUCTION AND PROCEDURAL HISTORY**

On June 3, 2003, the Utilities Board (Board) issued an order in Docket No. EEP-02-38 approving Interstate Power and Light Company's (IPL) new energy efficiency plan. The order, among other things, directed IPL to file a proposal to address disparities in the credits provided to customers in IPL's interruptible program. On December 31, 2003, IPL filed a report on its interruptible program, and on January 23, 2004, IPL filed an application to modify the interruptible program.

Objections and comments to the proposal were filed on February 12 and 13, 2004, by the Iowa Consumers Coalition (ICC), Ag Processing Inc (Ag Processing), and the Consumer Advocate Division of the Department of Justice (Consumer Advocate). Among the objections was the lack of alleged details in IPL's proposal. On February 26, 2004, the Board found the application to be deficient and required IPL to file additional information. The Board set the matter for hearing on July 7, 2004. On March 29, 2004, IPL filed a substitute application and provided the additional information.

Several parties actively participated in this proceeding. The parties to this proceeding, in addition to IPL, are Consumer Advocate, ICC, Ag Processing, Iowa Industrial Intervenors (III), Swiss Valley Farms Co. (Swiss Valley), Deere and Company (Deere), the Large Energy Group (LEG), MidAmerican Energy Company (MidAmerican), and Mason-City Area Employers Group (MCAEG).

Testimony was filed pursuant to the procedural schedule established in the February 26, 2004, order. However, after reviewing the testimony and the additional information filed by IPL, the Board determined that additional information was required from IPL to address issues such as the commencement of the Midwest Independent Transmission Systems Operator's (MISO) Midwest Market Initiative (MMI). The hearing scheduled for July 7 was cancelled and additional information requested by orders issued July 1 and 9, 2004. IPL filed the required information.

Because of the complexity of the issues, the Board issued an order on November 3, 2004, scheduling a technical conference on December 2, 2004. The implications for IPL's interruptible program due to MISO's planned MMI were among the topics discussed at the technical conference. Following the technical conference, the parties engaged in various discussions regarding these issues.

On March 14, 2005, IPL filed with the Board a non-unanimous settlement and joint motion for approval of settlement. IPL, Consumer Advocate, III, LEG, ICC, Deere, and Swiss Valley signed the settlement. The motion stated that these parties were authorized to state that MidAmerican, while not a signatory, does not object to the settlement. The MCAEG filed a response to the settlement on March 21, 2005,

indicating it would not oppose the settlement. Ag Processing, which had intervened separately earlier, is part of the MCAEG.

### **SUMMARY OF SETTLEMENT**

The settlement provides that it was prepared and executed for the sole purpose of resolving specific issues in Docket No. EEP-02-38 relating to proposed changes in IPL's interruptible credits program as contained in IPL's March 29, 2004, filing (the Substitute Application). Exhibit 1 to the settlement sets forth the matters of agreement between the parties concerning proposed changes to the interruptible credits program contained in the Substitute Application. The settlement states that the parties reached agreement on seven issues. These are: 1) impacts of MISO's MMI on IPL's interruptible program; 2) operational issues, including but not limited to minimum interruptible threshold and non-compliance penalties; 3) number and characteristics of credit options; 4) dollars per kW credit levels and total annual amount; 5) basis for interruptible credits; 6) grandfather clauses and zonal credit differentials; and 7) a bidding program.

With respect to the impacts of MISO's MMI on IPL's interruptible program, the settlement signatories agreed that IPL's existing interruptible credit program should be maintained until there is one full year of experience with the MISO MMI, which began on April 1, 2005. The signatories agreed to jointly develop and file a report by June 30, 2006, on the MISO MMI impacts and any proposed program design changes, including an examination and recommendations regarding whether the

interruptible program should continue to be an energy efficiency program in a MISO MMI environment. The signatories also agreed to a timetable to guide the process.

The signatories agreed that the June 30, 2006, report should address certain operational provisions in IPL's interruptible tariffs which may be affected by the MISO MMI, with the goal of achieving consistency and uniformity. Operational issues to be addressed include minimum interruptible threshold, measurement of kW billing demand, hours alert and notice clause, and non-compliance penalties. The signatories also agreed that adoption of the three credit options in the Substitute Application would be premature, but that they would explore a multi-credit option once the effects of the MISO MMI are known.

The signatories will engage in a collaborative effort to determine the future basis for the interruptible credits and agreed that the grandfather clause differentials should be reduced and the zonal credit differentials should be phased out over time according to Schedule A attached to the settlement, and subject to numbered section 6 of the settlement exhibit 1. At the end of the phase-out period, the settlement states the interruptible credit level for all interruptible customers will be \$73/kW-year for grandfathered customers and \$58/kW-year for non-grandfathered participants. The signatories recognize this does not eliminate all disparities, but believe the interruptible program will be changed based on the program review. The signatories will also review bidding alternatives in more detail.

## DISCUSSION

No objections to the proposed stipulation and agreement were filed. Subrule 199 IAC 7.2(11) 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.”

The examination of IPL’s interruptible credits was commenced because of the disparities among customers receiving credits. However, as the docket evolved and more details of MISO’s MMI became known, broader issues involving interruptible credits came to the forefront. The technical conference highlighted the need to obtain more information on the MMI’s potential impacts on IPL’s interruptible program as a part of the program review.

The Board’s January 14, 2005, decision in IPL’s rate case also affected interruptible credits. The interruptible credit rate design changes adopted in Docket No. RPU-04-1 significantly reduced the range of credit differences among interruptible customers. The settlement makes no change to the overall interruptible credit levels adopted in Docket No. RPU-04-1 and applies IPL’s mitigation proposal to a four-year credit equalization plan. Current credits differ according to rate zone and when customers began participating, with earlier participants grandfathered in at higher credit levels. The four-year credit equalization plan would eliminate zonal differences and significantly reduce the differences between grandfathered and non-grandfathered participants.

The \$73/kWh and \$58/kWh figures referenced in numbered section 6 of settlement Exhibit 1 for credit levels at the end of the equalization plan need to be clarified. These figures, which are for grandfathered customers and non-

grandfathered customers respectively, are based on the interruptible program's coincident peak demand savings rather than customers' non-coincident billing demands. These targets translate into actual average interruptible billing credits of about \$60/kW-year for grandfathered customers and about \$49.50/kW-year for non-grandfathered participants, as shown in Schedule A to the settlement. Using the higher numbers without this explanation might lead some into believing the settlement increases the interruptible credit level when in fact it does not.

Perhaps the most significant portion of the settlement is the signatories' agreement to continue their dialogue and perform research, collect data, and develop program options to address the seven issues identified in the settlement. The signatories agreed to file a report on or before June 30, 2006, addressing the MISO MMI and proposed changes to IPL's interruptible program. The Board notes that these proposed changes, if approved by the Board, could supersede the four-year credit equalization plan agreed to in the settlement.

The MISO MMI is a significant new event that could have dramatic impacts on IPL's interruptible program. The Board believes it is reasonable to allow MMI to operate for a full year before proposals to alter the interruptible program are presented. The Board is pleased that the signatories have agreed to continue discussions and will file a joint report. The Board assumes that parties who were not signatories to the settlement will also be invited to participate in the discussions.

The Board will approve the settlement. The settlement maintains the status quo with respect to overall credit levels set in Docket No. RPU-04-1, but does reduce zonal and non-grandfathered vs. grandfathered disparities if not superseded by

program changes proposed by the parties in the June 30, 2006, report. The signatories commitment to the June 30, 2006, report is crucial because the Board believes the issues raised in the settlement can best be addressed by continued collaboration. The settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

In addition to the issues contained in the settlement, the Board will direct IPL to specifically present information on the impacts of the MISO MMI on transmission loading relief, or TLR, incidents. The Board hopes this can be part of the June 30, 2006, collaborative report. If the signatories do not agree to make it part of the report, IPL may file it separately.

While the June 30, 2006, report is to develop program options, it is not clear that these will be in the form of a plan modification. IPL will be required to file an energy efficiency plan modification revising the interruptible program according to the changes proposed in the report on or before August 1, 2006.

The Board congratulates all the parties on the time and effort they have expended, and will expend, in this docket. These are difficult issues and the Board looks forward to the report and recommendations as the parties and the Board continue to work towards improving IPL's electric interruptible rate program.

#### **FINDING OF FACT**

The settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

### CONCLUSIONS OF LAW

The Board has jurisdiction of the parties and the subject matter in this proceeding, pursuant to Iowa Code chapter 476 (2005).

### ORDERING CLAUSES

#### IT IS THEREFORE ORDERED:

1. The settlement agreement filed in Docket No. EEP-02-38 on March 14, 2005, relating to Interstate Power and Light Company's interruptible credits program, is approved.
2. IPL shall file information on the impacts of MISO market operations on TLRs on or before June 30, 2006.
3. IPL shall file on or before August 1, 2006, an energy efficiency plan modification revising its interruptible program according to the changes proposed in the June 30, 2006, report provided for in the settlement.

#### UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 27<sup>th</sup> day of April, 2005.