

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. WRU-05-46-150 WRU-05-47-150
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NOTICE OF PROPOSED DISPOSITION OF FUNDS

(Issued December 23, 2005)

On September 28, 2005, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for waiver of the energy adjustment clause (EAC) rules so that it could flow through the EAC a one-time cash payment of \$1.33 million, which represents IPL's share of a settlement of claims against the U.S. Department of Energy regarding uranium enrichment. The waiver request is pending and is identified as Docket No. WRU-04-46-150.

On October 17, 2005, IPL filed with the Board a request for a one-time waiver of the EAC rules to allow it to sell excess 2005 sulfur dioxide (SO₂) allowances through a broker and replace them with 2006 and 2009 SO₂ allowances. The price differential between the costs of the allowances sold and purchased is positive and IPL will return the gain to customers in Iowa, Minnesota, and Illinois, consistent with jurisdictional allocations. IPL requested that the Iowa jurisdictional share of the price differential, approximately \$2.9 million, be returned to customers through the EAC or some other mode as determined by the Board. The Board, by order issued

October 20, 2005, in Docket No. WRU-05-47-150, granted the waiver to allow the sale and purchase of allowances but said it would determine the disposition of the price differential at a later time.

The winter of 2005-2006 brings unique challenges for all energy consumers, but particularly for low-income customers because of the rapid rise in the price of natural gas, which is used both for heating and generating electricity. The price rise began early this year and has not significantly abated, meaning that gas purchased for storage in the normally lower-priced summer months for use in cold weather cost substantially more in 2005 than 2004, increasing the overall price paid by consumers. The high gas price futures market has made hedging a less effective cost-savings tool, contributing to higher overall gas costs. Early cold weather this winter has exacerbated the problems caused by higher spot market prices.

The Board has taken steps to address this situation and continues to look for ways to alleviate the burdens caused by the higher gas prices. Natural gas prices are not regulated by the state or federal government and are subject to market forces, such as reductions in supply caused by Hurricane Katrina. The Board is doing what it can within its jurisdiction, such as launching a weatherization project and overseeing increases in energy efficiency spending by rate-regulated utilities.

The proceeds that are the subject of IPL's waiver requests provide a unique opportunity to assist IPL's low-income customers. Both the uranium enrichment settlement proceeds and 2005 allowance price differential represent one-time refunds

that are not directly related to any particular customer payments. Flowing the proceeds through the EAC would provide little comparative relief to most individual customers. Pooling a part of the proceeds, however, can provide significant help to low-income consumers. This in turn assists other customers, because it will tend to reduce bad-debt expense in subsequent rate cases.

On December 12, 2005, MidAmerican Energy Company (MidAmerican) and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a settlement agreement in Docket No. RPU-91-5 agreeing that certain insurance proceeds received by MidAmerican from settlement of claims related to former manufactured natural gas plants will be placed in MidAmerican's I-CARE account for distribution to community action agencies to assist low-income MidAmerican gas customers. By order issued in that docket, the Board is approving that settlement. While IPL's preferred approach is to refund the monies through the EAC, it is willing to accept a similar refund approach to the one advanced by MidAmerican and Consumer Advocate. Consumer Advocate agrees that something similar to the MidAmerican settlement approach should be used for IPL.

The Board has tentatively concluded that the best use of a part of the proceeds from the uranium enrichment settlement and SO₂ allowance cost differential is to provide low-income energy assistance to deal with the unique circumstances of the 2005-2006 winter. Therefore, the Board intends to direct IPL to deposit a portion of the refunds in its Home Town Care Energy Fund to be distributed

to community action agencies in proportion to the number of IPL energy customers in each agency's Iowa service area, with the community action agencies directed to use the proceeds to supplement the energy bill assistance provided by existing programs for IPL customers.

If the Board were to allow the total amount of the uranium enrichment settlement and SO₂ allowance cost differential to be refunded to customers, the average refund for most customers would be very small. In fact, if the refunds were made by means of individual checks to customers, the cost of each refund might easily exceed the amount being refunded to the customer. However, because of the unique nature of regulated electric service, the refunds to certain larger customers are more substantial and better justify the cost of making an individual refund, through the EAC or otherwise. The Board is proposing that individual refunds should be made to these larger customers, specifically the customers in IPL's Bulk Power and Large General Service Classes. The remaining sums would be aggregated and distributed as proposed in the preceding paragraph.

Based on informal discussions between IPL, Consumer Advocate, and Board staff, the Board understands that IPL and Consumer Advocate do not object to this proposal. The Board will allow other interested persons an opportunity to voice their opinions. Any comments or objections to the proposed disposition must be filed within 14 days of the date of this order.

IT IS THEREFORE ORDERED:

Any person who would be affected by the proposed disposition of funds described in this order who wishes to comment on or object to the intended disposition of proceeds shall file an objection or comment within 14 days of the date 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 23rd day of December, 2005.