CLEAN ENERGY DISTRICTS OF IOWA

CEDI COALITION UPDATE
Detailed Report
September 20, 2024

On September 17, the Iowa Utilities Commission(IUC) issued its unanimous Final Decision and Order in Docket No. RPU-2023-0002 regarding Alliant Energy's request to increase its rates for service to electric and natural gas customers. Here is a link to the IUC's official press release.

The Commission accepted without modification the non-unanimous and partial settlement agreement that was reached in negotiations between Alliant, the Iowa Office of the Consumer Advocate (OCA), and the Iowa Business Energy Coalition (IBEC). The IUC also addressed and resolved other contested matters not in the settlement agreement.

The final rate increases will not be official until the IUC approves Alliant's compliance tariffs, which must be filed within 30 days of the Commission's order. The total bill increase for the Residential class is projected to be 5.92%, which is less than half the 13.4% increase the company projected in October 2024. We believe this substantial reduction in the projected increase for residential customers is due, in part, to the testimony and evidence the CEDI Coalition provided regarding Alliant's high and rising costs for residential households and high and severe energy burdens for low-income households.

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 Large General Service (LGS) class will face a 12.68% total bill increase compared to the initial projection of a 17.4% increase, but the LGS-Supplementary class (customers with solar or other renewable energy systems behind their meter) will experience a total bill increase of 15% compared to the 20% projected in October 2023.

It is important to note, however, that these percentage increases pertain to the respective customer *classes*. Actual customer bills may be higher or lower than this class average based on consumption decisions and customer decisions regarding rate design changes.

We explained in our previous update why the CEDI Coalition opposed the proposed settlement agreement. In this final update, we want to summarize key information in the IUC's 161-page Final Decision and Order in RPU-2023-0002 and offer our perspective on these outcomes.

Key Components of the Settlement Agreement

1. **Electric Revenue Requirement**, (pp. 6-7). The IUC approved the proposed $99 million reduction in the revenue requirement from $284 million to $185 million. The Commission noted that this "significant decrease . . . will reduce the amount customers will be required to pay in rates." (pp. 6-7)

   Left unsaid is the fact that the $185 million increase in the revenue requirement is yet another record increase for the company--far exceeding the previous record increase of $127 million approved only four years ago in RPU-2019-0001. Not surprisingly, Wall Street was happy. Alliant's stock price hit a 52-week high ($60.51) on the same day the Commission issued its Final Decision and Order.

   We pointed out in our post-hearing brief that this "significant decrease" would still result in Alliant receiving 65% of what they requested. As you can see in the table below, with only two exceptions, since 2002, Alliant has settled for a revenue requirement that, on average, has provided the company with 68.6% of the revenue requirement it requested.

Table 1. IPL Rate Case Key Information, 2002-2024

Docket No.	Requested Increase	Amount Approved	Percent Approved	ROE
RPU-02-3/RPU-02-8	$82 million	$26 million	31.7%	11.15%
RPU-2004-0001	$149 million	$107 million	71.8%	10.7%
RPU-2009-0002	$171 million	$84 million	49.1%	10.5%
RPU-2010-0001	$163 million	$114 million	69.9%	9.53%
RPU-2017-0001	$176 million	$130 million	73.9%	9.6%
RPU-2019-0001	$204 million	$127 million	62.2%	9.5%
RPU-2023-0002	$284 million	$185 million*	65.1%	9.65%*

* Revenue Requirement and ROE as Proposed in Non-Unanimous Settlement

   Thus, the revised $185 million revenue requirement represents **"business as usual"** for Alliant. The company came in with an inflated request, jettisoned certain items to appear reasonable, and walked away with an increased revenue requirement that has obviously made their shareholders happy.

   In fairness, however, the other key components in the approved settlement agreement do depart from "business as usual" and may improve customer affordability in the future. We address these next.

2. **Base Rate Moratorium**, (pp. 20-24). The IUC also approved a five-year moratorium on base rate increases until October 2029. There are two important exceptions, however.

First, the moratorium would cease “if Alliant’s return on equity (ROE) is 100 or more basis points below the authorized ROE for a single calendar year or 50 or more basis points below the authorized ROE for two consecutive years.” Second, the moratorium would cease if “a material change in law or regulations causes the Electric Base Rate Moratorium to become unsustainable.” (p. 20)

The CEDI Coalition argued for a rate freeze in its testimony and thus welcomes this five-year base rate moratorium. That said, we argued in our post-hearing brief that the moratorium will result in “business as usual” if the company simply returns in five years for another major rate increase. **To be meaningful, a rate freeze or moratorium should be for a longer term than the normal interval between rate dockets**. We also argued that the moratorium should only be lifted if Alliant’s ROE fell 150 basis points below the authorized ROE in any given year.

It is important to note that the five-year moratorium only pertains to base rates. It does not pertain to flow-through charges like the Regional Transmission Service (RTS) charge, which has been increasing at over 5% annually for several years.

3. **Electric Earnings Sharing Mechanism**, (pp. 25-40). The IUC approved the earnings sharing agreement proposed in the Settlement. Specific items excluded from the calculation of operating income include short and long-term incentive compensation to Alliant employees, corporate airfare costs, 50% of director fees and insurance costs, and any fiber optic network system costs not included in rate base. “Any earnings above the [9.65%] blended ROE will be ‘shared’ with IPL’s ratepayers until Alliant’s next rate case” (p. 25) based on the table below:

Threshold	**Sharing**
First 50 basis points	75% customers, 25% IPL
>50 to 100 basis points	50% customers, 50% IPL
>100 to 150 basis points	25% customers, 75% IPL
>150 basis points	100% customers

   The CEDI Coalition criticized Alliant in testimony for not proposing or supporting a revenue-sharing agreement in the past, thus we welcome the approved earnings-sharing agreement and hope it reduces Alliant’s high costs and poor customer affordability.

4. **Electric Distribution Investment Cap**, (pp. 27-40). The IUC also approved a $900 million distribution investment cap through 2029 that was proposed in the Settlement. This hard cap includes distribution system investments, “unless it is a battery energy storage system interconnected at transmission voltage.” (p. 28).

One of the reasons Alliant's costs are so high compared to other electric utilities is that they have been making large investments in their distribution system over many years. A significant percentage of these costs is associated with Alliant's policy to underground all distribution lines over time. Another significant percentage is associated with Alliant's plan to build a fiber optic network linking all of their facilities in Iowa and Wisconsin. Significant evidence was presented by CEDI Coalition witnesses and other intervenors that much of this spending is excessive, unnecessary, and benefiting shareholders over ratepayers.

The CEDI Coalition submitted testimony that the $900 million distribution spending cap allows the company to maintain "business as usual" high spending levels, and avoids the rigor associated with benefit-cost analysis and the comprehensiveness of an integrated distribution system plan.

In response to the concerns raised by the CEDI Coalition, the Office of the Consumer Advocate, and other intervenors, the IUC added new and additional annual reporting requirements for distribution investments that include customer benefit-cost analysis, a quantitative ranking of projects, bottom-up capital budgeting, and a sole focus on Alliant's jurisdiction in Iowa. The Commission imposed similar reporting requirements for fiber optic network expenses.

Unfortunately, the Commission merely *encouraged* Alliant to provide its annual distribution cap reports to *all* parties in the docket and not only those that joined the settlement. Hopefully, Alliant will do so. Without access to these reports non-settling parties like the CEDI Coalition will lack key information about major expenses incurred by the company.

5. **Resource Planning** (pp. 51-56). The IUC also approved a requirement in the Settlement that Alliant conduct a Resource Evaluation Study (RES) at least once every three years. The Settlement specifies that this process will be used to:
    - Identify options for IPL to meet its ongoing electric generating capacity and energy needs
    - Consider overall customer cost
    - Identify the locations of resources
    - Review commercial feasibility and availability of technology
    - Discuss the availability of transmission interconnection
    - Discuss compliance with emissions limitations and other environmental requirements
    - Address other factors

    Witnesses for the CEDI Coalition and other intervenors urged the Commission to improve this section of the Settlement and, instead, to require Alliant to file an Integrated Resource Plan (IRP) and to ensure that Alliant provides a "more comprehensive, objective, transparent, and stakeholder engaging" process." (pg. 53) In addition, given that this will be the third mandated RES for Alliant in four years, the intervenors urged the Commission to establish and adopt a uniform set of requirements for an IRP.

Absent statutory authority in existing legislation, the Commission decided not to impose a uniform set of requirements for an IRP. Instead,"the Commission will publish, on its website, optional guidelines for utilities to follow in their resource planning processes. These guidelines will include aspects of resource planning that the Commission thinks will be key consideration points in determining if the utility's resource planning process was complete and reasonable. Following these guidelines will be strongly encouraged, and the Commission expects that [the] efficiency of future advance ratemaking principles and rate case proceedings will be increased if the guidelines are used." (pg. 57)

We look forward to reviewing the Commission's guidelines and hope they will also pertain to distribution investment planning. We also hope they will address not only planning content but process. Without strong transparency and stakeholder participation guidelines, utility resource planning is susceptible to becoming yet another tool for ratepayer taxation without representation. We appreciate the Commission's decision to require Alliant to publish materials associated with the RES study through the Commission's electronic filing system instead of through email or some other platform. This will allow interested stakeholders like the CEDI Coalition to have access to this public information.

Other Contested Issues

- 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. (pp. 133-138)
    - Denied Alliant's proposal to combine Standby and Supplementary customers into the same rate structure. (pp. 107-109)
    - 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. (pp. 124-125)
    - Required Alliant to provide an update to the Commission within 180 days about when customers will be able to use the updated online tools to evaluate the impact of the rate increase. (pp. 126-127)

- The Commission denied some CEDI Coalition recommendations:
    - To require IPL to propose programs and tariffs to reduce the increased energy burden for low-income households. Denied because discriminatory rates are prohibited under Iowa law. (pp. 123-124)
    - To require IPL to limit annual customer cost increases to its goal of less than inflation. Denied as "untenable." "[T]he Commission must allow rate-regulated

utilities the opportunity to earn a fair return on prudent investments." (pp. 125-126)

- The Commission took no action on some CEDI Coalition recommendations because they were not specific issues in this rate case:
    - To require IPL to conduct a hosting capacity study for the installation of privately-owned renewable energy and energy storage facilities on Alliant's distribution network. The Commission invited the CEDI Coalition to develop this concept further and to propose it in an upcoming rate case. The Commission noted that Alliant "is free to conduct the study if it determines that it will benefit IPL and its customers". (pp. 128-129)
    - To deny any requests by Alliant to modify net metering tariffs. Alliant has not proposed any such changes in this rate case. (pp. 128-129)
    - To deny any attempts by IPL to implement the full- and partial-requirements distinction to the residential and commercial ratepayer classes and to rescind the Commission's approval of the full- and partial-requirements distinction for the Large General Service customer class. The Commission noted that Alliant is not proposing to implement this distinction for residential and commercial customers in this rate case and noted that it would need more information in a future rate case to determine whether the full- and partial requirements distinction should be rescinded. (pp. 129-130)

Next Steps

The CEDI Coalition includes 50 Iowa communities that receive electric service from Alliant, and 13 county-level clean energy districts in Iowa that include Alliant electric service territory.

The Clean Energy Districts of Iowa (CEDI) created the Coalition to give voice to Alliant communities and customers experiencing the runaway train of Alliant Energy's high electric rates.

As noted above, one issue that the Coalition raised in testimony is the need for the Commission to order a comprehensive and participatory Integrated Resource Planning (IRP) process to cover generation resources, and an Integrated Distribution Planning (IDP) process to cover distribution grid investments.

IRP and IDP may sound wonky and intimidating, but they are really just robust planning processes designed to ensure ratepayers only pay for what they really need. These planning processes should be separate dockets, comprehensive of all utility investments, and fully transparent and participatory so that ratepayers and communities have meaningful rights in the decision-making process.

Though other intervenors agreed with the CEDI Coalition on the need for robust and participatory IRP, the settlement proposed a "Resource Evaluation Study" that is a relatively meaningless and poor substitute for a quality IRP process. To make matters worse, the proposed settlement pre-authorized an unprecedented level of utility distribution grid spending, with no meaningful IDP process whatsoever.

While the Commission did not choose to modify the proposed settlement and implement meaningful IRP and IDP, it did say it would be publishing guidelines that it strongly encourages utilities to follow. We look forward to reviewing the Commission's guidelines.

These planning processes can also be required by the Iowa Legislature. Indeed, a legislative mandate was suggested by a recent London Economics study ordered by the Legislature, and commissioned by the Iowa Utilities Commission.

CEDI intends to support any legislative attempts to mandate IRP and IDP during the next session of the Iowa Legislature. Please be in touch with us if you would like to learn more about how to advance IRP and IDP in Iowa. We intend to host a Zoom meeting in the near future about these matters and we will invite you to join us.

Finally, communities, like all customers, have significant opportunities to reduce bills through the pursuit of energy efficiency and renewable energy options. CEDI is now offering technical assistance services to communities in certain counties, so please contact us if your community may be interested in such assistance.

We thank you for your interest in the CEDI Coalition and for your support.

Sincerely,

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