

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EEP-02-38
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ORDER APPROVING PLAN MODIFICATION

(Issued November 30, 2005)

PROCEDURAL HISTORY

On October 15, 2002, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) an energy efficiency plan, identified as Docket No. EEP-02-38. IPL's energy efficiency plan was approved by Board order issued June 3, 2003.

Various ongoing issues have been addressed subsequent to the plan's approval. On October 28, 2005, a proposed joint plan modification was filed by IPL, the Consumer Advocate Division of the Department of Justice, Deere & Company, and Swiss Valley Farms, Co. Accompanying the plan was a motion filed by the signatories to the modification asking that the proposed plan modification be approved. The motion stated that two other intervenors, the Iowa Consumers Coalition and the Large Energy Group, while not signatories, do not take a position on the motion. The motion also stated that another intervenor, MidAmerican Energy Company, did not object to the motion. No objections to the motion were filed.

The signatories to the motion said the proposed changes to IPL's energy efficiency plan would help customers cope with the increased energy bills caused by

higher natural gas costs. Because the plan improves and expands energy efficiency programs that are already being offered, the signatories ask that the plan be approved expeditiously to allow IPL to implement the program improvements quickly.

It is important to note that there are ongoing issues related to IPL's interruptible program. The plan modification does not address these issues.

PLAN MODIFICATION

There are several significant features to the plan modification. Perhaps most important, IPL has conducted an extensive evaluation of most of its energy efficiency programs, hiring several outside consulting firms to provide assistance to the evaluation process, which included interviews with IPL personnel and trade allies and customer surveys. Recommendations from the consultants are included in the proposed modification and IPL responds specifically to each recommendation. IPL has revisited its approved energy efficiency plan and re-screened energy efficiency measures to identify items for inclusion in the modification. IPL noted that some modifications are driven not so much by the consultants' recommendations as by changes to federal appliance standards or evolutions in general industry practice.

The proposed modification increases IPL's total electric energy savings goals by 18 percent and total natural gas energy savings goals by 9 percent. Electric budgets would increase by 16 percent and gas budgets by 21 percent. Residential energy efficiency programs should experience 9 percent increases in energy savings for electricity and 6 percent increases in energy savings for gas. At today's gas

prices, a 6 percent reduction in gas used by the residential class of customers would be significant.

The proposed modification addresses the issue of natural gas customers who convert from gas to electric heat using ground source heat pumps. IPL will implement the recommendation to negotiate agreements with Aquila, Inc., and MidAmerican Energy Company for sharing of costs and savings credits among customers who switch from natural gas to electric heat where IPL provides only electric or gas service. If IPL is unable to negotiate agreements, incentives for the switch will be available only for customers who receive both electric and gas service from IPL. The modification would also shift the main efforts for nonresidential customers back to the Custom Rebate Program, consistent with the consultants' recommendations.

Major revisions are proposed to the Performance Contracting program for nonresidential customers, which should make it easier for project developers not affiliated with Alliant Energy, IPL's corporate parent, to obtain contracts. One significant change is the hiring of an independent third-party program administrator, selected through a competitive process, to coordinate certain activities of the program. Other changes include improving the program advisory committee, a new project bidding process that will ensure at least two bids are received before a project is begun, and a full review of the program one year after the independent administrator has assumed responsibilities.

In the motion for approval accompanying the proposed modification, the signatories agree that no general and comprehensive review by the Board is

necessary for resolution of all outstanding issues raised in TF-05-209 and TF-05-210. These dockets involve IPL's energy cost recovery tariffs for the coming year. No prudence review has been scheduled, although there is a hearing scheduled on December 14, 2005, regarding costs associated with a demonstration home in Newton. The Board notes the parties' agreement in the motion does not prevent another party, who is not a signatory to the motion, from requesting a prudence review or the Board from scheduling one.

The Board will approve the proposed modification. All parties to the docket are to be commended for working on a plan modification to provide additional energy efficiency assistance for the upcoming winter and coming years. As noted in the motion for approval, higher natural gas costs are expected to increase customers' electric and gas bills substantially in the upcoming heating season and in the years to come. IPL has conducted an extensive evaluation of its programs using outside resources and has re-examined programs that did not meet expected goals in prior years. The result is an energy efficiency program that will better serve its customers. Any gas or electric savings that can be obtained not only directly benefit the customers who experience the savings, but all Iowans. Iowa does not have natural gas resources. The best way for the state to affect the price of natural gas is to reduce usage so that the market forces that set the price will reflect the decreased demand.

Performance contracting in the past has been problematic because project developers not affiliated with Alliant Energy have not been able to obtain contracts. The proposed changes should alleviate the Board's concerns that there is a level

playing field for all developers. Because of these past concerns, the Board will monitor the program to ensure that the proposed changes are timely implemented. In its periodic energy efficiency reporting to the Board, IPL will be required to highlight the status of the Performance Contracting program, including implementation of the changes, number of contracts awarded to affiliated and nonaffiliated companies, and other pertinent information.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The energy efficiency plan modification filed by Interstate Power and Light Company on October 28, 2005, accompanied by a non-unanimous joint motion for approval of plan modification, is approved.
2. In its periodic energy efficiency reports to the Board, IPL shall highlight the status of the Performance Contracting program, including the information identified in the body of this order.

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 30th day of November, 2005.