

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: ESTIMATION AND PRORATION OF NATURAL GAS BILLS	DOCKET NO. RMU-01-1
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ORDER ADOPTING AMENDMENTS

(Issued July 31, 2001)

Pursuant to Iowa Code §§ 17A.4, 476.1, 476.2, and 476.6 (2001), the Utilities Board (Board) on February 21, 2001, issued an order in Docket No. RMU-01-1, In re: Estimation and Proration of Natural Gas Bills, "Order Commencing Rule Making," to consider amendments to 199 IAC19.3(8) and 199 IAC 19.10(3). The "Notice of Intended Action" was published in IAB Vol. XXIII, No.19 (3/21/01), p. 1470, as ARC 0552B.

The proposed amendment to 199 IAC 19.3(8) required that natural gas bills that are based upon estimated consumption, rather than actual meter readings, include actual degree day and customer premises consumption history data, and allowed customers to provide meter readings by telephone, electronic mail, or U.S. mail. The amendment also proposed to require regulated natural gas utilities to notify the Board if estimation procedures were changed.

The Board proposed to correct 199 IAC 19.10(3) to require that periodic changes in a rate-regulated utility's purchased gas adjustment rate factors be prorated to become effective with usage on or after the date of change.

The "Adopted and Filed" notice which is attached to this order and incorporated herein by reference contains an explanation of the procedural history of the current rule making, a discussion of the comments, and the modifications to the rule making made and adopted by the Board.

IT IS THEREFORE ORDERED:

1. A rule making identified as Docket No. RMU-01-1 is adopted.
2. The Acting Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin an "Adopted and Filed" notice in the form attached to and incorporated by reference in this order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

Dated at Des Moines, Iowa, this 31st day of July, 2001.

UTILITIES DIVISION [199]

Adopted and Filed

Pursuant to Iowa Code sections 17A.4, 476.1, 476.2 and 476.6 (2001), the Utilities Board (Board) issued an order on July 31, 2001, in Docket No. RMU-01-1, In re: Estimation and Proration of Natural Gas Bills, "Order Adopting Amendments." On February 21, 2001, the Board issued an order commencing a rule making to amend 199 IAC 19.3(8) to require that natural gas bills that are based upon estimated consumption, rather than actual meter readings, include actual degree day and customer premises consumption history data in the calculation of the estimate. The proposed amendment allowed customers to provide meter readings by telephone, electronic mail, and U.S. mail. In addition, the Board proposed to amend the subrule to require utilities to notify the Board if the method of estimation changed.

The Board proposed to amend 199 IAC 19.10(3) to require that periodic changes in a rate-regulated utility's purchased gas adjustment (PGA) rate factors be prorated to become effective with usage on or after the date of change.

The Notice of Intended Action of the proposed amendments was published in Iowa Administrative Bulletin (IAB) Vol. XXIII, No.19 (3/21/01) p.1470, as ARC 0552B. Written comments were to be filed on or before April 12, 2001.

Comments were filed by Claudia Wood, City of Davenport, Daniel L. Moeller, Kristie Batzkiel, Donald E. and Patricia M. Cepican, Consumer Advocate Division of the Department of Justice (Consumer Advocate), IES Utilities Inc. and Interstate

Power Company (collectively Alliant), MidAmerican Energy Company (MidAmerican), Jeff and Shirley Andersen, UtiliCorp United Inc. (UtiliCorp), and Mary Rourke.

Ms. Wood stated that she was treated unfairly by MidAmerican due to the lack of prorating of PGA pricing, as well as MidAmerican's estimating routine. She stated that she hopes the Board will adopt prorating rules and that the Board will not allow estimation of bills in times of extreme price fluctuations.

The City of Davenport adopted a resolution urging the Board to require utilities to consider weather conditions and customers' historical gas consumption when estimating bills.

Mr. Moeller stated that he avidly supports proration of PGA pricing, consideration of weather, and customers' historical gas consumption when estimating bills, requiring utilities to file estimating procedures with the Board, and he feels that the lack of an obvious supply system failure means that the sharp price increases were not justified. Mr. Moeller provided a spreadsheet with several years' bills to show the impact of commodity price escalation on his family's budget.

Ms. Batzkiel stated that she feels that MidAmerican is too focused on payments and, as such, does not show enough compassion for its customers.

The Cepicans stated that they feel that MidAmerican's method of calculating bills in the high volatility transition from December 2000 to January 2001 was very unfair. They indicated that they understand MidAmerican's contention that its billing practices are fair overall, but they contend that individual customers can still be treated unfairly by the system.

The Andersens stated that they support the proposed rule making. They stated that they believe the majority of MidAmerican customers were overcharged and that MidAmerican should be required to adjust customer bills from December and January using the proposed rules for guidance.

Ms. Rourke stated that she supports the proposed rules requiring proration of PGA prices.

Consumer Advocate stated that it fully endorses the proposed rules.

Alliant made several comments concerning the proposed amendment to 199 IAC 19.3(8). Alliant stated that leaving the meter reading form at the customer premises might be of limited value and possibly counterproductive, since the meter reading form often would not arrive at the company until after the meter reading is already estimated. This Alliant suggested might increase meter reading time and that actual utility reads should take precedence over customer meter reading.

Alliant stated that it agreed with the concept of recognizing weather in bill estimation but it did not agree with the specific proposed language. Alliant stated that the rules should be less prescriptive and should allow utilities more latitude in the method used to incorporate weather into the estimation process.

Finally, Alliant stated that it is consolidating the customer information systems of IES Utilities Inc. and Interstate Power Company and that Alliant prefers to continue to use the existing estimating methodologies until implementation of the consolidation. Alliant estimated that the implementation would be complete by December 31, 2001. Alliant requested that it not be required to comply with the new requirements until after that date.

MidAmerican made several comments concerning the proposed amendment to 199 IAC 19.3(8). MidAmerican concurred in the wording changes to the second paragraph made in the proposed amendment as published in the IAB and suggested that the word "form" in the third sentence be changed to "meter reading information." MidAmerican suggested deletion of the third paragraph of 19.3(8) and substitution of the following language: "The utility shall incorporate normalized weather data in its calculation of an estimated bill." MidAmerican stated that the suggested language would make the rules less prescriptive and that the change could possibly relieve the Board of being required to define "similarly situated customer premise." Finally, MidAmerican suggested that if the Board agrees to MidAmerican's suggested re-write of the third paragraph, it supported the requirement of filing of the estimation procedures.

UtiliCorp made several comments concerning the proposed amendment to 199 IAC 19.3(8). UtiliCorp stated that it was in substantial compliance with the proposed customer meter reading requirements and supported the proposed change. UtiliCorp stated that it believed the proposed change concerning bill estimation procedures would be cost prohibitive. It stated that its current estimating system fairly and accurately calculates bill estimates and requested that the provision not be implemented or, in the alternative, that the rule change be modified to allow the continued use of its current bill estimation system. Finally, UtiliCorp stated that it did not object to the reporting of estimating procedures or changes to the procedures.

The Board has considered the comments and has determined that the amendment to 199 IAC 19.3(8) as proposed should be modified. The Board finds that MidAmerican's recommendations are reasonable and will change the word "form" in the third sentence of the second paragraph to "meter reading information," and will adopt MidAmerican's language for the third paragraph. This will allow each utility to develop estimation procedures that are consistent with their billing systems and still meet the Board's requirement that estimates reflect weather differences. The filing of the estimation procedures and changes will allow the Board to ensure that the procedures meet the requirements of the subrule.

The Board will also make the amendment effective November 1, 2001, to help address the consolidation of Alliant's billing systems. This effective date will implement the bill estimation requirements by the next winter heating season. If a utility is not able to implement the rule changes by that date, it may file a request for a waiver.

Alliant stated that it had no problem with the proposed amendment to 199 IAC 19.10(3).

MidAmerican filed comments concerning the proposed amendment to 199 IAC 19.10(3). MidAmerican stated that it is putting into place changes to its billing system to allow proration of customer usage between PGA factors if more than one PGA factor is effective during a billing cycle. MidAmerican recommended that the Board substitute the statement "[f]or bills covering period in which more than one PGA factor was effective, the utility shall employ proration of the factors" for the statement, "[s]uch periodic changes shall become effective with usage on or after

the date of change.” MidAmerican stated that it believed the proposed language would require it to perform physical reads each day.

UtiliCorp made comments concerning the proposed amendment to 199 IAC 19.10(3). UtiliCorp stated it interpreted the proposed amendment to require the use of weather factors in building PGA prorating factors and if this interpretation is correct, the process would be complex and expensive. UtiliCorp stated that it currently prorated bills based on numbers of days under each PGA factor. UtiliCorp stated that this procedure was accurate and moving to a weather factor-based proration would not materially change the amounts charged to customers.

The Board has reviewed the comments concerning the proposed amendment to 199 IAC 19.10(3) and has determined that no changes need to be made in the proposed amendment. The Board finds that both MidAmerican and UtiliCorp have misinterpreted the language in the proposed amendment. The Board has approved the "for usage on and after" in tariffs and has interpreted this language to mean that prorating is required. This language has not been interpreted to require that meter readings be taken on the date of the PGA rate change and it has not been interpreted to require that the prorating include weather factors in the building of PGA prorating factors.

These amendments are intended to implement Iowa Code sections 17A.4, 476.1, 476.2 and 476.6.

The effective date of the adopted amendments to 199 IAC 19.3(8) and 19.10(3) will be November 1, 2001.

The following amendments are adopted.

Item 1. Amend subrule 19.3(8) as follows:

19.3(8) Readings and estimates. When a customer is connected or disconnected or the meter reading date causes a given billing period to deviate by more than 10 percent (counting only business days) from the normal meter-reading period, such bill shall be prorated on a daily basis.

~~The utility may leave a meter reading form with the customer when access to meters cannot be gained.~~ When access to meters cannot be gained, the utility may leave with the customer a meter reading form. The customer may provide the meter reading by telephone, electronic mail (if it is allowed by the utility), or by mail. If the form meter reading information is not returned in time for the billing operation, an estimated bill may be rendered. If an actual meter reading cannot be obtained, the utility may render an estimated bill without reading the meter or supplying a meter reading form to the customer. Only in unusual cases or when approval is obtained from the customer shall more than three consecutive estimated bills be rendered.

The utility shall incorporate normalized weather data in its calculation of an estimated bill.

Utilities shall file with the board their procedures for calculating estimated bills, including their procedures for determining the reasonable degree-day data to use in the calculations. Utilities shall inform the board when changes are made to the procedures for calculating estimated bills.

~~In the event that the utility leaves a meter reading form with the customer when access to meters cannot be gained and the form is not returned in time for the billing operation, an estimated bill may be rendered.~~

~~If an actual meter reading cannot be obtained, the utility may render an estimated bill without reading the meter or supplying a meter reading form to the customer. Only in unusual cases or when approval is obtained from the customer shall more than three consecutive estimated bills be rendered.~~

Item 2. Amend subrule 19.10(3) as follows:

19.10(3) Periodic changes to purchased gas adjustment clause. Periodic purchased gas adjustment filings shall be based on the purchased gas adjustment customer classifications and groupings previously approved by the board. Changes in the customer classification and grouping on file are not automatic and require prior approval by the board.

Periodic filings shall include all worksheets and detailed supporting data used to determine the amount of the adjustment.

Changes in factors S or C may not be made in periodic purchased gas filings except to recognize changes between pipeline and nonpipeline purchases. A change in factors D, N, or Z may be made in periodic filings and will be deemed approved if it conforms to the annual purchased gas filing or if it conforms to the principles set out in 19.10(5) and 19.10(6).

The utility shall implement automatically all purchased gas adjustment changes, which result from changes Rc, Rd, Rn, or Rz equal to or greater than five cents per ccf or therm immediately with concurrent board notification with adequate information to calculate and support the change. Purchased gas adjustment changes of less than five cents per ccf or therm shall be required with concurrent board notification if the last purchased gas adjustment occurred 30 days or more

prior to the change. The purchased gas adjustment shall be calculated separately for each customer classification or grouping.

Unless otherwise ordered by the board, a rate-regulated utility's purchased gas adjustment rate factors shall be adjusted as purchased gas costs change and shall recover from the customers only the actual costs of purchased gas and other currently incurred charges associated with the delivery, inventory or reservation of natural gas. Such periodic changes shall become effective with usage on or after the date of change.

July 31, 2001

/s/ Allan T. Thoms

Allan T. Thoms
Chairperson