

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-05-1
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**ORDER GRANTING MOTION TO TERMINATE SETTLEMENT COMMENT
PERIOD, RESERVING RULING ON MOTION TO CANCEL HEARING, AND
DIRECTING RESPONSE TO QUESTIONS**

(Issued September 1, 2005)

On April 15, 2005, Interstate Power and Light Company (IPL) filed proposed gas tariffs, identified as TF-05-122 and TF-05-123, with the Utilities Board (Board). In TF-05-122, IPL proposed a permanent annual revenue increase of \$19,071,437 or an overall annual revenue increase of 6.43 percent. In TF-05-123, IPL filed a proposed gas tariff designed to produce additional revenue of approximately \$13,373,757 or 4.5 percent on a temporary basis. The temporary gas tariff became effective April 25, 2005, as authorized by Iowa Code § 476.6(10).

On May 11, 2005, the Board issued an order docketing the tariffs, establishing a procedural schedule, and approving the corporate undertaking filed by IPL. On June 3, 2005, the Board granted intervention to Cornerstone Energy, Inc. (Cornerstone), the Iowa Consumers Coalition (ICC), and Northern Natural Gas Company (Northern). The Consumer Advocate Division of the Department of Justice (Consumer Advocate) is also a party to this case.

On July 20, 2005, IPL, Consumer Advocate, and ICC (Settlement Parties) filed a non-unanimous settlement agreement in which they agreed that IPL could increase its Iowa natural gas revenues by \$14,011,130 and the total Iowa gas revenue requirement after the increase would be \$303,641,239. The settlement provided that the \$14,011,130 is to be adjusted to reflect the actual amount of IPL's rate case expense for this docket plus unrecovered rate case expense from Docket No. RPU-02-7. In addition, the settlement provided that IPL's Iowa natural gas rate base is \$211,874,958 and the return on equity for its rate base is 10.4 percent and its overall rate of return for its rate base is 8.676 percent. The Settlement Parties moved that the Board promptly issue an order approving the settlement agreement in its entirety and without condition or modification.

On August 5, 2005, the Settlement Parties filed an amendment to the non-unanimous settlement agreement. The amendment provided that the Board should allocate the revenue increase of \$14,011,130 to IPL's major customer classes in the manner used by IPL in the initial tariff filing. In addition, the agreement provided that the Board should approve the changes to IPL's gas transportation tariff and gas interruptible tariff as proposed by IPL in the initial tariff filing.

On July 21, 2005, Cornerstone filed a statement indicating it did not object to the terms of the settlement agreement filed July 20, 2005. On August 11, 2005, Cornerstone filed a statement indicating it did not object to the August 5, 2005, amendment.

On August 25, 2005, the Settlement Parties filed a joint motion to terminate the settlement comment period provided for in 199 IAC 7.2(11)"c" and cancel the remainder of the procedural schedule, including the hearing. The Settlement Parties state in the joint motion that a settlement conference was held as required by 199 IAC 7.2(11)"a" and neither Cornerstone nor Northern participated in the conference. The Settlement Parties suggest that since Cornerstone has stated it has no objection to the settlement or amendment and Northern did not participate in the settlement conference, that no lawful objection to the settlement agreement and amendment will be filed with the Board. The Settlement Parties move the Board terminate the 30-day settlement comment period under 199 IAC 7.2(11)"c," cancel the hearing scheduled for October 17, 2005, and approve the settlement agreement as amended without condition or modification.

The Board appreciates the Settlement Parties' efforts at reaching a proposed settlement of all of the issues related to the permanent increase in natural gas rates filed by IPL on April 15, 2005. The Board agrees that the requirements of 199 IAC 7.2(11) have been complied with and will terminate the comment period. However, the settlement does not address an issue that the Board considers significant and which the Board specifically required IPL to include in the testimony filed in support of the rate increase.

On February 24, 2005, in Docket Nos. PSA-05-1 and PSA-05-2, the Board directed IPL to file testimony in its next rate case demonstrating it has corrected or is

correcting the acknowledged management deficiencies related to its gas safety compliance program and raised the issue of a possible management efficiency adjustment if IPL was not making sufficient progress in implementing the changes agreed to in those dockets. There is no indication in the settlement whether this issue was part of the settlement negotiations or if it was addressed by the Settlement Parties and the Board finds it necessary to inquire concerning this issue before it considers approval of the settlement agreement. Therefore, the Board will reserve ruling on the motion to cancel the hearing and will direct IPL to file responses to the questions and statements set out below. The responses should be filed in testimony format and attested to by the person responding. The Board will also require the filing of updated information as described in question 7 below. When the Board has reviewed the responses, it will rule on the motion to cancel the hearing.

1. Provide an update of the progress IPL has made in implementing a gas pipeline safety compliance program and initiatives as agreed to in Docket Nos. PSA-05-1 and PSA-05-2.
2. Provide a summary of the progress and findings, if any, of the work being done by a consultant evaluating cathodic protection systems including the number of test points.
3. Provide an explanation of the effect of recent employee reductions on IPL's gas pipeline safety compliance program and initiatives.

4. Provide an explanation of the effect of recent employee reductions on IPL's ability to train the personnel who are responsible for gas pipeline safety compliance. In the explanation, address IPL's plan for complying with recent Operator Qualification rules adopted by the federal Department of Transportation, Office of Pipeline Safety (OPS), that require operations and maintenance personnel be trained, officially qualified, and periodically requalified to perform operation and maintenance tasks.

5. The Board understands IPL anticipates losing a third or more of its operations and maintenance personnel to retirements over the next five to ten years. The Board is concerned about the training of replacements to fill these vacancies. Provide an explanation of IPL's plan to address the training of replacements for those personnel retiring.

6. The Board understands that IPL has decided to move the training function from Marshalltown to Cedar Rapids while the gas training facilities and many trainers are remaining in Marshalltown. Provide an explanation of how the training will be coordinated between the Cedar Rapids training facility and the personnel remaining in Marshalltown.

7. IPL shall file revised versions of IPL witness Maher's "Revenue Verification" schedule (Exhibit JPM-1, Schedule A) and "Class Cost-of-Service" schedule (Exhibit JPM-1, Schedule B, including a revised version of witness Maher's supporting Workpaper B). The revisions should fully reflect

all changes due to the non-unanimous settlement agreement filed July 20, 2005, as amended August 5, 2005.

IT IS THEREFORE ORDERED:

1. The motion to terminate the settlement comment period is granted.
2. No ruling on the motion to cancel hearing will be made in this order.
3. Interstate Power and Light Company shall file supplemental prepared testimony responding to the questions in this order. Other parties may also file supplemental testimony in response to the questions. The responses are due 15 days after the date of this order.
4. Objections or comments concerning the information requested in Question 7 shall be filed within five days of the date the response is filed.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 1st day of September, 2005.