

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. WRU-06-27-150
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**ORDER GRANTING EXPEDITED WAIVER**

(Issued November 6, 2006)

On November 1, 2006, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for a waiver of portions of 199 IAC 20.9 and 20.17. IPL intends to sell excess 2006 sulfur dioxide (SO<sub>2</sub>) allowances through a broker and replace them with 2009 SO<sub>2</sub> allowances. IPL also intends to sell excess 2010 SO<sub>2</sub> allowances and replace them with 2009 SO<sub>2</sub> 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 and Minnesota, consistent with jurisdictional allocations. The price differential between the 2006 and 2009 SO<sub>2</sub> allowances may shrink or disappear entirely as year end approaches and there is a counter-party considering selling 2009 allowances at below market value, so IPL has asked that the waiver be granted on an expedited basis. IPL states in its request for waiver that the Consumer Advocate Division of the Department of Justice has no objection to the waiver.

The Board granted a similar waiver to IPL last year in Docket No. WRU-05-47-150. IPL noted that in the Board's October 20, 2005, order granting the waiver, the Board did not determine the Iowa jurisdictional portion of the price differential received by IPL. In a subsequent order issued December 23, 2005, the Board used a portion of the price differential to assist IPL's low-income customers by directing IPL to deposit funds 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. IPL states it does not object to a similar disposition of the Iowa jurisdictional portion of the proceeds in this docket.

In support of its waiver request, IPL notes that 199 IAC 20.9(2)(2)"b"(8) provides that gains and losses from allowance sales flow through the energy adjustment clause (EAC) on a monthly basis. The sale of the 2006 and 2010 allowances is expected to produce approximately \$37 million. Pursuant to 199 IAC 20.17(12), the 2009 allowances purchased with most of the proceeds (approximately \$36 million) are added to rate base and earn a return. When used for environmental compliance, the allowances would be expensed through the EAC.

IPL requests the waiver to return Iowa's jurisdictional share of the approximately \$1 million positive differential, net of brokerage fees, through the EAC or some other mode as determined by the Board. In the event the waiver is granted, the 2009 allowances purchased with the proceeds would continue to have a zero basis for ratemaking purposes and therefore would not earn a return. IPL agrees that

any taxes associated with the sale will not be reflected in any future rate proceeding and no expense associated with the purchased allowances would flow through the EAC when these allowances are used for environmental compliance. IPL's waiver request would result in a transaction with no additional costs in future rate proceedings attributable to the allowances that are purchased with the proceeds from the sale of the 2006 and 2010 allowances.

The Board will grant the waiver on an expedited basis. Any delay could result in the price differential in the allowances eroding, diminishing any potential gain from a simultaneous allowance sale and purchase transaction. Granting the waiver does not prejudice the substantial legal rights of any person and the provisions of the rules which IPL asks be waived are not mandated by statute or other provision of law. There is no adverse impact on the public health, safety, or welfare. The standards for a waiver set forth in 199 IAC 1.3 have been satisfied.

While the Board will grant the waiver on an expedited basis, it will not at this time determine the disposition of the Iowa jurisdictional portion of the price differential received. IPL is to retain these funds until their final disposition is determined by subsequent Board order.

**IT IS THEREFORE ORDERED:**

The request for waiver filed by Interstate Power and Light Company on November 1, 2006, is granted. IPL is to retain any proceeds from the transactions

described in the body of this order pending final disposition of funds by subsequent Board 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 6<sup>th</sup> day of November, 2006.