

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-05-3 (TF-05-211, EEP-02-38)
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ORDER ON REHEARING

(Issued June 7, 2006)

On April 28, 2006, the Utilities Board (Board) issued its “Final Decision and Order” (Final Decision) in Interstate Light and Power Company’s (IPL) tariff consolidation and rate equalization electric case, Docket No. RPU-05-3. On May 9, 2006, IPL filed an application for rehearing for purposes of clarification. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response to IPL’s application on May 11, 2006, and the Community Coalition for Rate Fairness (CCRF) filed a response to IPL’s application on May 19, 2006. Ag Processing Inc and the IPC Zone Employers Group (IPC Zone Employers Group) filed an application for rehearing on May 16, 2006. Both applications for rehearing were timely filed pursuant to Iowa Code § 476.12.

On June 1, 2006, IPL filed a pleading that included a reply to Consumer Advocate’s and CCRF’s responses to IPL’s application for rehearing and a response to the IPC Zone Employers Group’s application for rehearing. While 199 IAC 7.27 does not specifically provide for the filing of a reply to a response to an application for

rehearing, the Board has generally allowed such responses to complete the record. The Board will consider IPL's reply to Consumer Advocate's and CCRF's responses to IPL's application for rehearing.

The Board will not, however, consider IPL's response to the IPC Zone Employers Group's application for rehearing. Subrule 199 7.27(3) specifically provides that an answer or objection to an application for rehearing must be filed within 14 days of the date the application for rehearing was filed, unless otherwise ordered by the Board. The IPC Zone Employers Group's application for rehearing was filed on May 16, 2006; responses were due May 30, 2006; and IPL filed on June 1, 2006. While the Board has the discretion to grant additional time, this discretion is generally exercised only when a party has requested additional time prior to the initial filing deadline. IPL did not do that here.

The Board will first address two requests for clarification in IPL's application that were not addressed in either of the two responses. IPL asked whether the Board's approval of IPL's reactive demand proposal for IPC large general service customers (Final Decision, pp. 21-22) includes approval of IPL's proposed method of implementation. Due to metering limitations, IPL said at hearing that this would be phased in over a six-month period. (Tr. 47-48). Specifically, IPL said it would install 100 to 150 meters over a six-month period, capable of recording interval data for IPL large general service customers with maximum demands of 300 kW to 1MW (IPC large general service customers with demands greater than 1 MW currently have this type of metering). IPL would then provide IPC customers a minimum of six months of

data from the new meters as a preliminary pricing signal, up until 12 months following the June 30, 2006, effective date when IPL would begin billing IPC customers under the new reactive demand method.

This clarification was not addressed in any of the responses to IPL's application. In approving IPL's reactive demand proposal in the Final Decision, the Board was approving both the demand proposal and method of implementation. IPL's clarification is consistent with the Final Decision.

IPL's second unopposed request for clarification relates to IPL's proposal to move large general service customers to the general service rate class. (Final Decision, pp. 24-26). Due to the limitations of its billing system, IPL asked that it be allowed to uniformly implement the rate structure changes for large general service customers being moved to general service rates, starting with billing cycles that begin on or after the June 30, 2006, effective date, rather than prorating usage between large general service and general service rate structures for billing cycles that straddle the June 30, 2006, effective date.

In order to avoid large, unintended billing impacts, IPL has assured the Board's staff that the transitional bills for large general service customers moving to general service rates will not include the new large general service 50 kW minimum billing demand. With this understanding, IPL's request for clarification is reasonable and will be approved.

The Board will now address the remaining issues in IPL's application and then the issues raised by the IPC Zone Employers Group. Because the Board's decisions

on rehearing do not impact the compliance tariffs IPL filed on May 18, 2006, these will not have to be refiled.

EFFECTIVE DATE OF NEXT EQUALIZATION STEP AND CUSTOMER NOTICE

IPL sought clarification of ordering clause 4 of the Final Decision, which requires IPL to “file a target rate design and consolidated tariff for lighting as part of its next equalization or general rate case, whichever comes first.” IPL said it intended to file tariffs reflecting June 30, 2007, as the effective date for the second step towards its target rate design, consistent with the Board’s order. IPL argued customer notice for this filing is not required because IPL would simply be complying with prior Board orders in Docket No. RPU-04-1, issued in 2005, that require annual, revenue-neutral equalization filings based on the billing determinants used in IPL’s most recent rate case. IPL argued that a customer notice for the second equalization step would generate unwarranted expense and confusion and that customers were given notice of tariff consolidation proceedings in Docket No. RPU-05-3.

However, IPL said that lighting customers had not received notice of possible tariff consolidation in Docket No. RPU-05-3 and that the lighting provisions it will propose will involve rate increases for some of those customers. Therefore, IPL proposed to separate lighting from the remainder of its second step equalization filing. In a separate filing, IPL said it would give notice only to lighting customers, not all customers.

Consumer Advocate disagreed with IPL's contention that no customer notice is required for the second step equalization proceeding, whether or not lighting customers are included. Consumer Advocate said the customer notice provided in 2005 revealed only the essential attributes or potential impacts of the first step towards target rates and not the impact of the proposed second step. Consumer Advocate noted that notice is jurisdictional and is required for any proposed increase or a rate or charge, citing Iowa Code § 476.6(2) and Office of Consumer Advocate v. Utilities Board, 452 N.W.2d 588 (1990).

The Board's Final Decision clearly requires a target rate design and consolidated tariff for lighting as part of the next equalization case or general rate case, whichever comes first. If the next equalization filing is first, then a target rate design and consolidated tariff for lighting must be part of it.

The jurisdictional notice issue raised by Consumer Advocate is not ripe for decision because there is no dispute regarding notice in this docket; the dispute revolves around the notice which may be required for the next filing, which has not been made. Nevertheless, without deciding the jurisdictional notice issue, the Board will require that customer notice of the next proceeding be given as a matter of policy. The Final Decision repeatedly emphasized the importance of customer communication and communicating to IPL customers the second step of the rate equalization and tariff consolidation process is as important as communicating to them the decisions made in Docket No. RPU-05-3. That being said, the notice may not need to be the same for all customer classes or all pricing zones; for example, a

bill message may be sufficient for customers who will experience a rate decrease, while lighting customers are likely to require a separate written notification. IPL may ask the Board to consider alternatives to the standard notice for some customers or customer classes.

CCRF objected to the portions of IPL's rehearing application that asked that IPL be allowed to file its second equalization filing prior to the end of 2006 and that the effective date of the tariff be June 30, 2007. CCRF asked that the second filing be made on or before June 30, 2006, and that the effective date of the proposed tariffs be February 1, 2007. CCRF does not want the equalization process delayed.

The Board in its rehearing order in Docket No. RPU-04-1 indicated its intent that equalization targets be set approximately one year apart. The current case was filed on June 30, 2005, and the Board believes compliance tariffs will be effective on or about June 30, 2006. While the second equalization case should not require the litigation time of this case, the Board believes IPL should target its filing for on or about June 30, 2006 (which could be delayed somewhat because of the notice issue), so that an approximate one-year time frame can be maintained. The Board, as in the past, will not set hard and fast dates because circumstances may change, but it does not expect the second step to be effective any later than June 30, 2007.

IPL stated in its June 1, 2006, filing that it is not ready to make a lighting proposal because it is "currently in the lengthy process of evaluating lighting service offerings across rate zones, developing billing determinants at the fixture level, and developing cost-based target pricing levels at the fixed level reflecting IPL's proposed

service offering.” (IPL June 1 reply, pp. 3-4). What IPL’s reply fails to provide is information as to when this process started; IPL has had since the final order in Docket No. RPU-04-1 issued on January 14, 2005, to prepare a lighting proposal. The Board believes that IPL needs to commit the resources needed to finish this project, and the Board expects it to be done so that IPL can file a lighting proposal as part of its next equalization filing, which will likely be delayed for a time past June 30 so that the notice issue can be resolved.

RATE STRUCTURE DECISIONS

The IPC Zone Employers Group asked the Board on rehearing to reconsider the decision not to use the IPC rate design, particularly for large general service rates. The IPC Zone Employers Group also asked the Board to require that IPL file pricing alternatives for the large general service class for the Board to consider in the next equalization or general rate case filing, including alternatives that reduce the number of demand blocks and reflect service voltage cost differences.

There is nothing in Iowa Code chapter 476 or the Board’s rules that require IPL to file alternative pricing proposals or rate designs, and the Board will not order IPL to provide such alternatives in the next rate equalization filing. The Board did encourage IPL, upon completion of the tariff consolidation and rate equalization process, to consider pricing alternatives. Some of the alternatives the Board suggested that IPL consider included reduction in the number of demand block rates, and the Board indicated it would expect more evidence about different alternatives

that are available and the advantages and disadvantages of each. (Final Decision, p. 21). The Board did not order, however, that IPL provide any specific pricing proposal or rate design alternative.

More importantly, the Board did not order any such alternatives to be provided in the next equalization filing. In the Final Decision, the Board indicated that such information should be provided after completion of the tariff consolidation and rate equalization process, not during this process. The Board believes that in order to complete tariff consolidation and rate equalization in a timely fashion and with the least amount of confusion and disruption to customers as possible, the target rate design must be held reasonably constant during the process. In the next equalization filing, the Board does not intend to relitigate all the issues from Docket No. RPU-05-3 (and prior dockets) in the absence of good cause for doing so.

The Board's reasons for adopting the rate design it did, which do include some elements from the IPC zone, were fully discussed in the Final Decision. The Board will not change the rate design adopted in that order.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The application for rehearing filed by the Interstate Power and Light Company on May 9, 2006, is granted to the extent discussed in this order and denied in all other respects.

2. The application for rehearing filed by Ag Processing Inc and the IPC Zone Employers Group on May 16, 2006, is denied.

3. The final decision and order of the Utilities Board, issued April 28, 2006, is modified and clarified in accordance with the body of this order.

4. Motions and objections not previously granted or sustained are denied or overruled. Any argument in the rehearing application not specifically addressed in this order is rejected as either not supported by the evidence or as not being of sufficient persuasiveness to warrant comments.

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 7th day of June, 2006.