

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. RPU-02-3 RPU-02-8 ARU-02-1
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ORDER

(Issued October 4, 2002)

On August 30, 2002, the Utilities Board (Board) issued an order that, among other things, consolidated Interstate Power and Light Company's (IPL) application for approval of a class cost-of-service study, rate design, and rate consolidation, identified as Docket No. RPU-02-8, and IPL's application for an increase in electric rates, identified as Docket No. RPU-02-3. However, because there are discrete issues in each docket, the Board bifurcated the hearing. Revenue requirement issues were to be addressed at hearing beginning October 22, 2002, and class cost-of-service, rate design, and rate consolidation issues at hearing beginning January 6, 2003.

Two events have occurred that necessitate some changes in the procedural schedule. First, IPL filed a request for an accounting ruling on August 13, 2002. Corrections and amendments to the request were filed on September 13, 2002. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) and the Iowa Consumers Coalition (ICC) have filed objections to the request and

requested that the issues raised by the request be resolved in the pending electric rate cases. Second, on September 17, 2002, the Consumer Advocate filed an amended petition for rate reduction. The amended petition asks that IPL's rates be decreased by \$22,470,432. Consumer Advocate's initial rate reduction petition, filed on August 26, 2002, requested that IPL's rates be reduced by \$6,302,550. The initial rate reduction petition was accepted by order issued August 26, 2002, for consideration in Docket No. RPU-02-3.

The Board scheduled a prehearing conference for the Board's counsel and counsel for the parties to discuss procedural options related to these two items on September 25, 2002. A second conference was held on September 30, 2002. The conferences allowed the parties' counsel to express to the Board's counsel their various views on the procedural issues addressed in this order. This input was useful to the Board in reaching the procedural decisions contained in this order.

The issues raised by the request for accounting order relate to accounting and ratemaking treatment of potential income tax savings to IPL from a change in accounting method. After reviewing the request and responses thereto, the Board believes that an evidentiary hearing is necessary to fully investigate the request and its impacts. Because a rate case involving IPL is pending, the most appropriate forum to address these issues is in the consolidated rate case docket. That way, all parties to the rate case can participate in development of the record regarding the change in accounting method without having to separately intervene in another proceeding.

The issue raised by Consumer Advocate's amended rate reduction petition involves the issue of double leverage. While such an issue would normally be considered in the pending rate case dockets, parties do not have sufficient time to file prefiled testimony prior to the initial phase of the hearing in October. Likewise, development of the prefiled record with respect to the accounting ruling issues cannot be completed by October 22, 2002.

The Board believes that the accounting ruling issues and the issues raised by Consumer Advocate's amended petition for rate reduction must be considered in the pending rate case dockets. However, because these new issues are not ready for consideration at the first phase of the hearing beginning October 22, the Board will therefore set a separate procedural schedule and also schedule a separate hearing time, beginning December 3, 2002, to hear these new issues. While the hearing date will be the same for the accounting ruling issues and rate reduction issues, the dates for prefiled testimony will be different. Also, because these issues likely involve the same witnesses that will testify on rate of return, capital structure, and other finance issues, these issues will also be heard in December. This will avoid the time and expense of expert witnesses having to travel twice to Des Moines. The hearing beginning October 22 will deal with all other revenue requirement issues.

Even though this means the hearing in the consolidated dockets will consist of three parts or phases, the Board believes this procedure will provide for the best possible case presentation because it will allow the parties, and the Board, to focus on distinct subject areas for each phase of the hearing. There will be time between

each phase for the parties, and the Board, to prepare for the next phase. This would not be possible if all issues were heard within a single block of hearing time.

While the Board believes that the issues addressed at each of the three phases of the hearing are generally discrete with little overlap, it understands that there may be some reference back and interrelationship between the issues. Because the dockets are consolidated, there is only one record for the consolidated dockets and that record will not be closed until after the third and final phase of the hearing beginning January 6, 2003. The third phase is intended to address class cost-of-service, rate design, and rate consolidation issues. The Board does not intend to relitigate revenue requirement issues at the January phase of the hearing, but understands there may be questions regarding some revenue requirement issues in January as they may relate to class cost-of-service, rate design, and rate rebalancing issues.

The Board also understands that some of the testimony filed in Docket No. RPU-02-3 relates to class cost-of-service, rate design, and rate rebalancing issues. While this testimony may initially be introduced at the October hearing because it contains information on revenue requirement issues, objections to portions of the testimony dealing with, for example, rate rebalancing issues will be reserved for the January portion of the hearing. Finally, because of the necessity to hold this hearing in phases, the Board will not allow technical evidentiary objections to hinder the development of a full and complete record.

The current briefing schedule contemplates that post-hearing briefs on revenue requirement issues will be filed subsequent to the October phase of the hearing and a second set of briefs will be filed following the January phase of the hearing. Rather than set a schedule for a third set of briefs following the December hearing, the Board instead will provide for one set of briefs following completion of the final phase of the hearing in January. Currently, initial briefs are due January 27, 2003, and reply briefs are due on February 10, 2003. The Board will not revise the schedule at this time, but understands that the parties and the Board will likely discuss the briefing schedule at the conclusion of the January phase of the hearing. The briefing dates selected will in part be dependent on the length of the January phase of the hearing. While the Board understands some additional time may be necessary, particularly for reply briefs, the Board intends to maintain a schedule that will result in a Board decision in the consolidated dockets by April 15, 2003.

The Board's rules provide for 90-page limit for initial briefs and 40 pages for a reply brief. 199 IAC 7.7(12)"d." Because one brief will address all issues in the consolidated dockets, the Board on its own motion will waive the page limits on briefs.

Pursuant to Iowa Code § 476.3(2), IPL, within the time prescribed by the Board, must file a bond or corporate undertaking conditioned upon the refund in a manner prescribed by the Board of amounts collected after the date of filing of Consumer Advocate's amended petition for electric rate reduction in excess of rates or charges finally determined by the Board to be unlawful. Therefore, IPL will be

required to file an additional bond or corporate undertaking in the amount of \$16,437,882 within 15 days from the date of this order. The bond or corporate undertaking must be conditioned upon the refund of amounts collected after September 17, 2002, in excess of rates or charges finally determined to be lawful by the Board. In the event a refund is required, Iowa Code § 476.3(2) provides that interest is to be paid on excess amounts collected. The Board notes that IPL previously filed a corporate undertaking in the amount of \$6,302,550, the amount of Consumer Advocate's initial request.

Because of the number of parties that have intervened in these proceedings, the Board encourages parties to work in advance of the hearing with regard to such things as assigning numbers for exhibits. Also, where possible, the Board encourages the parties to stipulate on the admission of prefiled testimony.

IT IS THEREFORE ORDERED:

1. The amended petition to reduce the electric rates of Interstate Power and Light Company filed by the Consumer Advocate Division of the Department of Justice on September 17, 2002, is accepted for consideration in consolidated Docket Nos. RPU-02-3 and RPU-02-8.

2. The issues raised by Interstate Power and Light Company's request for accounting ruling, identified as Docket No. ARU-02-1, shall be considered in the consolidated rate case dockets. If they have not already done so, IPL, Consumer Advocate, and the ICC shall promptly mail copies of their respective pleadings in these dockets to all other parties in the consolidated rate case dockets.

3. The procedural schedule in consolidated Dockets Nos. RPU-02-3 and RPU-02-8 is modified by adding the following, with all other deadlines and hearing dates remaining the same:

- a. With respect to issues raised by IPL's request for accounting order, IPL shall file prepared direct testimony, with underlying exhibits and workpapers, on or before October 14, 2002. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.
- b. With respect to issues raised by Consumer Advocate's amended petition for electric rate reduction, IPL shall file prepared direct testimony, with underlying exhibits and workpapers, on or before October 28, 2002. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.
- c. With respect to issues raised by IPL's request for accounting order, Consumer Advocate and any intervenors shall file prepared direct testimony, with underlying workpapers and exhibits, on or before November 18, 2002. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.
- d. With respect to issues raised by IPL's request for accounting order, IPL shall file rebuttal testimony, with underlying workpapers and exhibits, on or before November 25, 2002.
- e. With respect to issues raised by Consumer Advocate's amended petition for electric rate reduction, Consumer Advocate and any intervenors

shall file rebuttal testimony, with underlying workpapers and exhibits, on or before November 25, 2002.

f. A hearing shall be held beginning at 9 a.m. on December 3, 2002, for the purpose of receiving testimony and the cross-examination of all testimony with respect to the issues raised by IPL's request for an accounting order, Consumer Advocate's amended petition for electric rate reduction, rate of return, capital structure, and other finance issues. The hearing shall be held in the Iowa Utilities Board's Hearing Room, 350 Maple Street, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

4. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

5. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination that have not been previously filed shall become a part of the evidentiary record of these proceedings. The party making reference to the data request shall file an original and six copies of the data request and response with the Board at the earliest possible time.

6. In the absence of objection, when the Board has called for further evidence on any issue and the evidence is filed after the close of the hearing, the evidentiary record will be reopened and the evidence will become part of the record five days after the evidence is filed with the Board. All evidence filed pursuant to this paragraph shall be filed no later than seven days after the close of the hearing in this proceeding.

7. On or before 15 days from the date of this order, Interstate Power and Light Company shall file a bond or corporate undertaking in the amount of \$16,437,882, conditioned upon the refund of amounts collected after September 17, 2002, with interest, in excess of rates or charges finally determined to be lawful by the Board.

8. The Board, on its own motion, hereby waives the page limitations for initial and reply briefs contained in 199 IAC 7.7(12)"d."

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 4th day of October, 2002.