

DIRECT TESTIMONY

of

DIANNA HATHHORN

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Interstate Power and Light Company

Docket Nos. 06-0738/07-0209 (Consolidated)

August 30, 2007

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Dianna Hathhorn. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 Q. By whom are you employed and in what capacity?

7 A. I am currently employed as an Accountant in the Accounting Department
8 of the Financial Analysis Division of the Illinois Commerce Commission
9 (“ICC” or “Commission”).

10

11 Q. Please describe your professional background and affiliations.

12 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
13 from Illinois State University in 1993. Prior to joining the Commission in
14 1998, I worked as an internal auditor for another Illinois state agency for
15 approximately 3.5 years. I also have 1.5 years experience in public
16 accounting for a national firm.

17

18 Q. Have you previously testified before any regulatory bodies?

19 A. Yes. I have testified on many occasions before the Commission.

20

21 Purpose of Testimony

22 Q. What is the purpose of your testimony in this proceeding?

23 A. The purpose of my testimony is to present the results of my review of the
24 Interstate Power Company's ("Company", "Interstate", or "IPL") testimony
25 and accompanying Exhibits which describe the costs and revenues
26 attributable to the Company's fuel adjustment clause ("FAC") for the
27 periods ending December 31, 2006 and February 6, 2007. The period
28 ending December 31, 2006 is the normal annual reconciliation period.
29 Interstate sold its retail electric and natural gas operations to Jo-Carroll
30 Energy, Inc. ("JCE"), effective February 6, 2007 in Docket No. 05-0835,
31 therefore this docket represents the final FAC periods to be reconciled.

32

33 Q. Are you sponsoring any schedules as a part of your direct testimony?

34 A. Yes. I am sponsoring the attached schedule:

35 Schedule 1.1 Fuel Adjustment Clause Reconciliations

36

37 Q. Does your testimony include any attachments?

38 A. Yes. It includes Attachment A, which is the Company's supplemental
39 response to Staff data request DLH-2.01.

40

41 Reconciliation of Costs and Recoveries

42 Q. Describe Schedule 1.1, Fuel Adjustment Clause Reconciliations.

43 A. Schedule 1.1 provides a summary of the Company's 2006 and 2007
44 reconciliation schedules. The sources of columns (A) and (B) are listed on

45 Schedule 1.1. Column (C) summarizes the final Factor Ro's for 2006 and
46 2007.

47

48 Q. Do you recommend any adjustments to IPL's FAC reconciliation as a
49 result of your review?

50 A. No. The Company has correctly reflected its revenues collected under its
51 fuel adjustment charge with actual costs prudently incurred in the direct
52 testimony of Ms. Sonya M. Kessinger in IPL's Exhibits SMK 2.1 and SMK
53 3.1, which indicates a requested ordered reconciliation refund ("Factor
54 Ro") of \$278,959. However, the information presented in IPL's exhibits is
55 inconsistent with the FAC format in the initiating orders for this proceeding.
56 Therefore, in my Schedule 1.1, I present this data on the correct lines, and
57 reflect the same total Factor Ro of \$278,959 on line 10, Column (C). I
58 recommend that my Schedule 1.1 be attached as an Appendix to the Final
59 Order in this case.

60

61 Q. How does Interstate intend to dispose of this over recovery?

62 A. Company witness Sonya M. Kessinger sets forth the plan to refund the
63 over recovery to Interstate's former customers:

64 IPL will notify JCE of the final reconciliation amounts, as
65 determined by Commission Order in these dockets. IPL will
66 provide the amount to be refunded to each customer in one billing
67 cycle to JCE. This information will be communicated to JCE
68 electronically in a manner that can be integrated into JCE's
69 electronic billing records. JCE will not be required to perform these

70 refunds to customer[s] until they have received the funds from the
71 company. (IPL Exhibit SMK 1.0, pages 5-6)

72
73 Q. Do you agree with the Company's proposal for refunding the over-
74 recovery in this docket?

75 A. Yes. This plan is consistent with the Post Closing Agreement, Schedule
76 5, between Interstate and JCE at the time of the asset sale. (Attachment A
77 to this testimony)

78
79 Q. How does the Company plan to calculate the amount to be refunded to
80 each customer?

81 A. In response to Staff data request DLH-2.01, the Company indicated that it
82 will use historic customer usage during the refund period to apportion the
83 refunds on a per unit basis; and that refunds will be made in collaboration
84 with JCE. Finally, Interstate committed to providing copies of
85 correspondence between the Company and JCE to the ICC.

86

87 Recommendations

88 Q. Do you have any recommendations based on your analysis?

89 A. Yes. I have several recommendations as a result of my review.

90 1. As the Company committed to in its response to Staff data request
91 DLH-2.02, I recommend that within 7 days of transferring the funds
92 for the over-recovery in this proceeding to Jo-Carroll Energy, IPL

93 provides a copy of the document representing the transfer of funds
94 to JCE to the Manager of the Accounting Department.

95 2. As the Company committed to in its response to Staff data request
96 DLH-2.03, I recommend that within 30 days of the date refunds for
97 the over-recovery are made to IPL's former customers, IPL
98 provides written notification to the Manager of the Accounting
99 Department that such refunds have actually been made.

100 3. Finally, I recommend that the Commission approve the
101 Reconciliation presented on ICC Staff Exhibit 1.0, Schedule 1.1,
102 resulting in a Factor Ro refund of \$278,959 as of February 6, 2007.
103 This includes amounts for the reconciliation periods January 1,
104 2006 through December 31, 2006 as well as for the period January
105 1, 2007 through February 6, 2007.

106

107 Conclusion

108 Q. Does this question end your prepared direct testimony?

109 A. Yes.

INTERSTATE POWER AND LIGHT COMPANY
FUEL ADJUSTMENT CLAUSE RECONCILIATIONS
Docket Nos. 06-0738/07-0209 Consolidated

| | 2006 (1) Exhibit SMK 2.1 (A) | 2007 (2) Exhibit SMK 3.1 (B) | Total Ro to be Refunded (C) |
|---|------------------------------------|------------------------------------|-----------------------------------|
| 1 Balance of Factor Ra at December 31, 2005/2006 Respectively - Under/(Over) Collected | \$482,386 | \$791,338 | |
| 2 Factor Ro Collected/(Refunded) During Reconciliation Period | <u>\$14,331</u> | <u>\$0</u> | |
| 3 Balance to be Collected/(Refunded) During Reconciliation Period from prior periods (Sum of lines 1 and 2) | \$496,717 | \$791,338 | |
| 4 FAC Recoverable Costs | \$7,742,861 | \$629,834 | |
| 5 FAC Revenues | (\$6,032,579) | (\$1,523,824) | |
| 6 Base Fuel Cost (BFC) Revenues | <u>(\$1,403,703)</u> | <u>(\$188,265)</u> | |
| 7 Under / (Over) Recovery for Reconciliation Period (Sum of Lines 4 to 6) | \$306,579 | (\$1,082,255) | |
| 8 FAC Reconciliation Balance At Dec. 31, 2006 and Feb. 6, 2007, Respectively - Under / (Over) Collected (Line 3 + Line 7) | \$803,296 | (\$290,917) | |
| 9 Balance of Factor Ra at December 31, 2006 and Feb. 6, 2007 Respectively | <u>\$791,338</u> | <u>\$0</u> | |
| 10 Requested Ordered Reconciliation Factor to be collected/(Refunded) (Factor Ro) Line 8 - Line 9 | <u><u>\$11,958</u></u> | <u><u>(\$290,917)</u></u> | <u><u>(\$278,959)</u></u> |

(1) Reconciliation Period: January 1, 2006 through December 31, 2006

(2) Reconciliation Period: January 1, 2007 through February 6, 2007

**Supplemental Response of
Interstate Power and Light Company
to
ILLINOIS COMMERCE COMMISSION
Data Request No. DLH-2.01**

Docket Number: 07-0209
Date of Request: July 13, 2007
Response Due:
Information Requested By: Dianna Hathhorn
Date Responded: July 18, 2007
Author: Sonya Kessinger
Author's Title: Sr Regulatory Pricing Analyst
Author's Telephone No.: (608) 458-3692
Witness: (If other than Author)

Data Request No. DLH-2.01

Referring to IPL Exhibit SMK 1.0, page 5, lines 22-23, how does IPL intend to calculate the amount to be refunded to each customer? Provide documentation of any agreements or descriptions of the refund process with Jo-Carroll Energy ("JCE").

Supplemental Response

See attachment A.

SCHEDULE 5

PGA – FAC REFUND PROCESS

Purchased Gas Adjustment Clause (PGA) and Fuel Adjustment Clause (FAC), are mechanisms used to set the monthly commodity cost of gas and the monthly commodity costs of electric supply, pursuant to the associated riders in the IPL natural gas and electric tariffs on file with the Illinois Commerce Commission (ICC). IPL also has a Former Manufactured Gas Plant Clause (FMGP) that collects the annual clean-up costs associated with IPL's former manufactured gas plant sites.

The disposition of the under- or over- recovery of the PGA and FAC will be determined by the ICC in the respective final reconciliation dockets. IPL currently has ICC dockets pending in Docket Nos. 06-0747 (PGA) and 06-0738 (FAC) for the period January 1, 2006, through December 31, 2006, and will request that another be initiated for 2007, for the period January 1, 2007, through the date the transaction is closed.

The disposition of the under- or over- recovery of the FMGP will be determined by the ICC in the respective final reconciliation dockets. It is anticipated that the ICC will initiate a new docket for the FMGP reconciliation for the period October 1, 2005 through September 30, 2006. IPL will make a request to initiate a new docket for the remaining period of October 1, 2006 through the date of the closing of this transaction.

The ICC's reconciliation dockets (06-0747, 06-0738, and the new 2007 dockets) will review the IPL reconciliation of its PGA and FAC pursuant to its riders on file with the ICC. The ICC examines and reconciles the PGA and FAC revenues and expenses collected through the respective clauses. The ICC's determination of over- or under- recovery made in 06-0747 and 06-738 will need to be applied to the 2007 reconciliation and the net over-recovery, if any, determined in the final reconciliation docket will be provided to JCE to refund to its customers. The ICC's determination in the 2005-2006 FMGP reconciliation will need to be applied to the 2006-2007 reconciliation and the net over-recovery, if any, determined in the final FMGP reconciliation docket will also be provided to JCE.

IPL will notify JCE of the final reconciliation amounts, as determined by ICC orders in the 2007 reconciliation proceedings. If an over-recovery is to be refunded to each former customer of IPL, IPL will provide the amount to be refunded to each customer in one billing cycle. This information will be communicated to JCE electronically in a manner that can be integrated into JCE's electronic billing records. IPL will provide funds to JCE for any PGA, FAC, and FMGP Refunds necessary prior to the requirement that JCE refund such amounts to its customers.

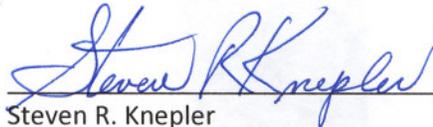
STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

| | | |
|--|---|----------------|
| ILLINOIS COMMERCE COMMISSION | : | |
| On Its Own Motion | : | |
| -VS- | : | 06-0738 |
| INTERSTATE POWER AND LIGHT COMPANY | : | |
| Reconciliation of revenues under fuel | : | |
| adjustment charges with actual costs | : | |
| prudently incurred. | : | |
| | : | (CONSOLIDATED) |
| ILLINOIS COMMERCE COMMISSION | : | |
| On Its Own Motion | : | |
| -VS- | : | 07-0209 |
| INTERSTATE POWER AND LIGHT COMPANY | : | |
| Reconciliation of revenues collected under | : | |
| fuel adjustment charges with actual costs | : | |
| prudently incurred. | : | |

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 30th day of August, 2007 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Dianna Hathorn of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.



Steven R. Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronics mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 30th day of August 2007.



Steven R. Knepler
Supervisor
Accounting Department

INTERSTATE POWER AND LIGHT COMPANY
Docket Nos. 06-0738 and 07-0209 (CONSOLIDATED)
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ILLINOIS COMMERCE COMMISSION

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