

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 GRANTING MOTION TO ADJUST ENERGY EFFICIENCY COST
RECOVERY FACTOR AND CANCELING HEARING**

(Issued December 13, 2005)

On October 20, 2005, the Utilities Board (Board) issued an order conditionally approving Interstate Power and Light Company's (IPL) energy efficiency cost recovery tariffs, identified as TF-05-209 and TF-05-210. The Board set for hearing only the portion of the tariffs that reflected an agreement between IPL and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) regarding the sharing of cost overruns and sales proceeds between ratepayers and shareholders with respect to the Newton energy efficiency demonstration home. IPL and Consumer Advocate had agreed that shareholders would absorb one-half of the cost overruns (\$256,435.40) and the other half (\$256,435.40) would be recovered from customers. Customers had already paid the budgeted cost of the home (about \$240,000). Proceeds from the sale of the home (about \$220,000, after real estate commission) were to be split between shareholders and customers.

On December 1, 2005, IPL filed a motion to adjust its energy efficiency cost recovery factors and cancel the hearing scheduled for December 14, 2005. IPL

proposed to reduce its cost recovery tariff by \$512,970.80, thereby absorbing all of the loss on the demonstration home. Under its proposal, IPL would retain all of the sales proceeds from the home. Consumer Advocate, the only other party to these proceedings, does not object to IPL's proposal. The Board issued an order on December 6, 2005, suspending the procedural schedule while it considered IPL's motion.

In its motion, IPL agrees that its shareholders will absorb all the cost overruns on the home. In addition to the approximately \$500,000 at issue here, IPL did not seek any recovery of an additional \$200,000 in demonstration home cost overruns. Under IPL's proposal, shareholders would absorb the entire amount of cost overruns (over \$700,000), with this loss reduced by the sales proceeds of the home. Ratepayers previously paid through the energy efficiency cost recovery tariff the original budgeted amount for the home, about \$240,000; that would be the entire customer payment.

IPL has appropriately accepted responsibility for the cost overruns. The Board will grant IPL's motion and cancel the hearing. The proposal in the motion, which is not opposed by Consumer Advocate, eliminates any ratepayer liability for the cost overruns.

An argument could be made that the sales proceeds should be returned to ratepayers. However, the Board does not want to discourage utilities from trying new energy efficiency programs through pilot projects. Some pilots will be successful and

some will not. It is not the success or lack of success that made this pilot project troublesome, but the fact that IPL allowed costs to spiral out of control. The Board expects better oversight and cost management in the future.

IT IS THEREFORE ORDERED:

1. The "Motion to Adjust Energy Efficiency Cost Recovery Factor and Cancel Hearing" filed by Interstate Power and Light Company on December 1, 2005, is granted.
2. The hearing previously scheduled for December 14, 2005, and suspended by order issued December 6, 2005, is canceled.

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 13th day of December, 2005.