

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: REVIEW OF BILL RISK MANAGEMENT FOR NATURAL GAS CUSTOMERS	DOCKET NO. NOI-03-5
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ORDER INITIATING INQUIRY

(Issued October 9, 2003)

On July 18, 2003, the Utilities Board (Board) issued an order in Re: Small Volume Gas Transportation, Docket No. NOI-98-3, closing the inquiry into the transportation of natural gas by small volume customers. In that order, the Board indicated that significant changes had occurred in the natural gas industry that made it appear that the implementation of a small volume gas transportation plan would no longer be in the public interest. The Board made this statement based upon the lack of any response by small volume customers who might be interested in the program and upon the increased volatility of natural gas prices.

Since the closing of Docket No. NOI-98-3, the Board has been contacted by a municipality and a competitive natural gas provider, each asking that the Board re-open the inquiry into small volume natural gas transportation. Upon further investigation, the Board learned that although the two requests had different motivations, they focused on the same goal, the limitation of price risk for small volume customers.

The Board has also recognized this risk for the coming winter in its white paper, "Natural Gas Price Volatility," issued on June 3, 2003, and updated on September 2, 2003. In the white paper, the Board warned of the potential for unusually high natural gas bills this winter due to increased price volatility and cold weather. Various options are being implemented to address this potential problem. For example, Interstate Power and Light Company is offering a new service with a guaranteed bill. In addition, all of the Iowa investor-owned natural gas utilities are hedging the price risk of natural gas and two gas utilities are hedging volumetric risk. Also, small volume customers have the ability to transport natural gas under existing tariffs.

While these options may help many customers, the Board is interested in considering other possible alternatives. Based upon the two inquiries and the Board's continued concern about the possibility of unusually high gas bills, the Board will open this inquiry to consider what other reasonable alternatives may be available to alleviate these problems. The Board understands that even in good economic times, large fluctuations in natural gas bills can have serious effects on small businesses, municipalities, hospitals, and other entities. The Board is interested in determining whether there are other service alternatives or changes in tariffs or Board rules that will help these customers.

However, reopening the original small volume gas inquiry (Docket No. NOI-98-3) would be too broad. A more directed inquiry, focused on the problem of

managing the risk of fluctuating natural gas bills, will be more efficient. The Board will, therefore, open this new inquiry into risk management issues associated with natural gas bills. Persons interested in participating in this inquiry should file in this docket the following information: Name of the participant/organization, contact person, mailing address, phone number, facsimile number, and electronic mail address. If more than one person from any entity is planning to participate, the confirmation shall include the names of all participants, but designate a single contact person.

Those persons indicating they wish to participate in this inquiry should address any service alternatives, changes in Board rules, changes in utility company tariffs, or other proposals for items to be considered by the Board in this inquiry. After reviewing the suggestions, the Board will appoint an inquiry manager and establish procedures for addressing the issues raised. This inquiry has been identified as Docket No. NOI-03-5.

IT IS THEREFORE ORDERED:

1. An inquiry, identified as Docket No. NOI-03-5, is initiated to review proposals to address the risk management of natural gas bills.
2. Interested persons wishing to participate in this inquiry shall file the information described in this order on or before November 14, 2003.

3. The Records and Information Center shall send copies of this order to all rate-regulated natural gas utilities and all certificated competitive natural gas providers.

UTILITIES BOARD

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 9th day of October, 2003.