

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. TF-05-209 TF-05-210 (EEP-02-38)
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**ORDER CONDITIONALLY APPROVING TARIFFS,
SETTING HEARING, AND ESTABLISHING PROCEDURAL SCHEDULE**

(Issued October 20, 2005)

On June 30, 2005, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) proposed tariffs, identified as TF-05-209 and TF-05-210. The proposed tariffs revise IPL's energy efficiency cost recovery factors for the 12-month period beginning August 1, 2005.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an answer, response, and conditional objection on July 15, 2005. Consumer Advocate said its preliminary analysis indicated some of the expenditures may be unlawful and some may be imprudent. Consumer Advocate said it was conducting additional discovery on these issues.

On July 22, 2005, the Board issued an order docketing the tariffs and requiring a report. In the order, the Board noted that its staff had discovered some errors or discrepancies that were being corrected by IPL. In order to allow the Board and Consumer Advocate time to review the revisions and to allow Consumer Advocate additional time for discovery on the issues it raised, the Board suspended the

proposed tariffs. IPL and Consumer Advocate were required to file a joint status report on or before August 15, 2005.

IPL and Consumer Advocate filed a joint status report on August 15, 2005. The report noted that IPL and Consumer Advocate were working on a mutually-agreeable energy efficiency plan modification and that, if successful, IPL and Consumer Advocate would agree that a general and comprehensive prudence review of IPL's energy efficiency plan expenditures would not be necessary. The report also indicated the parties had agreed that with respect to the energy efficiency pilot project model home in Newton, Iowa, shareholders would absorb one-half of the amount costs were over budget (\$256,435.40) and the other half (\$256,435.40) would be included in the amount recovered from customers. When the house is sold, the report states that one-half of the gross proceeds will be allocated to customers and one-half to IPL. According to the report, no other costs for the home will be borne by customers.

IPL filed tariff amendments on September 6 and 16, 2005, to correct errors and implement the agreement with Consumer Advocate with respect to the Newton home. No other objections to the original tariff filings or revisions thereto were filed.

The Board is concerned about the sharing of cost overruns and sales proceeds from the pilot project model energy efficiency home in Newton. Ratepayers paid for the budgeted amount of the home and now are also paying for one-half of the cost overruns but only receiving one-half of the sales proceeds. The cost overruns for the demonstration home exceeded the original budget. The Board

believes this is an issue that requires further consideration in a contested case proceeding.

Rather than withhold approval of the cost recovery factors, the Board will conditionally approve the proposed tariffs so that any over or under recovery during this cost recovery period will be minimized. The tariffs, pursuant to IPL's request, will be conditionally effective on and after November 1, 2005. Cost recovery factors will decrease for residential customers and slightly increase for nonresidential customers. The Board notes that the agreement between IPL and Consumer Advocate on the question of whether a prudence review is necessary or appropriate does not bind the Board or prevent other parties to the energy efficiency docket from requesting such a review.

The Board will schedule a hearing and set a procedural schedule on the portion of the tariffs related to costs of the model home in Newton. The tariffs may subsequently be adjusted to reflect any changes made by the Board to the treatment of the model home costs or sales proceeds. In its direct testimony, IPL should address, among other things, the justifications for the cost overruns and any lessons learned from the model home that will advance energy efficiency in Iowa.

IT IS THEREFORE ORDERED:

1. Tariff filings TF-05-209 and TF-05-210, as amended on September 6 and 16, 2005, are conditionally approved, effective on and after November 1, 2005.
2. IPL shall file prepared direct testimony regarding the model home, with underlying exhibits and workpapers, on or before November 18, 2005. If a party

references a data request in its prepared testimony, the data request shall be filed as an exhibit.

3, Consumer Advocate and any intervenors may file rebuttal testimony, with underlying workpapers and exhibits, on or before December 2, 2005.

4, A hearing shall be held beginning at 9 a.m. on Wednesday, December 14, 2005, for the purpose of receiving testimony and the cross-examination of all testimony. The hearing shall be held in the Utilities Board's Hearing Room, 350 Maple Street, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 20th day of October, 2005.