

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. WRU-06-3-150
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ORDER GRANTING WAIVER AND REQUIRING ADDITIONAL INFORMATION

(Issued February 23, 2006)

On January 23, 2006, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a "Petition for Waiver" of 199 IAC 20.9(2)2"b." IPL asked for the waiver so that it can flow credits and charges incurred under the adjustment payback defined in Appendix C of the Duane Arnold Energy Center (DAEC) purchase power agreement (PPA) back to customers through IPL's energy adjustment clause (EAC). No objections to the waiver request were filed.

On November 30, 2005, the Board issued an order in Docket No. SPU-05-15 which, among other things, allowed IPL's proposed sale and transfer of its ownership in DAEC to FPL Energy Duane Arnold, LLC (FPLE Duane Arnold). IPL executed a PPA with FPLE Duane Arnold for DAEC's output that runs through 2014. On January 18, 2006, the Board issued an "Order on Rehearing and Denying Request for Stay" which affirmed the Board's decision allowing the proposed sale and transfer of DAEC to go forward. The reorganization subsequently received other required

regulatory approvals and a press release issued by IPL states that the DAEC sale closed on January 27, 2006.

As background information for its waiver request, IPL noted that the PPA contained performance incentives and penalty provisions that provide economic incentives to FPLE Duane Arnold to improve DAEC performance and economic protections to IPL (and hence its customers) in the event of under-performance. Under the Delivered Energy Adjustment Mechanism (DEAM) of the PPA, FPLE Duane Arnold is penalized whenever it delivers less than 90 percent of the expected energy deliveries. In the event of a prolonged outage (for example, six months) where the power was not replaced, the amount returned to IPL could exceed \$10 million per month.

In support of its waiver request, IPL said that the credits and charges incurred under the DEAM in Appendix C of the PPA will only be reflected in customer rates if flowed through the EAC. IPL said it has no current plans to file a 2005 test year rate case and, without an EAC waiver, it could, therefore, be some time before customers receive the benefits of the adjustment mechanism. Absent the waiver, IPL noted, the benefits would accrue to IPL's shareholders, not its customers.

IPL argued the adjustment mechanism charges and credits are appropriate for inclusion in the EAC because they are incurred in supplying energy to IPL's customers and IPL has no direct control over the credits and charges. In addition, particularly if there is a refueling or prolonged outage, the adjustment mechanism is

likely to be subject to sudden and important changes in levels ranging from approximately \$1 million to over \$10 million.

The Board will grant the waiver. Without the waiver, one of the significant benefits to customers of the DAEC transaction would be significantly delayed, posing a hardship on IPL's customers. The waiver will not prejudice the substantial rights of any person and the provisions of the rule subject to waiver are not specifically mandated by statute or another provision of law; the statute authorizing the EAC is broadly drafted with implementation details left to the Board. Finally, granting the waiver will provide for the public health, safety, and welfare by ensuring that IPL's customers receive the benefits of lower energy costs.

In its waiver request, IPL said it had not yet finalized the accounting for the credits and charges. This should be completed immediately and a copy of the accounting information provided to the Board and the Consumer Advocate Division of the Department of Justice.

In addition, IPL's monthly EAC filings that include DEAM-related credits or charges must fully explain and track these credits and charges in a separate section of the EAC filing; the Board must be able to track these credits and charges from beginning to end on a stand-alone basis. The monthly EAC filing should also show how the DEAM-related dollars impact the monthly EAC and show what the EAC would have been without the DEAM.

IT IS THEREFORE ORDERED:

1. The request for waiver filed by Interstate Power and Light Company on January 23, 2006, is granted.
2. A copy of the accounting information shall be filed with the Board and the Consumer Advocate Division of the Department of Justice within ten days of this order. If the information is not complete, a report shall be filed within that time detailing why the accounting information is not complete and a timetable for completion.
3. Interstate Power and Light Company shall provide in its monthly EAC filings the information identified in 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 February, 2006.