

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-04-1
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**ORDER ON REHEARING**

(Issued February 23, 2005)

On January 14, 2005, the Utilities Board (Board) issued its "Final Decision and Order" in Interstate Light and Power Company's (IPL) electric rate case, Docket No. RPU-04-1. On February 3, 2005, a timely application for rehearing was filed by the Iowa Consumers Coalition (ICC). The Consumer Advocate Division of the Department of Justice (Consumer Advocate), the Community Coalition for Rate Fairness (CCRF), and IPL each filed responses to the rehearing application on or before February 17, 2005.

The ICC asks for three clarifications on rehearing. First, the ICC wants the Board to confirm that the next step towards equalization will occur no earlier than February 2006. Second, the ICC requests clarification that the final order in Docket No. RPU-04-1 is not intended to pre-determine the outcome of Docket No. EEP-02-38 concerning the level of credits for IPL's interruptible customers. Third, the ICC asks that the Board clarify that interruptible credit levels should converge at roughly the same pace as equalization of underlying base rates.

The Board will address the three issues raised. The Board notes that the resolution of these issues will not affect the revenue requirement or the allocation of the revenue requirement to customer classes or class rate zones. Therefore, the compliance tariffs approved by the Board on February 11, 2005, will not need to be modified as a result of this order on rehearing.

**A. Next Equalization Step**

The Board's January 14, 2005, order sets target periods for equalization based on annual, revenue-neutral filings, the first of which is to be filed by IPL on or before June 30, 2005. The ICC requests clarification that rates from IPL's first equalization filing shall not be implemented before February 1, 2006, which is about one year after implementation of final rates in Docket No. RPU-04-1. The ICC also asks for clarification that subsequent annual filings will not be implemented prior to February 1 of following years. The ICC states that these clarifications would be consistent with the concept of annual steps and would mitigate resulting rate increases for the lower-priced rate zones.

Consumer Advocate does not oppose the requested clarifications. The CCRF and IPL each opposed them. The CCRF notes that in its January 14 order the Board determined that it would not adopt inflexible time schedules and characterized these as targets. (January 14 Order, pp. 25-27). The CCRF argues that nothing in the Board's order indicates the next equalization step cannot occur prior to February 1, 2006, and that it would be better for the next step to occur prior to IPL's rate consolidation proposal, which is to be filed on June 30, 2005.

IPL also states that it would be better to implement the next equalization step in mid-2005, rather than compound it with the 2006 rate design changes from IPL's rate consolidation case, which is to be filed by June 30, 2005. IPL describes the mid-2005 equalization filing as a mechanical, compliance-type filing based on the revenue requirement and rate design from Docket No. RPU-04-1.

The Board did not set inflexible dates in its January 14 order but targets for equalization. The Board's intent was to set the equalization targets approximately one year apart. Generally speaking, based on the compliance tariffs approved in Docket No. RPU-04-1 and a rate consolidation case to be filed on or before June 30, 2005, the next equalization step would not go into effect before approximately February 2006, with subsequent steps annually until completed. However, as the Board emphasized in its earlier order, these are targets. The Board did not set inflexible dates for subsequent equalizations steps and the schedule may vary somewhat if there is good reason for doing so.

**B. Interruptible Credits and Docket No. EEP-02-38**

The ICC notes that the Board's January 14, 2005, order states that IPL's interruptible credit levels are subject to Docket No. EEP-02-38 and "the Board will defer any changes to overall credit levels in that docket." (January 14 Order, p. 38). The ICC appears to agree with this portion of the order, stating in its rehearing application that it seeks confirmation that the January 14 order does not predetermine interruptible credit levels "out of an abundance of caution." (ICC Application for Rehearing, p. 4). IPL agrees with ICC's requested clarification and Consumer Advocate does not object to it.

The Board believes its order was clear on these points but will grant the requested clarification so that there is no misunderstanding. The only change resulting from Docket No. RPU-04-1 is that the interruptible credits are now fixed credits based on a dollar-per-kW incentive and are no longer adjusted automatically when base rates change. This means interruptible customers will no longer receive an automatic increase in their credits when base rates increase.

The Board is not making changes to overall credit levels in Docket No. RPU-04-1 but will address any further changes in the ongoing energy efficiency docket, Docket No. EEP-02-38. The same is true for individual interruptible credit levels. Future adjustments will take place only in energy efficiency proceedings.

**C. Convergence of Interruptible Credits**

The ICC asks the Board to clarify that under rate equalization, interruptible credit levels should converge at roughly the same pace as corresponding Large General Service (LGS) base tariff rates. The ICC states the purpose of the requested clarification is to ensure that IES Southern zone interruptible customers are not forced to bear higher increases than other IES Southern LGS customers.

Consumer Advocate, the CCRF, and IPL all oppose ICC's clarification. They each correctly point out that the requested clarification is inconsistent with the clarification regarding interruptible credit levels discussed in Section B.

The Board agrees the ICC's requested clarification is inconsistent with Section B above. As the Board said in its January 14, 2005, order, the Board is deferring all decisions on interruptible credits, other than their redesign and disconnection from base rates, to the energy efficiency docket. IPL has proposed a plan for credit

convergence in Docket No. EEP-02-38 and the Board and parties will have an opportunity to address the appropriateness of that and other issues related to interruptible credit equalization in that docket.

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The application for rehearing filed by the Iowa Consumers Coalition in Docket No. RPU-04-1 on February 3, 2005, is granted to the extent discussed in this order and denied in all other respects.
2. The final decision and order of the Utilities Board, issued January 14, 2005, is modified and clarified in accordance with the body of this order.
3. Motions and objections not previously granted or sustained are denied or overruled. Any argument in the rehearing application not specifically addressed in this order is rejected as either not supported by the evidence or as not being of sufficient persuasiveness to warrant comments.

#### **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 23<sup>rd</sup> day of February, 2005.