

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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NOTICE OF INTENDED DISPOSITION OF FUNDS

(Issued January 19, 2007)

On November 1, 2006, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for a waiver of the energy adjustment clause (EAC) rules to allow IPL to sell excess 2006 and 2010 sulfur dioxide (SO₂) allowances through a broker and replace them with 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 and Minnesota, consistent with jurisdictional allocations. IPL requested that the Iowa jurisdictional share of the price differential be returned to customers through the EAC or some other mode as determined by the Board. The Board, by order issued November 6, 2006, in Docket No. WRU-06-27-150, 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. IPL subsequently notified the Board that the price differential is close to \$1.5 million. Iowa's jurisdictional share of this amount is about 93 percent.

The winter season brings unique challenges for all energy consumers, but particularly for low-income customers because of the price of natural gas, which is used for both heating and generating electricity. While prices have abated from last year's levels and the weather, until recently, has been relatively mild, many low-income customers are still struggling with past-due bills from a year ago. In addition, gas prices remain high when compared to historic levels.

The Board continues to look for ways to alleviate these burdens on low-income consumers. Natural gas prices are not regulated by the state or federal government and are subject to market forces. The Board is doing what it can within its jurisdiction, such as launching and completing a weatherization project and overseeing increases in energy efficiency spending by rate-regulated utilities.

The proceeds that are the subject of IPL's waiver request provide another opportunity to assist IPL's low-income customers. The allowance price differential represents a refund that is not directly related to any particular customer payments. Flowing the proceeds through the EAC would provide little comparative relief to the vast majority of individual customers. Pooling a part of the refund proceeds, however, can provide help to low-income consumers. This in turn assists other customers, because there will be less bad-debt expense in subsequent rate cases.

The Board believes the best use of part of the proceeds from the SO₂ allowance cost differential is to provide low-income energy assistance. Therefore, the Board intends to direct IPL to deposit a portion of the refund proceeds 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 the Low-Income Home Energy Assistance Program for IPL customers.

If the Board were to allow the total amount of the SO₂ allowance cost differential to be refunded to customers, the average refund for most customers would be very small and 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 larger customers are more substantial and better justify the cost of making an individual refund, either through the EAC or otherwise. The Board is proposing that individual refunds should be made to these larger customer classes, specifically the customers in IPL's Bulk Power and Large General Service classes, through IPL's EAC. The remaining sums will be aggregated and distributed through IPL's Home Town Care Energy Fund. This is consistent with the Board's actions last year with respect to certain refunds received by Interstate Power and Light Company in Docket Nos. WRU-05-46-150 and WRU-05-47-150.

Based on informal discussions between IPL, the Consumer Advocate Division of the Department of Justice (Consumer Advocate), and Board staff, the Board understands that IPL and Consumer Advocate do not object to this proposal. Still, the Board will allow an opportunity for public comment before taking final action. 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 wishing to comment on or object to the intended disposition of proceeds described in this order shall file an objection or comment within 14 days of the date of this order.

UTILITIES BOARD

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 19th day of January, 2007.