CLEAN ENERGY DISTRICTS OF IOWA

CEDI COALITION UPDATE
Executive Summary
September 20, 2024

On September 17, 2024, the Iowa Utilities Commission issued a 161-pg Final Decision and Order in Alliant Energy's rate case (RPU-2023-0002). We summarize below key aspects of the order and offer our assessment in this executive summary. We offer additional remarks in the Detailed Report, published on the CEDI Coaltion webpage and available for download as PDF.

- **The Commission approved a record $185 million increase.**
    - Alliant Energy's stock price hit a 52-week high ($60.51) on September 17, 2024, the same day the Commission issued its Final Decision and Order in RPU-2023-0002.

- **The Commission implemented an electric rate increase cap of 15% for each customer *class* but *individual customer bills* could be higher or lower.** (See IPL Hearing Exhibit 2, Column M)
    - The total bill increase for the Residential class is projected to be 5.92%.
    - The total bill increase for the non-residential General Service (GS) class (e.g., Main Street businesses, city government buildings, and community non-profits) will be capped at 15%.
    - The total bill increase for the Large General Service (LGS) class is projected to be 12.68%.
    - The total bill increase for the LGS-Supplementary class (e.g. customers with renewable energy systems) will be capped at 15%.

- **The Commission also approved a non-unanimous settlement agreement that includes:**
    - A return on equity (ROE) of 9.65% for all assets that do not have higher ROEs determined in prior advance ratemaking principles dockets.
    - A $99 million reduction in Alliant's originally proposed $284 million increase in its revenue requirement.
    - A conditional five-year moratorium on base rate increases until October 2029 that does not include transmission costs.
    - An earnings-sharing mechanism that may help to reduce costs if Alliant's annual profits exceed its authorized and blended return on equity.
    - A $900 million cap on distribution system investments.

    - A resource planning study to be completed every three years.

- **The Commission approved several important rate design changes:**
    - Increased fixed monthly customer charges:
        - Residential: $15.50 per month, up from $13.00.
        - General service: $23.00 per month, up from $20.00.
    - Eliminated declining block rates
    - Designated June, July, and August as “summer” months
    - Revised on-peak and off-peak periods.
        - All non-holiday weekdays during the summer season, from 2 p.m. until 7 p.m. will be the peak period for energy-related charges for all customer classes, with all other hours being off-peak.
    - Approved two optional time-of-day rate plans for residential customers, one optional time-of-day rate plan for non-residential general service customers, and a mandatory time-of-day rate plan for large general service customers.
    - Eliminated the demand charge ratchet and the 50 kW minimum demand charge for large general service customers. Instead, the demand rate will be the highest observed 15-minute demand during on-peak hours for a given month.

- **Alliant must notify customers of bill impacts caused by the new rates and rate design changes within 30 days of the new rates being implemented.**

- **The Commission adopted several recommendations by the CEDI Coalition:**
    - Required Alliant to file updated responses to its 2012 Management Efficiency Audit and its Stakeholder Engagement and Customer Satisfaction Plan within six months after final rates are implemented.
    - Denied Alliant's proposal to combine Standby and Supplementary customers into the same rate structure.
    - Required Alliant to work with other interested stakeholders, such as parties to this docket, on determining the feasibility of rates that will allow growth in the area of air-source heat pumps.
    - Required Alliant to provide an update to the Commission within 180 days about when customers will be able to use updated online tools to evaluate the impact of the rate increase on their bills.

CEDI Coalition Response

While this was not the outcome we would have liked to see, there are good outcomes::
- Our testimony around customer affordability helped to push Alliant toward the partial settlement that reduced the original $284 million revenue requirement by $99 million and resulted in several cost control measures that may be able to reduce cost increases over the next five years.
- Our testimony and post-hearing brief helped to strengthen the reporting requirements with regard to the distribution spending cap and the resource evaluation study.

- Our testimony persuaded the Commission not to approve Alliant's proposal to merge the LGS-Supplementary and Standby rate classes.
- The relatively low average residential bill increase of ~6% results in a smaller increase in the energy burdens faced by low-income customers compared to Alliant's originally proposed 13.2% increase. Unfortunately, this benefit to residential households is at the expense of commercial and industrial customers that face a 12.68% -15% increase.

On the surface, these are dramatic improvements over the original rate increase proposal, and the Commission's final order can be read as a reasonable outcome.

What is not reasonable, however, is that the gap between what Alliant customers pay compared to other Iowa electric utilities is too high, and now will continue to increase due to the Commission's order. Come October (when the new rates take effect), Alliant's ~400,000 residential customers will pay over 60% more than MidAmerican customer households, more than residential customers of every rural electric cooperative, and more than residential customers of nearly every municipal electric utility in Iowa. Small businesses and non-profits will pay more than 50% more for their electricity compared to their counterparts served by MidAmerican.

This situation is unacceptable. Alliant's high and rising rates represent an impediment to job creation and a level of wealth extraction that is increasingly untenable in Alliant-served communities. In addition to extensive expert testimony on a wide range of issues, we implored the Commission to understand that while the partial settlement agreement may seem reasonable relative to the original rate proposal in the docket, both the ending and starting points are entirely unreasonable in light of the situation on the ground in Iowa communities served by Alliant.

From this perspective, it is clear that this docket outcome is closer to "business as usual" than a meaningful break from the pattern of rising rates and energy burdens that Alliant customers have been experiencing. We do hope that the cost control measures in the approved settlement agreement will improve customer affordability going forward but that remains to be proven.

It is also clear that real rate relief for Alliant customers and communities may depend upon legislative action. We invite all members of the CEDI Coalition to join us in a renewed effort to encourage the Legislature to mandate Integrated Resource Planning and Integrated Distribution Planning processes that are comprehensive, transparent, and participatory, and that ensure that ratepayers only pay for what they need. Legislators may also want to consider establishing specific outcome-based performance metrics that charge the Commission with investigating and rectifying rates of Iowa investor-owned utilities that are clearly out of line with Iowa and industry averages.

Please visit the CEDI Coalition webpage for a more detailed update. We deeply appreciate your partnership in the CEDI Coalition. Don't hesitate to reach out to us with any questions you may have.

Sincerely,

James Martin-Schramm, CEDI Policy Analyst
james.martin-schramm@cleanenergydistricts.org

Andrew Johnson, CEDI Executive Director
andrew.johnson@cleanenergydistricts.org