

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AGING TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE	DOCKET NO. NOI-02-2
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ORDER INITIATING INQUIRY

(Issued December 27, 2002)

In its inquiry into "Emerging Competition in the Electric Industry," Docket No. NOI-95-1, the Utilities Board (Board) adopted as its first principle that "[s]afe and reliable electric service must be maintained." In March 1999 the Board issued a reliability report in that docket which recommended certain steps be taken to improve reliability of the electric delivery system, which includes both transmission and distribution. The Board recently concluded an inquiry regarding electric delivery reliability and adopted rules in Docket No. RMU-02-3 that were effective on December 18, 2002.

While electric restructuring legislation has not passed in Iowa, restructuring efforts in other states have highlighted concerns that competition-induced cost cutting may adversely affect reliability of the delivery system and quality of service. These concerns are also present in Iowa because emerging competition in the wholesale market, corporate mergers, and retail competition in other markets can provide incentives for utilities to cut costs. The Board's Policy Development Section,

using information provided by Iowa's electric public utilities, issued a report in August 2000 entitled "Facts Concerning the Consumption and Production of Electric Power in Iowa." This report showed that Iowa's investor-owned electric public utilities, Interstate Power and Light Company (IPL) and MidAmerican Energy Company (MidAmerican), have thousands of miles of electric transmission and distribution underground cable and overhead lines that are nearing the end of their useful lives. While both utilities replace or rebuild electric lines and replace poles on an ongoing basis, the Board is concerned that the magnitude of the amount of aging electric infrastructure could eventually lead to reduced reliability or significant rate impacts if plans are not adequate to assure the timely and orderly replacement of the infrastructure.

In order to obtain information about the costs and plans for replacement of aging infrastructure, the Board will open an inquiry identified as Docket No. NOI-02-2. The inquiry will focus on the plans and projected costs that MidAmerican and IPL have for the orderly replacement of such infrastructure and potential future rate implications of the plans. Copies of this order will be mailed to IPL and MidAmerican, the Consumer Advocate Division of the Department of Justice, and those on the service list in Docket No. NOI-00-4, the electric delivery reliability inquiry. While electric cooperatives and municipal utilities may also have aging infrastructure, the inquiry will not deal with these utilities because the Board does not have rate authority over such utilities.

The Board will appoint Vernon Jordan, Energy Section Senior Utility Analyst, to be the inquiry manager. While the Board may take an active role in framing the issues, the inquiry manager will prepare an agenda and discussion topics, facilitate the work sessions, and issue any reports. There may be one or more reports of the group and each will contain discussion of all aspects of the issues, including areas of controversy and consensus. The process is not intended to produce any specific kind of action but may result in a subsequent formal proceeding. The process is one of collaboration and cooperation. No transcripts of the meetings will be kept.

All persons interested in participating in this notice of inquiry shall send e-mail or written confirmation of that intent to the inquiry manager by January 13, 2003. Notice of participation shall include the following, if available: name of the participant/organization, contact person, mailing address, phone number, facsimile number, and e-mail address. If more than one person from any entity is planning to participate, the written confirmation shall include the names of all participants, but designate a single contact person. As soon as possible after January 13, 2003, all participants who sent a written confirmation will be provided a copy of the service list. Updated lists will be available by contacting the inquiry manager or on the Board's web site, www.state.ia.us/iub. Mr. Jordan's phone number is (515) 281-8658 and his e-mail address is vernon.jordan@iub.state.ia.us.

There will be a meeting of inquiry participants on January 21, 2003, beginning at 9:30 a.m. in Conference Rooms 3 and 4 at the Board's offices at 350 Maple

Street, Des Moines, Iowa. The meeting will focus on inquiry procedures and the types of information that will be required from MidAmerican and IPL as the inquiry proceeds. The initial meeting will last no more than three hours. After the initial meeting, the inquiry manager will determine what additional procedures are necessary to complete the inquiry. Additional work sessions may be scheduled or additional comments on specific questions may be solicited. Participants will be notified of any subsequent procedures established.

IT IS THEREFORE ORDERED:

An inquiry, identified as Docket No. NOI-02-2, is initiated concerning the aging electric transmission and distribution infrastructure of Iowa's investor-owned electric utilities.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Sharon Mayer
Executive Secretary, Assistant to

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 27th day of December, 2002.