

IOWA UTILITIES COMMISSION

IN RE:	
INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2023-0002

**SUBSEQUENT PROCEEDING FINAL DECISION AND ORDER
WITH CONCURRENCE IN PART AND DISSENT IN PART**

BACKGROUND

On October 12, 2023, Interstate Power and Light Company (IPL), a subsidiary of Alliant Energy Corporation (Alliant), filed with the Utilities Commission (Commission) an Application for Revision of Electric and Natural Gas Rates (Application) pursuant to Iowa Code § 476.6 and 199 Iowa Administrative Code (IAC) chapter 26, which was identified as Docket No. RPU-2023-0002. IPL’s Application proposed the final authorized rate increases be based on a future test year as opposed to a historical test year. A future test year rate case requires a subsequent proceeding pursuant to Iowa Code § 476.33. The parties in Docket No. RPU-2023-0002 are IPL; the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice; the Iowa Business Energy Coalition (IBEC); the Large Energy Group (LEG); the CEDI Coalition (CEDI); Walmart, Inc. (Walmart); Environmental Law & Policy Center; the Iowa Environmental Council; Sierra Club; International Brotherhood of Electrical Workers, Local 204; Archer Daniels Midland Company (ADM); and ITC Midwest LLC (ITC Midwest). IPL, OCA, and IBEC entered into a Settlement Agreement (Settlement) on June 20, 2024, which was later joined by Walmart and supported or not opposed by ITC

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Midwest and ADM. LEG filed a conditional partial agreement. IPL, OCA, IBEC, and to some extent LEG are the parties in the subsequent proceeding that are also parties to the Settlement. CEDI Coalition is the only other party participating in the subsequent proceeding.

The Final Decision and Order was issued on September 17, 2024, with the compliance tariffs being approved on November 22, 2024. Because of the future test year, the subsequent proceeding filing due date is anytime within the three months at the end of the verification period, which is generally a year after the new rates become effective. On December 19, 2025, IPL filed its subsequent proceeding filing with a verification period of October 1, 2024, through September 30, 2025. On January 9, 2026, the Commission requested additional information and revised the verification period of December 1, 2024, through November 30, 2025. On January 23, 2026, IPL filed a response requesting the Commission reconsider the revised verification period. On February 6, 2026, the Commission issued an order setting a subsequent proceeding hearing and requiring IPL to refile the subsequent proceeding with a verification period of November 1, 2024, through October 31, 2025, based on rates becoming effective October 1, 2024. IPL requested an extension of time to file this information until March 13, 2026, but stated it would try to file as much information as possible by February 20, 2026, which the Commission allowed. As part of IPL's February 20, 2026 filing, IPL requested confidential treatment for Attachments 1-5. IPL filed information on February 20, March 13, and April 27, 2026.

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OCA, IBEC, LEG, and CEDI all filed responses to IPL's filings. Each will be discussed as necessary below.¹

VERIFICATION PERIOD

The first step within the subsequent proceeding is to identify and use the correct verification period. IPL initially filed with a verification period of October 1, 2024, through September 30, 2025. See Subsequent Proceeding Compliance Filing at 5.²

In this case, IPL imposed "temporary" rates that went into effect on October 1, 2024, and the Commission then approved its final rates that were the same tariffs as the temporary rates on November 22, 2024. As the rates did not change and IPL was not required to file new tariffs, IPL used October 1, 2024, as the date the approved temporary rates became effective. The IPL situation is unique and not one likely contemplated by the Iowa Legislature when Iowa Code § 476.33 was enacted or by the Commission when chapter 26 rules were drafted. IPL put temporary rates into effect after the final order was issued and used that order to institute the temporary rates, and there is no explicit prohibition that disallows this concept; however, it is not one that the Commission will likely favor overall. IPL argued its initial verification period was justified because the temporary rates became effective the first of the month, which meant the rates were effective for the entire month; however, there is not a carve-out or exception for that specific situation in the Iowa Code or Commission rules.

Commission rule 26.2 has a clear definition for verification period, which states:

"Verification period" means the 12-month period of data required to be filed as part of

¹ For a complete procedural history, see the Commission's electronic filing system at efs.iowa.gov.

² CEDI argued that the correct verification period should have begun on December 1, 2024, because final rates were effective November 22, 2024, when the Commission approved IPL's compliance tariff. CEDI Response at 4.

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the subsequent proceeding. The 12-month period begins the first day of the month following the month in which the rates approved by the commission become effective.” Based on the plain reading of the rule, the correct verification period would begin November 1, 2024, and end October 31, 2025, which is the verification period used in the Commission’s February 6, 2026 order and used in IPL’s March 13, 2026 filing.

RETURN ON EQUITY

After determining the correct verification period, the Commission must determine whether the actual costs and revenues are reasonably consistent with those approved in the underlying rate case. Iowa Code § 476.33(4)(b); 199 IAC 26.6(4). The Iowa Legislature delegated this determination to the Commission. The Commission’s administrative rules utilize a “band of reasonableness” standard to determine whether actual costs and revenues are reasonably consistent with those approved by the Commission. See 199 IAC 26.6. The band of reasonableness is a 50-basis-point band on either side of the authorized return on equity (ROE) from the underlying rate case.

To determine whether costs and revenues are reasonably consistent, the Commission ensures that only items that are allowed to be included are accounted for in the filing. For example, certain costs and/or expenses were disallowed due to the Settlement in the underlying rate case, so IPL removed those items from the subsequent proceeding filing. See IPL April 27 Supplement Response at 1. The Commission previously found that when referencing “actual costs,” the “statute cannot reasonably be interpreted to mean any actual cost that a utility incurs during the verification period, even if the expenditure was explicitly excluded from the revenue

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requirement pursuant to the [Commission's] decision in the original proceeding.” *In re: Interstate Power and Light Co., Order Concluding Subsequent Proceeding and Addressing Regulatory Asset Account*, Docket No. RPU-2019-0002, p. 6 (Aug. 10, 2021).

A. Natural Gas Rates Overview

IPL's Application included revisions to both natural gas and electric rates. The Commission will review each service, natural gas and electric, separately. While some revenues and expenses are specific to IPL's electric service, some are related to both services. The Commission will analyze the natural gas issues first because the parties assert that natural gas is outside the band of reasonableness. Then, anything that is also related to electric will be mentioned again in the electric section that follows before any electric-only issues are addressed.

1. Chartered Flights

The Settlement excluded corporate jet expenses. IPL witness Zachary Fields testified that the Settlement did not exclude chartered flights or air travel generally. HT, pp. 172-73. He further testified that without the corporate jet, an alternative mode of travel needs to be used as a replacement; therefore, chartered flights were used and the actual expense was included in the subsequent proceeding. *Id.* at 172-73, 169-70. IPL witness Mayuri Farlinger confirmed in her testimony that chartered flights were not part of the Settlement discussions. *Id.* at 216-17. IPL argued that by disallowing chartered flights, IPL would be penalized for utilizing a cost-saving measure, when the Commission should encourage saving costs. IPL Brief at 38.

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OCA argued that it was inappropriate for IPL to include chartered flights because corporate aircraft expense was excluded as part of the Settlement. OCA January 20 Response at 12-13; OCA April 13 Response at 5. OCA asserted:

It is not acceptable for IPL to agree to remove from the revenue requirement its forecasted costs of luxury travel on a private plane (including personal travel for the CEO), yet still seek to include in the verification period ROE calculation its replacement costs of luxury travel on a different private plane (still including personal travel for the CEO).

OCA Brief at 15. OCA stated this is not consistent with the Settlement. *Id.* OCA recommended the Commission adopt its chartered flight adjustment and “make clear to IPL that this type of subsequent proceeding gamesmanship is not appreciated.” *Id.* OCA’s adjustment for chartered flights is a reduction of \$43,843 to the natural gas operating expenses. OCA Brief at 20-21.

Although chartered flights were not explicitly excluded from the Settlement, IBEC argues that by including the chartered flights, IPL was attempting to exploit the Settlement to disadvantage customers. IBEC Brief at 18-19. IBEC recommends the chartered flight expenses be excluded as the corporate jet was to be excluded by the Settlement. *Id.*

OCA and intervenors are correct that chartered flights could likely be considered luxury travel, and IPL is correct that the chartered flights were actual costs during the verification period. As explained previously, it may not be necessary to consider all actual costs during the subsequent proceeding. In this case, the Settlement specifically excluded the corporate-owned jet and related expenses. The expenses in question are not corporate-owned jet expenses. Because, during the rate case, IPL owned a

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corporate jet, chartered flights were not discussed. See *generally* HT, p. 175 (discussing corporate jet expenses and not chartered flights expenses). Parties claim that while the Settlement did not exempt chartered flights specifically, as it did corporate aircrafts, IPL violated the spirit of the Settlement by including chartered flights as it is similar luxury air travel. The Commission agrees with the parties that the spirit of the Settlement has been violated. It is difficult, nigh impossible, to negotiate and adjudicate a topic that is never part of the discussion. With corporate-owned jets being disallowed through the Settlement and chartered aircraft deemed to be similar luxury air travel, the Commission will make OCA's proposed adjustment, reducing natural gas operating income by \$43,843. See OCA Subsequent Proceeding Response Exhibit 3, Exh2 - Adj Net Income Worksheet - Column L.

While chartered flight expenses are part of the actual expenses in the subsequent proceeding verification period, those expenses are not part of the revenue requirement used to determine current customer rates. The determination of whether chartered flight expenses should be included in future customer rates will be made in IPL's next rate case, and IPL should be prepared to justify the expense of chartered flights at that time.

2. Voluntary Employee Separation Plan (VESP) and Call Center Staff Reduction

IPL offered a voluntary severance to certain employees, which reduced Alliant Energy Corporate Services' workforce on December 31, 2024, and again on March 31, 2025. OCA January 20 Response at 6-7; IBEC January 20 Response at 5.

In December 2024 IPL executed a contract to transfer its call center staff to a third-party company. HT, p. 233. IPL's customer service call center employees were

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transferred to contractor InnoSource. OCA April 13 Response, Ex. 1. This occurred after a year-long engagement with InnoSource that began with an introductory overview in December 2023. IPL February 20 Response at 3.

OCA states that originally, labor expense was a contested issue. See IPL Fields Direct Testimony, p. 15 *contra* OCA Kruger Direct Testimony, pp. 29-31. After the Settlement, there was no adjustment to IPL's requested labor expense. HT, p. 270-74; OCA Brief at 9-10. OCA recommends removing four-fifths of the verification period severance costs due to the savings IPL will realize from VESP participation. OCA Brief at 11. OCA equates amortizing the severance costs to the time that remains before IPL could file a rate case under the terms of the Settlement and IPL's agreement to a five-year moratorium from filing another rate case. *Id.* OCA argues that IPL had a "blueprint" as to how to meet the lower revenue requirement because the revenue requirement had a "series of discrete, enumerated adjustments" made. OCA asserts that instead of IPL following these adjustments, IPL customers will be paying for labor expenses that are not being utilized while IPL exceeds its authorized ROE. At the hearing, OCA witness Blake Kruger further identified IPL's distribution capital spending as another area where it could save for the revenue requirement. HT, p. 326. Witness Kruger also stated that "IPL has a history of inflating its workforce projections during the rate case so that the approved revenue requirement will have enough cushion to cover other expenses that are ultimately disallowed or that IPL agrees to withdraw, such as

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\$18 million of incentive compensation.” *Id.* at 322-26. OCA would make an adjustment that reduces electric operating expenses by \$1,261,203. OCA April 13 Response Ex. 2, Exh2 worksheet Columns L, M, and N2.

LEG asserts that IPL’s labor costs need to be adjusted to comply with the matching principle; in other words, recognizing the labor costs in the same period as the associated revenue. LEG April 13 Response at 12. LEG argues that there should be an adjustment for the VESP reductions in workforce and the call center staff being outsourced to InnoSource because there are excess costs in rates related to employee expenses. *See generally id.* LEG asserts that IPL should have updated Data Request 100, which stated, “There are no currently planned discrete reduction in force for AECS or IPL for 2024 or 2025 that would impact the future test year as part of this rate review.” LEG would make the following reductions to electric operating income: \$1,274,411 for VESP, \$3,634,869 for non-VESP labor, and \$7,609,799 for VESP labor-related adjustments. LEG May 13 Response Attachment A Exh2-LEG Columns L, M, U the un-named column between Column T and U.

IBEC believes information should have been provided during the rate case that IPL was exploring a transaction that would impact its workforce and payroll expense. *See generally* IBEC January 20 Response at 4-8. IBEC argues that the Settlement included discrete reductions to arrive at the revenue requirement. IBEC Brief at 7. None of the adjustments contained within the final revenue requirement was for labor. *Id.*; *see also* Settlement Exhibit 1. IBEC reiterates that as part of the Settlement, 2,131 was the accepted number of full-time employees necessary to provide safe and reliable service. IBEC Brief at 8; HT, p. 302. IBEC asserts that the Settlement did not “force” a workforce

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reduction, but rather the Settlement funded the requested 2,131 full-time equivalent (FTE) labor level in full. IBEC Brief at 8.

IBEC asserts that the five-year rate moratorium does not justify the labor reduction. *Id.* About four and a half years had elapsed between IPL's last rate case and this current rate case, Docket No. RPU-2023-0002. *Id.* IBEC argues that while the Commission is completing its review and determination, the Commission should give little weight to workforce terminology used by IPL — including paradigm shift, deeper dive, reimagine, call to action, tighten our belts, different ball game, and different level of rigor — because these terms “obscure the straightforward fact that IPL implemented workforce reductions after representing to the parties that it had no such plans, and without supplementing or reopening the record.” *Id.* at 9. IBEC maintains that as IPL has had workforce reductions at least three times after a rate case, two of which occurred during a verification period, IPL continues to operate “business as usual.” *Id.* at 7.

IBEC also requests the Commission make clear “future-test-year settlements depend on the utility's timely disclosure of material workforce plans, particularly where the utility seeks recovery of labor expense premised on headcount it later reduces.” *Id.* at 10. IBEC argues that IPL did not provide a witness to “competently testify” regarding transitioning the call center staff to InnoSource. IBEC further states that the Commission “should not permit IPL to convert its own failure to present competent testimony into a shield against scrutiny.” *Id.* at 12. Specifically, IBEC states, “IPL's three witnesses each employed a series of evocative but vague characterizations to reframe the ordinary outcome of a contested rate case as a transformative company event requiring immediate and dramatic workforce action.” *Id.* at 3. IBEC argues that as IPL repeatedly

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receives less than it requests, there should have been no surprise when it received less in this rate case. *Id.* at 5-6.

CEDI argues that IPL testified that there were no discrete workforce reductions planned, so that is what the Settlement incorporated into labor expenses. CEDI Reformatted Brief at 6-7. IPL's rate case included 2,131 employees and the Settlement's agreed-upon labor expense was based on that number of employees; however, during the subsequent proceeding verification period, there were only 1,792 employees. *Id.* at 9. CEDI emphasized that because of the Commission's statement in Docket No. RPU-2019-0001, IPL knew or should have known of the Commission's concerns that "significant changes to the projected costs that are made by a utility during the verification period raise issues about the validity of the projections made in the original proceeding and whether the utility is manipulating the actual costs and revenues during the verification period." *Id.*

Throughout the subsequent proceeding, IPL reiterates that it had to reduce its labor force because of the \$100 million revenue requirement reduction and the five-year rate moratorium. *See generally* HT, p. 214. Additionally, IPL continues to argue that updating Data Request 100 was not necessary because all labor-related discussions occurred after the Settlement. *Id.* at 242. IPL witnesses testified at hearing that the discovery responses and testimony were accurate when made. *Id.* at 233. The decisions made during the verification period were ordinary business decisions. *Id.* at 22. IPL contends "[d]isagreement with the scope of IPL's internal communication is not a basis to restate IPL's actual verification period results." IPL Brief at 19. As for the issue after Docket No. RPU-2019-0001, IPL states that the Commission "raised a

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concern but did not make a finding.” *Id.* at 21. IPL argues that the discrepancy between test year and verification period labor costs in Docket No. RPU-2019-0001 was about \$1 million, verifying “the reliability of the projections.” *Id.* at 22.

IPL argues that OCA’s and LEG’s adjustments are not consistent with IPL’s actual costs. Under Iowa law, it is whether the actual verification-period costs and revenues are reasonably consistent. IPL states that OCA did not provide any law or Settlement provision that allows for amortizing these costs over a period of time. *Id.* at 25 (stating, “OCA identifies no settlement provision, statute, or rule that supports restating those professional-services costs over multiple years.”). IPL states it did not formally review or make any final determinations about transferring call center staff to InnoSource until after the rate case hearing record was closed, which meant there was no obligation to supplement the discovery responses. IPL states, “The InnoSource transition, like the VESP, reflects IPL’s ongoing evaluation of its cost structure and customer-service operations. The transition was designed to preserve local jobs through an on-sourcing arrangement, adhere to regulatory requirements, and enhance customer affordability.” *Id.* at 26.

Making labor expense adjustments after a settlement agreement under these circumstances is a slippery slope for the reasons raised by the parties. It is also an issue that the Commission has determined needs to be addressed based upon IPL’s previous and continued conduct. The Commission is concerned about the trend in future-test-year rate cases where IPL reduces its workforce during the verification period. While it may be coincidental that it has happened twice after two different future-test-year rate cases, it is also concerning that the leadership for Alliant and IPL

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who testified during the subsequent proceeding in this docket denied knowledge about the concerns expressed by the Commission in the previous rate case, which establishes a pattern resulting in similar reductions. Although the Commission has previously found that executive severance expense and workforce reduction adjustments are not ordinarily issues to be considered in subsequent proceedings, Commission precedent can be overruled or distinguished if the circumstances warrant it. *See In re: Interstate Power and Light Co., Order Concluding Electric Subsequent Proceeding*, Docket No. RPU-2019-0001, p. 15 (Nov. 3, 2021) (stating that executive severance expense and workforce reduction adjustments are not considered in subsequent proceedings).

In this proceeding, parties have argued that IPL failed to disclose workforce reductions, which “tainted the integrity of the settlement upon which the IUC’s Final Decision and Order rests, and that they undermine the reliability and transparency of the rate-case record upon which this subsequent proceeding depends.” IBEC Brief at 20. If the underlying expenses that are generally not looked at during a subsequent proceeding are revenues and expenses that are being questioned for candor and reliability, it would make sense that the Commission could look into those specific revenues and expenses. In the instant case, IPL argues that the VESP and InnoSource decisions were business decisions made because of the Settlement — the \$100 million reduction and five-year rate moratorium. The Commission recognizes the five-year rate moratorium is only related to the electric service; however, because the VESP and InnoSource decisions are related to both services, the reasoning applies to the adjustment whether it is for natural gas or electric service.

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The Commission does not find that the \$100 million reduction is a reason for the labor reduction. The terms of the Settlement and IPL's testimony at hearing showed labor reduction was not planned when IPL agreed to the rate reduction. IPL agreed to other reductions within the revenue requirement when finding the \$100 million revenue requirement reduction acceptable. Similarly, the Commission does not accept IPL's argument that the five-year rate moratorium was a reason for the workforce reduction. The Settlement allows for IPL to file a rate case prior to five years if the ROE falls below a certain percentage; after the subsequent proceeding, there is not a conforming provision if the ROE is higher than a certain percentage. Settlement, Article XII at 8. Additionally, by the time the subsequent proceeding is over, IPL will be halfway through its five-year rate moratorium. In future proceedings, if there is a rate moratorium in a future-test-year case, the rate moratorium should begin after the subsequent proceeding has concluded. This will ensure the moratorium begins when the rates are truly final and no additional changes will be made within the future-test-year rate case proceeding.

While there may be a question as to whether IPL purposely misled the parties and Commission by withholding relevant information, there is no question that IPL continued a pattern of reduction of workforce immediately after the "final order" in a rate case through implementing the VESP and contracting with InnoSource. As OCA stated at the subsequent proceeding hearing, the labor expense was not altered after IPL filed its application, but a \$100 million reduction was documented through a reduction in other expenses within the revenue requirement. See HT, p. 322. Past behavior, especially when it becomes a trend, affects the weight the Commission can give a utility

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on the topic, such as labor forecast. It was asserted early on in this proceeding that a certain number of employees were needed to provide safe and reliable service, then there was a reduction in workforce. See *generally* HT, p. 314. The repetitious conduct that does not account for the Commission's prior concerns damages one's credibility and questions one's respect for the tribunal.

Because of IPL's conduct with regard to the workforce reduction, the Commission will make an adjustment. The Commission does not consider a complete disallowance of the VESP and InnoSource transfer is appropriate, but does agree with the amortization proposed by OCA. The Commission will therefore reduce natural gas operating income by \$560,118. See OCA Subsequent Proceeding Response Exhibit 3, Exh2 - Adj Net Income Worksheet - Columns J, K, and L2.

3. Uncollectible Expense

IPL argues that the higher estimated amount of expenses, rather than the lower actual amount of expenses, in the subsequent proceeding should be allowed because it is the result of an allowance adder reflecting current economic conditions that may affect customers' ability to pay. IPL Brief at 29. IPL explains the adder is an additional amount added to the uncollectible expense to account for "economic uncertainty . . . for forward-looking risk not captured by historical averages." *Id.* at 31. While the adder increased from 10% to 15%, the actual impact was about \$600,000. *Id.* IPL argues that its three-year average methodology for calculating uncollectible expense is consistent with past rate case practices. *Id.* at 29.

IBEC argues the \$15.7 million for uncollectible expense is about 50% higher than the actual write-off amount in 2024 and 2025. IBEC Brief at 17. IBEC asserts that during

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the subsequent proceeding, the Commission is to determine reasonableness, not whether the accounting entry follows the formula. *Id.*

LEG states that in both the underlying rate case and the subsequent proceeding, IPL provided estimates for its electric uncollectibles, \$10,867,861 and \$15,692,232, respectively. LEG Brief at 25-26. LEG recommends using the amounts from IPL's FERC Form 1 for 2024 and 2025 to determine the amount of uncollectibles. It then suggests a reduction of \$1,666,913 to electric operating expenses. LEG May 13 Response Attachment A Exh2-LEG Column S.

The Commission recognizes IPL's methodology for calculating uncollectibles is consistent between the underlying rate case and subsequent proceeding; however, IPL unilaterally increases the adder to account for changes in economic conditions. The uncollectible expense is not based on actual costs, but rather a historical three-year average with an adder included in the formula. The Commission will not make an adjustment for the uncollectible expense during the subsequent proceeding, but cautions that if there is an adder in a future rate case, the adder needs to be clearly stated in the underlying rate case and not unilaterally changed by the utility during the subsequent proceeding. While the Commission is not making an adjustment for the adder in this subsequent proceeding, parties should not interpret that to mean there will not be an adjustment for adders in the future if a utility decides upon its own volition to include or change an adder during the subsequent proceeding. All sectors of the economy and all levels of customers may be facing uncertainty, but that does not mean the utility can increase formula inputs due to uncertainty within one sector, such as the agricultural industry.

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4. IPL's Vacation Policy and Administrative and General Adjustments

At hearing, IPL witness Fields explained the vacation policy adjustment as a policy change and described the corresponding accounting change. HT, pp. 144-45. Witness Fields explained the new policy showed a decrease on the balance sheet because employees no longer had an automatic two weeks of vacation on January 1; employees received the vacation ratably over the year. *Id.* IPL argues that the administrative and general (A&G) adjustments are normalization adjustments, similar to severance adjustments. *Id.* at 143-49. Witness Fields asserts that if the Commission chooses to make the severance adjustments, it should consider the A&G adjustments as well. *Id.* IPL states these adjustments were included after the Commission's February 6 order inviting it to include other adjustments. IPL Brief at 44.

OCA does not agree with IPL's proposed adjustments. HT, p. 274; OCA Brief at 17. OCA argues that the effect of the adjustments was to increase IPL's expenses for calculating the verification period ROE. OCA April 13 Response at 10; OCA Brief at 17.

LEG argues that IPL's proposed changes were to mask severance costs. LEG Brief at 23. LEG also argues that IPL likely did not disclose other cost-saving measures that would have let parties accurately analyze rate case information. *Id.*

The vacation and A&G adjustments proposed by IPL in response to Commission order were identified as offsetting adjustments if the Commission were to accept OCA's and intervenors' adjustments. The Commission rejects the majority of the adjustments as proposed by the parties. While two of the operating income adjustments proposed by OCA were accepted, the intervenors' proposed adjustments were rejected, so the

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offsetting adjustments proposed by IPL are unnecessary; therefore, the Commission will not approve IPL's vacation and A&G proposed adjustments.

5. Natural Gas Subsequent Proceeding Conclusion

IPL originally opposed the idea of requiring a reduction in rates for gas while acknowledging that the ROE was outside the 50-basis-point band. IPL March 13 Response at 4-5. At hearing, IPL proposed to implement the reduction through IPL's tax benefit rider (TBR) as a 12-month bill credit. HT, pp. 21, 125-28. After the 12 months, IPL would file a reconciliation to ensure the correct reduction was made, which would include IPL's actual costs for the previous 12 months showing it did not over-earn. IPL asserts this is "efficient, returns the relevant amount to customers, and preserves the framework approved in the Final Order." IPL proposes to refund \$1,755,262 to the residential rate class. IPL Brief at 41. IPL states this reduction would bring IPL to the upper portion of the band of reasonableness, as required by Commission rules.

IPL states:

IPL believes natural gas rates were appropriately set. IPL's costs continue to increase, including natural gas rate base, and IPL does not expect the level of ROE shown in this filing to continue. IPL's recommended approach, if any adjustment is required, is to apply the reduction through the TBR for 12 months. That approach allows expedient implementation at minimal cost because the TBR is already established in IPL's billing system. IPL would make a reconciliation filing at the end of the 12-month period to validate the adjustment and evaluate whether the credit should continue or cease.

IPL Brief at 45.

LEG argues that IPL's costs and revenues are inconsistent with what was approved in the underlying rate case, and that IPL should be required to adjust rates

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accordingly and issue refunds. LEG Brief at 33. LEG also asserts that the Commission should reduce IPL's ROE under Iowa R. Civ. 1.517 for not supplementing LEG Data Request Number 100, regarding IPL's workforce reduction. LEG's proposal is to reduce the ESM by 50 basis points and set the ESM's customer sharing at 90% when earnings are up to 100 basis points in excess of the blended ROE. After reaching 100 basis points in excess, LEG proposes the sharing would be 100%, and the customers would receive 50% of their share as a bill credit. *Id.* at 39-40.

OCA argues that with the chartered flights and VESP and call center staff reduction adjustments, IPL's natural gas ROE is 10.734%, or 108.4 basis points above the authorized ROE. OCA Brief at 20. OCA did not object to the use of the TBR for the rate reduction; however, OCA recommends the reduction be done on a permanent, volumetric basis. *Id.* OCA also does not object to allocating the reduction to the residential rate class. *Id.* If the Commission does not agree with using the TBR, OCA notes another option is requiring IPL to reduce the residential non-gas cost-per-therm charge. *Id.* OCA does not agree with IPL's proposal to allow for a 12-month reduction and true-up because there is no legal basis that contemplates a "subsequent subsequent proceeding." *Id.*

CEDI agrees with OCA that a permanent adjustment of natural gas rates is required. CEDI Reformatted Brief at 14.

IPL rejects LEG's proposal to require refunds because there is legal basis as the statute does not extend the refund-with-interest to subsequent proceedings. IPL Brief at 40. IPL also does not support OCA's adjustments because they are asymmetrical and IPL believes if they are accepted, its proposed vacation policy and A&G adjustments

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should be as well. *Id.* at 44. Accepting only OCA's adjustments would accelerate the need for a rate case. *Id.*

The natural gas ROE as presented by IPL is approximately 10.548%, which is 90 basis points above the approved ROE. IPL Brief at 39, 52. IPL asserts this is because the verification period ordered by the Commission creates a timing difference of VESP severance expenses being excluded and related labor savings being included. *Id.* at 40.

As explained above, the Commission made certain adjustments: disallowed chartered flight expenses and amortized labor expenses consistent with OCA's proposal. Due to these adjustments, IPL's natural gas ROE is 10.734% or 108.4 basis points above IPL's authorized ROE of 9.65%. See OCA Subsequent Proceeding Response Exhibit 3, Exh 1 - ROE worksheet.

Iowa Code § 476.33(4)(b) specifically states, "If the actual costs and revenues are not reasonably consistent with those approved by the commission, the commission shall adjust the rates accordingly." Iowa law recognizes that when "shall" is put in a statute, "it imposes a duty and precludes the exercise of discretion." *State v. Flynn*, 13 N.W.3d 843, 847 (Iowa 2024); see also Iowa Code § 4.1(30)(a) (defining "shall" as imposing a duty). Subrule 26.6(6) requires the Commission to reduce rates based upon the 50-basis-point band, not the authorized ROE, when a utility's rates fall outside the band of reasonableness. IPL proposed to allocate the reduction to the residential class, through the TBR, by credits with a per-meter-day basis, over a 12-month period. HT, pp. 197-98. IPL would also use the TBR as an opportunity to recapture any overpayments. HT, p. 199.

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As stated above, Iowa law requires the Commission to reduce IPL's rate when it is determined the costs and revenues are not reasonably consistent with those approved in the underlying rate case. 199 IAC 26.6. When determining the rate, the Commission's decision on the reduction in rates is based on the band of reasonableness and not the ROE authorized in the underlying rate case. *Id.* The Commission determined that IPL's natural gas ROE was 10.734%, and the natural gas authorized ROE threshold is 9.65%. While there are options to administer the rate reduction, the Commission will require IPL to implement a permanent rate reduction to the non-gas cost for the residential class in the amount of \$2,577,275. This reduction equates to \$0.01886 per therm based on 136,657,923 residential annual therms. See IPL's Response to Order Requiring Additional Information Dated February 6, 2026, March 13, 2026, p. 9. The rate reduction will also be in place until IPL's next natural gas rate case as neither Iowa Code nor Commission rules provide any language that would allow for a temporary rate reduction and a clawback. There is not a legal basis within Iowa Code § 476.33(4)(b) or rule 26.6 that provide for a second subsequent proceeding or reconciliation to determine if IPL overearned after the rate reduction. The reduction will occur as a change in residential base rates, not through the TBR as proposed by IPL. Iowa Code specifies to *adjust rates*. While there could be an argument that a monthly credit for an indeterminate number of years is the equivalent of a rate reduction, the language in the statute is unambiguous and does not need to go to that level of jumping through hoops to adjust rates when a utility can set a definitive rate that will place it within the band of reasonableness using the rulings within this order.

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B. Electric Rates Overview

The process for review of electric rates is the same as it is for the natural gas service, but on a larger scale. IPL December 19 Subsequent Proceeding Filing at 9-10 (stating \$7,500 for natural gas subsequent proceeding costs and \$22,500 for electric subsequent proceeding).

1. Electric Adjustments

The Commission's decision as to whether to include adjustments that span both the electric and natural gas service will have the same analysis but different monetary impacts. These costs are chartered flights, VESP and workforce reductions; uncollectible expenses; and vacation policy and A&G expenses. Because OCA withdrew its objection to uncollectible expenses and the Commission has determined, as explained previously, to not adopt IPL's vacation and A&G expense adjustments, those adjustments will not be reiterated in the electric section below.

a. VESP and Call Center Staff Reduction

OCA and all of the intervenors recommend some sort of adjustment for these expenses. *See supra* Section a.ii; *see also* OCA January 20 Response at 14-15 (recommending a three-year amortization for natural gas because there is no rate moratorium). OCA recommends a VESP and severance-related reduction to electric operating expenses of \$1,261,203. *See* OCA Subsequent Proceeding Response Exhibit 2, Exh2 - Adj Net Income worksheet - Columns L, M, and N2.

While these types of adjustments would not normally be made during a subsequent proceeding, if the Commission has a sound reason to do so, it can make an adjustment. As is shown in the discussion for natural gas service, the Commission

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chose to adopt OCA's proposal. As it would not change whether IPL is within the band of reasonableness and the discussion would be the same as described above, the Commission will not reiterate that discussion here.

b. Chartered Flights

Because the Commission is making an adjustment for chartered flights under the natural gas service, the Commission would make the same type of adjustment for electric service. See OCA Brief at 15 (stating OCA recommended removing all of the chartered flight expenses from the electric subsequent proceeding); *see supra* Section a.i. OCA recommends reducing electric operating expense by \$328,105. See OCA Subsequent Proceeding Response Exhibit 2, Exh2 - Adj Net Income worksheet - Column N. LEG supports OCA's recommendation. LEG Brief at 14. While the Commission would make this adjustment for the same reasoning as above, IPL would still be within the band of reasonableness and no reduction in rates would be warranted. Therefore, the Commission will not reiterate its discussion at this time.

2. Advance Ratemaking Principle Rate Base Adjustment and Cost-of-Removal Change in Methodology

The Settlement had a blended ROE of 9.866%, which is partly due to the methodology used by IPL when determining the depreciation expense for its advance ratemaking principle (ARP) assets. OCA April 13 Response at 6-8. The Settlement methodology had the original cost of the ARP facility and the cost of removal (COR) included. *Id.* at 8. Changing the timing of the depreciation expense for COR has the effect of artificially inflating the ROE and increasing it to 9.877%. *Id.*; OCA Brief at 7.

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IPL asserts that the subsequent proceeding is not the correct place to argue about advance ratemaking asset ROE treatment. IPL Brief at 34. IPL argues that the Commission does not have a complete enough record to make a determination on that matter. *Id.* IPL's interpretation of "going forward" meant after the future test year of the underlying rate case, which would have been September 2025. *Id.* IPL asserts the ROE should be calculated using the Settlement-approved structure.

OCA argues that IPL unreasonably interpreted the Commission's Final Decision and Order for post-in-service capital additions for advance ratemaking facilities. OCA Brief at 15. OCA asserts that the Commission's intent was clearly to limit the amount of rate base that would be subject to the higher advance ratemaking ROE; however, IPL interpreted the Commission's order in a way that resulted in a higher, blended authorized ROE. OCA Brief at 15-16. OCA describes IPL's "going-forward" interpretation as meaning from after the verification period and that IPL had to change its methodology for COR in accumulated depreciation. *Id.* at 16. By including the verification period in its interpretation of "going forward," IPL had a higher ROE for maintenance capital expenditures. Then by changing the COR methodology, the COR depreciated only the amount subject to the "all other" ROE, not the higher ROE. *Id.* This change occurred at the beginning of the verification period. *Id.* IPL agreed that the COR change should not have been made prior to the verification period, but could be made in the future. HT, p. 141. OCA proposes to use the authorized, blended ROE of 9.866% from the Settlement for the subsequent proceeding. OCA Brief at 17. OCA states this proposal is a "simple solution to IPL's unreasonable interpretation of the Commission's order." *Id.*

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LEG argues that IPL “artificially manipulated” rate base by adding assets to prior advance ratemaking principle balances rather than adding them to the “all other” category. LEG Brief at 27. LEG also argues that IPL increased the rate base for Wind Production Tax Credit Carry Forwards improperly as it reflects \$303 million and that amount should have been moved to base rates. *Id.* LEG’s calculation for the verification period ROE is 9.871%.

The Commission observes that during the verification period, IPL’s ARP balance significantly increased and the “all other” balance decreased, which led to an increase in the authorized blended ROE. While IPL interpreted “going forward” to mean after the verification period, the Commission interpreted it to mean after September 17, 2024, when the order stating “going forward” was issued. OCA proposed an authorized, blended ROE of 9.866% based on the Settlement, which the Commission agrees is a simple, reasonable solution to be used during the subsequent proceeding. This will alleviate additional time and expense to reevaluate any advance ratemaking assets to verify whether the accurate ROE was used. Any further discussions regarding the correct ROE can be addressed in a subsequent docket where it is more appropriate to spend additional time discussing the issue.

3. Concerns Raised by LEG

a. Common Equity

LEG argues that the common equity capitalization percentage should be 51%, not the 51.25% used by IPL. LEG argues the 51% was used in the Settlement and should be used in the subsequent proceeding. LEG Brief at 32-33. LEG argues that the

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subsequent proceeding and the earnings sharing mechanism (ESM) have distinct time frames and one should not affect the other's common equity percentage. *Id.*

In response to the common equity percentage, IPL states the Settlement directs the ROE to be consistent with the ESM methodology, which does not limit the common equity percentage to 51%. IPL Brief at 48. The use of 51.25% is not an unauthorized inflation of the common equity ratio, and utilizing a 51% cap is not consistent with the Settlement. *Id.* IPL states the ESM has a 13-month average of IPL's actual equity ratio, as long as it falls between 50.75% and 51.25%. *Id.*

The plain language of Article XX of the Settlement clearly allows for the actual equity ratio to deviate by 25 basis points. Attachment A to the Settlement states:

The equity ratio for ESM calculation shall be a 13-month average calculation equity ratio. To the extent IPL's actual equity ratio is more than 25 basis points above or below the 51 percent equity ratio used to set rates, IPL shall adjust the equity ratio used for ESM calculations to no less than 50.75 percent or no more than 51.25 percent.

There is no legal basis to set a 51% common equity ratio cap as proposed by LEG.

IPL's common equity ratio used in this instance is 51.25%, clearly within the terms set in the Settlement. The Commission will reject LEG's proposal.

b. Refunds

LEG proposes a rate reduction through a kilowatt-hour (kWh) reduction to rates applicable to all customer classes. LEG Brief at 39. LEG requests the Commission order IPL to refund customers due to IPL over-earning. LEG Response at 19. LEG argues that because the rates were wrongfully withheld from the customers, the customers are entitled to a refund with interest. *Id.* IPL argues that nothing was

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wrongfully withheld and the refund with interest concept is for temporary rates under § 476.6(9), not subsequent proceedings under § 476.33. IPL asserts this is forward-looking, not backward-looking. IPL Brief at 41.

The Commission will deny LEG's refund proposal. The refund provision is applicable only to when temporary rates are in place. At the time the verification period begins, there is a definite delineation between temporary and permanent rates. The Iowa Code does not have a provision for refunds when the actual costs and revenues are determined to not be reasonably consistent with those approved by the Commission.

c. Duane Arnold Energy Center

LEG argues that the Duane Arnold Energy Center (DAEC) buyout payment should not be included as it was through the energy adjustment clause (EAC) and not rate base. LEG Response at 16. IPL asserts that the buyout received ratemaking treatment and should be included. IPL Brief at 49. IPL states that there were "DAEC-related revenues in the revenue requirement, included amortization of the buyout payment as an offsetting expense, and included the unamortized regulatory asset in rate base to allow IPL a return of and on the carrying costs of the unrecovered balance during the amortization period." *Id.*

While the Commission previously ruled that automatic adjustment riders should be removed from a subsequent proceeding, IPL advises that not all of the DAEC-related items are through the EAC as some were through rate base and this treatment is consistent with the Settlement. Some of the DAEC-related items cannot be removed because they were through the EAC, while others remain because they were in the rate

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base, which would be inequitable. For this reason, the DAEC-related items will remain within the scope of the subsequent proceeding.

d. Tax Benefit Rider

LEG argues that the tax benefit rider (TBR) should not be included in the class cost-of-service study or the revenue allocation because the refunds are temporary. LEG April 13 Response at 19-20.

OCA states it does not support LEG's recommendation. HT, p. 336; OCA Brief at 18. OCA asserts that if the Commission decides the allocation needs to be changed, OCA does not support the use of LEG's proposal. OCA Brief at 18.

The purpose of a subsequent proceeding is to determine whether a utility's (IPL's) ROE is within the band of reasonableness and to analyze the utility's actual revenues and expenses as compared to the revenues and expenses previously approved by the Commission in the underlying rate case. Nothing within Iowa Code chapter 476 or Commission chapter 26 rules allows for the Commission to change the allocation during the subsequent proceeding. As Iowa Code § 476.33 states, if IPL is outside the band of reasonableness, the Commission is to reduce rates, which still does not lead to the Commission reallocating the already-approved rates; therefore, the Commission will not adopt LEG's proposal to change the rate allocation.

4. Electric Subsequent Proceeding Conclusion

With OCA's proposed income statement adjustments, IPL's ROE would be 10.328%. OCA Brief at 19. Using the Settlement ROE of 9.866%, this is within the 50-basis-point band of reasonableness and does not lead to a reduction in electric rates.

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The Commission has determined that no electric rate adjustments are warranted during this subsequent proceeding as IPL's electric ROE falls within the band of reasonableness. This concludes IPL's electric service subsequent proceeding.

RATE CASE EXPENSE

IPL has requested to recover its actual costs and the actual costs of the Commission and OCA for the duration of the subsequent proceeding until the subsequent proceeding final order. IPL Brief, p. 50. Parties provided arguments as to why IPL should not be entitled to recover some or all of the subsequent proceeding expense.

IPL asserts parties may argue, "IPL is responsible for driving up the cost of this proceeding, for example, that IPL filed using an incorrect verification period and thereby generated unnecessary expense. The record does not support shifting the costs of this proceeding onto IPL." *Id.* IPL maintains that the parties' discovery and comments led to a "granular, line-item historical rate review," which impacted the costs because it should have been a "narrow, fact-based comparison." *Id.*

OCA proposes that if IPL is granted rate case expense for the subsequent proceeding, that it receives an amount no greater than the amount to prepare its March 13 filing. OCA Brief at 26. OCA argues that ratepayers should not be required to pay for the original filing based on an incorrect verification period, or time spent by the Commission or OCA reviewing that information. *Id.* OCA also asserts that the February 20 filing should not receive rate case expense because IPL had refused to answer questions through the normal discovery process. *Id.*

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LEG argues that the Commission must hold IPL accountable for “stonewalling” the Commission. LEG Brief at 39. To do this, LEG proposes the Commission not allow IPL to recover subsequent proceeding expense. *Id.* LEG also proposes, “IPL’s existing rate case expense recovery related to the prior proceeding should be terminated.” *Id.*

CEDI argues IPL should only be allowed to recover costs for preparing the subsequent proceeding filing for the correct verification period, including costs from the Commission and OCA. CEDI Reformatted Brief at 14. CEDI also proposes that IPL not recover costs from outside counsel because its in-house attorneys are capable of supporting staff. *Id.* at 15-16.

IPL will be required to file information providing detailed subsequent proceeding expenses. Rule 26.7 includes information that a utility has to file for rate case expense, and if a utility is requesting more than the preparation of the information and filing required in rule 26.6, it is reasonable that the utility also provides similar information to receive recovery of additional expenses beyond the date of filing. IPL will be expected to provide information in relation to the initial filing, revised verification period filing, and hearing-related expenses. The Commission will defer ruling on subsequent proceeding expenses until this information is provided to allow the Commission to have all information necessary to make a determination.

INVESTIGATION RELATED TO IPL’S MANAGEMENT EFFICIENCY AND OTHER CONCERNS

OCA recommends the Commission look to see whether IPL needs additional oversight for management efficiency and commitment to customer affordability. OCA Brief at 23. OCA identified that in both of IPL’s future-test-year rate cases, IPL had

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workforce reductions during its subsequent proceedings. *Id.* OCA further asserted, “IPL’s history of finding labor efficiencies after its rate cases conclude, rather than prior to filing them, is an indicator of inefficient management and prioritization of the interests of shareholders over customers.” *Id.* at 26.

As was the situation during IPL’s 2019 rate case:

The detailed analysis of the verification period provides the [Commission], and other parties, information about the accuracy of IPL’s future test year projections, which will provide a basis for reviewing projections in the next rate case. An example is the significant reduction in employees by IPL. Significant changes to the projected costs that are made by a utility during the verification period raise issues about the validity of the projections made in the original proceeding and whether the utility is manipulating the actual costs and revenues during the verification period.

In re: Interstate Power and Light Co., Order Concluding Electric Subsequent Proceeding, Docket No. RPU-2019-0001, p. 12 (Nov. 3, 2021).

LEG argues that the Commission has broad discretion for issuing sanctions under Iowa Rules of Civil Procedure rule 1.517. LEG Brief at 39. LEG proposes the Commission reduce IPL’s base ROE in the ESM by 50 basis points for IPL’s failure to supplement LEG Data Request Number 100. *Id.* at 39-40. LEG states the ESM customer sharing should be 90% when earnings are up to 100 basis points in excess of the blended ROE; after 100 basis points, the customers should receive 100%. *Id.* At that point, customers should receive 50% as a bill credit with the remainder used to accelerate depreciation of IPL’s highest earning advance ratemaking asset. *Id.* at 40.

IBEC argues a future test year regulation’s integrity depends on the utility’s candor. IBEC Brief at 2. IBEC believes IPL’s failure to disclose workforce reduction was

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improper and tainted the Settlement and the Commission's subsequent order. *Id.* This undermined the reliability and transparency of the record that the subsequent proceeding was based upon. *Id.*

CEDI argues the lack of transparency makes the ESM review more important and should lead to a higher level of scrutiny for those calculations. CEDI Reformatted Brief at 13. CEDI asserts the Commission should take any action deemed necessary to address the lack of transparency in the underlying rate case and IPL's attempt to manipulate the verification period data. *Id.* at 16.

Throughout the subsequent proceeding, OCA and intervening parties have expressed concerns about transparency and management efficiency. The Commission previously stated in its April 27 order that it did not believe the subsequent proceeding was the proper forum for these concerns. There have been management decisions related to transparency, timing of decisions, and overall management philosophy that have caused serious concerns — especially in the current environment where there are concerns related to customer affordability and the need for more energy and capacity. Other factors that may be considered are provided in Commission rules at chapter 29, *Management Efficiency Evaluation*. Iowa Code § 476.2(4) states:

The commission shall have authority to inquire into the management of the business of all public utilities, and shall keep itself informed as to the manner and method in which the same is conducted, and may obtain from any public utility all necessary information to enable the commission to perform its duties.

The Commission will open up Docket No. INU-2026-0002 to conduct this review.

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CONFIDENTIAL TREATMENT

On February 20, 2026, IPL requested confidential treatment for Attachments 1-5 of its response to the Commission's February 6 order. IPL asserts the attachments contain confidential information that are commercially sensitive business information that would give advantage to competitors and serve no public purpose. IPL asserts the information is confidential pursuant to Iowa Code § 22.7(3). IPL states it maintains the material as confidential, and makes reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, the materials, consistent with Iowa Code § 550.2(4), by limiting such disclosure to certain personnel. The material is marked as confidential in conspicuous locations. IPL further argues that if disclosed it would allow IPL's competitors to gather market-sensitive information, would disadvantage IPL competitively, could result in higher costs, and would serve no public purpose. The request for confidential treatment was submitted concurrently with an affidavit in support of a corporate officer, Mayuri Farlinger.

Pursuant to 7 IAC 2505 and 199 IAC 2505, if no objection to the request for confidential treatment is filed within 20 days of the request, the Commission may defer consideration of the request until a public records request is made for the material. No objection has been filed to IPL's request; therefore, the Commission will defer consideration of IPL's confidentiality request until a public records request is made for the material and will withhold the material from public inspection.

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ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Utilities Commission finds that the Interstate Power and Light Company's actual costs and revenues for natural gas service during the verification period are not reasonably consistent with the costs and revenues approved by the Utilities Commission in the original rate case proceeding because the resulting return on equity was outside the 50-basis-point band of reasonableness, and an adjustment to residential rates is necessary.

2. Interstate Power and Light Company shall implement a permanent rate reduction for the natural gas residential class in the amount of \$2,577,275, which is \$0.01886 per therm.

3. Within 20 days from the date of this order, Interstate Power and Light Company shall file information consistent with this order showing how Interstate Power and Light Company is implementing the rate reduction for its natural gas service by reducing the base rates for its residential natural gas service.

4. Within 20 days from the date of this order, Interstate Power and Light Company shall file a compliance tariff consistent with this order implementing the rate reduction for its natural gas service.

5. The Utilities Commission finds that Interstate Power and Light Company's actual costs and revenues for electric service during the verification period are reasonably consistent with the costs and revenues approved by the Utilities Commission in the original rate case proceeding because the resulting return on equity

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was within the 50-basis-point band of reasonableness, and no adjustment to the approved rates is necessary.

6. Within 30 days from the date of this order, Interstate Power and Light Company shall file information consistent with 199 Iowa Administrative Code 26.7 for the initial filing, revised verification period filing, and hearing-related expenses to support its request to recover subsequent proceeding expenses.

7. The Utilities Commission will open Docket No. INU-2026-0002 to review Interstate Power and Light Company's management efficiency consistent with the body of this order, factors established in 199 Iowa Administrative Code chapter 29, other concerns expressed by stakeholders, and concerns raised during its rate case and subsequent proceeding in Docket No. RPU-2023-0002.

8. Consideration of Interstate Power and Light Company's request for confidential treatment filed during the subsequent proceeding in Docket No. RPU-2023-0002 is deferred until a public records request is made for the material or information, and the information and material shall be withheld from public inspection.

UTILITIES COMMISSION



Sarah Martz, Chair



Joshua Byrnes, Commissioner

Erik Helland, Commissioner

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CONCURRENCE IN PART AND DISSENT IN PART

I agree with much of the majority decision. The majority correctly identifies that a subsequent proceeding's narrow scope and purpose is to "determine whether the actual costs and revenues are reasonably consistent with those approved by the Commission." Iowa Code § 476.33(4)(b). I agree that our rules dictate that a utility's costs and revenues are reasonably consistent with those approved in the underlying rate case if the utility's actual ROE falls within a 50-basis-point band of reasonableness. 199 IAC 26.6(4). I agree with finding that IPL's electric ROE falls within the band of reasonableness and, as a result, I agree in concluding that no adjustment to IPL's electric rates is warranted. I further agree with finding that IPL's natural gas ROE falls outside the band of reasonableness and therefore concluding that an adjustment to the utility's natural gas rates is appropriate.

I dissent from the majority's decision to lower IPL's residential natural gas rates by \$0.01886 per therm. For the reasons provided by IPL, I would instead adopt the utility's proposal to implement a 12-month rate reduction through the tax benefit rider. I appreciate, however, that reasonable minds may differ on this point and save the bulk of my comments for the majority's decision concerning the INU docket being opened to review management efficiency.

The majority states it is opening Docket No. INU-2026-0002 for the purpose of reviewing IPL's "transparency, timing of decisions, and overall management philosophy," as well as considering the management efficiency factors set forth in chapter 29 of our rules. The majority's decision leaves essential questions regarding this new INU proceeding's scope and function unduly vague. The majority's decision also provides

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insufficient insight into the expectations of the parties, what rights may be at stake, the legal basis for its decision, or even whether this INU docket should be considered a contested case or not.

Moving forward without a clearly defined scope and function raises unnecessary risk and costs. This vagary gives rise to potential due process violations, fundamental unfairness, undue litigation expenses, and confusion and frustration among the parties. Restrictions on scope and function are the very safeguards granted by code and constitution, which this Commission is called upon to honor and protect. I therefore cannot join the majority in its decision to open this new docket.

I appreciate that opening a new INU docket following a rate case is not without precedent. Following IPL's 2010 rate case, identified as Docket No. RPU-2010-0001, the Commission opened Docket No. INU-2011-0001 for the purpose of conducting and receiving the results of a third-party audit of IPL's affiliate transactions and certain other business practices. *In re: Interstate Power & Light Co.*, "Final Decision and Order," Docket No. RPU-2010-0001, p. 135 (Jan. 10, 2011). However, in that instance the Commission was clear that a third party was conducting an audit, and what the scope of that audit would entail, and specifically cited the statutory authority allowing the agency to proceed with such an audit. *Id.* at 135-36. If it is the majority's intention to use Docket No. INU-2026-0002 to conduct a third-party audit in a similar manner, they should say so.

The language used by the majority does not give the impression that it is their intention to use Docket No. INU-2026-0002 to conduct an audit. Rather, the majority states the new docket is being opened to review IPL's transparency, as well as the

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management efficiency factors set forth in chapter 29 of our rules. This leads me to believe the majority intends to treat Docket No. INU-2026-0002 as a proceeding to consider the imposition of a management efficiency penalty. If this is the majority's intention, it may be in contravention of our rules. Rule 29.2 states that management efficiency evaluations are to be conducted in either "a complaint proceeding conducted pursuant to Iowa Code section 476.3 or in a rate proceeding conducted pursuant to Iowa Code section 476.6." An INU docket is neither. Considering the imposition of a management efficiency penalty outside of a rate case or complaint proceeding is, to my knowledge, unprecedented and, in my opinion, ill advised. Nevertheless, if that is the true nature of the INU proceeding, the majority should say so unambiguously and clarify that the proceeding will be conducted as a contested case pursuant to the provisions set forth in Iowa Code chapter 17A.

Regardless of how the majority intends to proceed with Docket No. INU-2026-0002, I am not inclined to follow them down any such path. In my review of the record and relevant law, I disagree that IPL's conduct in this case warrants any sanction or further action by the Commission.

Our rules provide that discovery procedures applicable in civil actions are available in contested cases and that discovery time periods are the same as those provided in the Iowa Rules of Civil Procedure. 199 IAC 2506.15; see *also* Iowa R. Civ. P. 1.503(4) (addressing supplementing discovery). I cannot identify any provision of law that would suggest that the duty to supplement discovery requests survives the close of the record. See *Whitley v. C.R. Pharmacy Serv., Inc.*, 816 N.W.2d 378, 386 (Iowa 2012) ("Consistent with the discovery rules in general, the duty to supplement seeks to clarify

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issues *prior to trial*, avoid surprise to parties, and *allow a complete opportunity to prepare for trial.*") (emphasis added).

IPL's duty to update its prior discovery responses ended when the record in the underlying rate case closed, which was at the conclusion of the hearing held July 9 to 11, 2024. The testimony of IPL witness Melissa Kehoe establishes that IPL did not discuss potential reductions to labor costs until late July 2024. HT, pp. 38-39. The decision to offer the VESP was finalized sometime around the end of August to early September 2024. *Id.* at 43. IPL's response to the Commission's February 6, 2026 Request for Additional Information shows that the utility did not finalize an agreement with InnoSource until October 2024, well after the issuance of the final order in the underlying rate case. Because IPL's decisions regarding the VESP and InnoSource were not finalized until after the close of the record in the underlying rate case, I do not believe IPL had a duty to supplement its prior discovery responses with this information.

Even if I were inclined to believe that IPL showed insufficient candor in the underlying rate case, I still would not agree with the majority's decision to open a new docket. Instead, I would wait until IPL's next rate case and then take official notice of the record in this proceeding as well as the record of Docket No. RPU-2019-0001. I would then consider the accuracy of IPL's prior labor expense forecasts when assessing the credibility of any new evidence produced by IPL that speaks to its future labor expenses. I would take this approach because, in my opinion, the concerns about IPL's candor really amount to concerns about the credibility of IPL's witnesses. The time to consider witness credibility is when we are forming our final order in the underlying rate case, a juncture that has passed at the time of this perpetual proceeding. The hearing

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for the underlying rate case concluded more than two years ago, our final order has long since been issued, and the Commission has denied all requests for reconsideration. Beginning another proceeding to evaluate the “transparency” of IPL at this point seems rather unnecessary.

Furthermore, the majority’s attempt to tie its transparency concerns to the management efficiency factors set forth in 199 IAC 29.3(1) is an unsatisfactory reading of the administrative code. A management efficiency review is intended to consider factors that are both economic and quantitative. A utility’s lack of candor, real or perceived, is neither. A utility’s transparency and its efficiency as a business entity do not share a clear common nexus of operative fact, and the majority does not make a serious attempt to resolve this apparent irreconcilability.

Given the nature of the complaints, I can appreciate how an adjudicator would wish to implement some kind of remedy; however, the majority’s decision does not clearly articulate the precise wrong IPL has committed, nor does it attempt to explain how its proposed course of action is appropriate to address that wrong. Instead, the majority’s decision opens an opaque INU docket as a means to go tilting at windmills (wind turbines). I have no interest in joining them in this endeavor, as I do not see what more could possibly be discovered that we have not already seen, weighed, and ruled upon. Ratepayers have already borne enough cost for this proceeding.

UTILITIES COMMISSION



Erik Helland, Commissioner