

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 REQUESTING ADDITIONAL INFORMATION

(Issued September 23, 2005)

On July 20, 2005, Interstate Power and Light Company (IPL), the Consumer Advocate Division of the Department of Justice, and Iowa Consumers Coalition (Settlement Parties) filed a non-unanimous settlement agreement with the Utilities Board (Board) 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, 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 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 of the other parties, Cornerstone Energy, Inc. (Cornerstone), and Northern Natural Gas Company (Northern), participated in the conference. The Settlement Parties suggest 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 exists to the settlement agreement and amendment filed with the Board. The Settlement Parties move the Board to 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.

On September 1, 2005, the Board issued an order granting the motion to terminate the settlement comment period provided in 199 IAC 7.2(11)"c" and

reserving ruling on the motion to cancel hearing. In the September 1, 2005, order, the Board directed responses to certain questions involving IPL's natural gas pipeline gas safety compliance program. On September 16, 2005, IPL filed the supplemental testimony of Albert C. Langland and James P. Maher containing responses to the questions. Mr. Langland responded to the questions about the gas safety program and Mr. Maher responded with the updated revisions to the revenue verification schedule and the class cost-of-service schedule.

The Board summarizes the responses below. Based upon the responses to questions 3 and 6, the Board is requesting IPL provide additional information for clarification. The questions may not have been as clear or as specific as they could have been and the Board is interested in making sure it understands any changes that IPL has made in its training of personnel.

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.

Mr. Langland testified that IPL has completed training in all zones for the Gas Information Maintenance System (GIMMS) by April 8, 2005. Since April 8, 2005, IPL has conducted numerous ad-hoc training sessions on GIMMS. Mr. Langland indicated that IPL would be conducting a mock audit utilizing the new reporting functionality on October 12, 2005, and had invited Board staff to be present during the demonstration.

2. Provide a summary of the progress and finding of the work being done by a consultant evaluating cathodic protection systems including the number of test points.

Mr. Langland testified that the consultant hired to conduct a test station study in Britt, Belmond, and Garner had recommended the installation of test stations in each cathodic zone to supplement the service risers test points. IPL has identified all cathodic protection zones and test points in these communities and has identified isolated services and new service riser test points. The installation of new test stations is underway.

Mr. Langland provided the ten-year plan to check continuity and discussed the need for further review of the cathodic protection zones. Mr. Langland indicated that field checks have been completed in Eldora and Wellsburg in the Marshalltown zone and crews began taking field checks in Muscatine on July 11, 2005.

Mr. Langland also indicated that the Compliance and Operational Performance Group (COPG) has begun the process of reviewing the maintenance records of all IPL gas zones. A spreadsheet has been developed for each zone that will list results including items of non-compliance.

3. Provide an explanation of the effect of recent employment reductions on IPL's gas pipeline safety compliance program and initiatives.

Mr. Langland states that recent employee reductions do not affect IPL's ability to train the personnel who are responsible for gas pipeline safety compliance. The training is performed by subject matter experts who work in the field and none of

these positions that performed training in 2004 and 2005 were affected by the reductions.

4. **Provide an explanation of the effect of recent employment 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.**

Mr. Langland provided a copy of a power point presentation prepared by IPL that outlined the timing and locations of IPL's Operator Qualification training and qualifying program.

5. **The Board understands IPL anticipates losing a third or more of its operations and maintenance personnel to retirements over the next 5-10 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.**

Mr. Langland testified that an aging and retiring workforce is a problem throughout the natural gas industry. He indicated that IPL had a team reviewing and identifying problem areas for three years. IPL has identified critical positions, cross referenced those positions with its current workforce, and identified any gaps. Mr. Langland testified that by identifying the gaps, IPL can begin creating replacement programs and is continuing to work with outside industry vendors and its labor relations teams to make the changes necessary to create flexibility in the qualifying process.

- 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 of the 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.**

Mr. Langland asked himself a slightly different question of whether IPL is planning to move the training function for gas code compliance from Marshalltown to Cedar Rapids. Mr. Langland testified that IPL was not planning such a move and the Marshalltown training facility will continue to be used for specific gas and electric training activities. Mr. Langland testified that training will continue to be performed by the subject matter experts residing in the operations field, gas engineering, and the Compliance and Operational Performance Group (COPG).

- 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 Mr. 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.**

Mr. Maher provided the updated revisions as requested and testified that rate case expense was not included in the updates.

ADDITIONAL INFORMATION REQUESTED

To fully understand how the reduction in employees may have affected IPL's training of gas safety compliance personnel, the Board is requesting additional information in response to questions 3 and 6. This information is important since any

reduction could adversely affect IPL's compliance program. The Board is requesting IPL provide the following information:

1. Mr. Langland testified that there were no reductions in the subject matter experts who do training. Were there any reductions in other training personnel? If so, what were they?
2. Provide a list of employees or employee positions who were involved in training of IPL employees for natural gas safety compliance as of December 31, 2004, and a list of employees who are involved in training of IPL employees for natural gas safety compliance as of September 1, 2005. Provide the following information for employees or employee positions who are on the December 31, 2004, list and not on the September 1, 2005, list.
 - a. The area of training the employee was involved in and if the employee is still employed by IPL.
 - b. Whether the employee is now performing the training function performed by the same employee discussed in number 1.
3. The specific gas training activities that will be held at the Marshalltown training facility and what specific gas training activities will be held in Cedar Rapids.
4. The current location of the training records from the Marshalltown training facility.

5. The current location of the training personnel who were assigned to the Marshalltown training facility.

6. Are the subject matter experts who will be performing the training also involved in compliance maintenance when they are not engaged in training?

The additional information should be filed in testimony format and attested to by the person responding. When the Board has reviewed the additional information, it will rule on the motion to cancel the hearing.

IT IS THEREFORE ORDERED:

Interstate Power and Light Company shall file supplemental prepared testimony providing the additional information described in this order on or before September 30, 2005.

UTILITIES BOARD

/s/ John R. Norris

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 23rd day of September, 2005.