

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. TF-06-336
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**ORDER DOCKETING TARIFF, GRANTING INTERVENTION  
AND REQUESTS FOR PERMISSION TO APPEAR, REQUIRING  
JOINT REPORT, AND REQUIRING ADDITIONAL INFORMATION**

(Issued January 23, 2007)

On December 26, 2006, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a proposed consolidated electric "Standby and Supplementary Power Service" tariff (Standby Tariff), identified as TF-06-336. IPL filed revisions to the proposed tariff on January 3, 2007. The Board, in its "Final Decision and Order" issued on April 28, 2006, in Docket No. RPU-05-3, ordered IPL to file a new proposed Standby Tariff in its next equalization filing or as a separate filing.

The Iowa Consumers Coalition (ICC) filed an objection to the proposed Standby Tariff on January 16, 2007. The ICC consists of three large customers of IPL: Archer Daniels Midland Company, Cargill, Incorporated, and Equistar Chemicals, L.P. The ICC has two primary objections. The first relates to the proposed tariff's 40 MW minimum billing demand imposed on supplementary power service for customers receiving service at transmission voltage levels. The ICC

argues that IPL has not justified or explained the reasons for proposing a high minimum billing demand and that the Board rejected a similar proposal in Docket No. RPU-05-3.

The ICC's second primary objection is that under the proposed Standby Tariff, supplementary power service may not exceed 40 percent of the customer's entire facility requirements. The ICC states that such a requirement could discourage customers from pursuing self-generation alternatives.

In addition to its two objections, the ICC seeks clarification of the applicability of IPL's interruptible service option to Large General Service customers who may take supplementary power service under the proposed Standby Tariff. The ICC believes that interruptible service would be an option for those customers, but the proposed tariff does not make this explicit.

To allow the Board and other interested persons time to fully consider the proposed Standby Tariff, the tariff will be docketed as a formal contested case proceeding, identified as Docket No. TF-06-336. However, a procedural schedule will not be set now to allow the parties time to review responses to additional information that the Board requires (see following paragraph) to evaluate the proposed tariff. The parties will also be given time to engage in some discovery and discussions to see if the parties can resolve some or all of their apparent differences. The Board will require parties to submit a joint report by March 15, 2007. After reviewing IPL's responses and the joint report, the Board will set a procedural schedule, if necessary.

IPL is to provide the following information within 30 days of the date of this order:

1. In the second paragraph of its Interpretation cover sheet, IPL states “The Bulk [Power] tariff is already frozen eliminating the need to freeze that standby provision.”
  - a. Does this mean that IPL is limiting the availability of Standby Service in the Bulk Power tariff to its current Bulk Power customers?
  - b. Is IPL further limiting the availability of Standby Service in the Bulk Power tariff to customers who currently use it?
  - c. Is IPL limiting the total availability of Standby Service in the Bulk Power tariff to current Bulk Power Standby demand levels?
  - d. If the answer to the preceding questions is in the negative, please explain exactly what IPL means by the quoted sentence.
  - e. How many Bulk Power customers currently use the Bulk Power Standby Service provisions and at what demand levels?
2. In the third paragraph of its Interpretation cover sheet, IPL states that its proposed monthly customer charges for Standby Service are the same as those currently used for Pre-Scheduled Energy Only Service. Provide and fully explain the cost basis for each of the proposed Standby Service customer charges (Tariff Sheet 79). If this includes documents from prior rate cases, provide copies of the documents rather than rate case references.
3. In the last two sentences of its Interpretation cover sheet, IPL states that its Scheduled Standby Service usage rates are based on the end-state Large General Service (LGS) rates in Docket No. RPU-05-3 and that its Supplementary Service charges are similarly based on the end-state LGS and Bulk Power rates in Docket No. RPU-05-3. Does this mean that the proposed tariff will apply only to LGS and Bulk Power customers? If not, please explain exactly what the statements mean.
4. The first sentence of IPL’s proposed Standby and Supplementary Power Service tariff (Tariff Sheet 76) states that the tariff is:

Applicable to power and lighting requirements of Customers having their own generating facilities and desiring standby or supplementary power and who have entered into an Electric Service Agreement with the Company for interconnection and operation of on-site extended parallel distributed generation systems with a capacity of 100 kW or more.

Assume that a customer currently meeting the requirements for General Service installs a wind generator larger than 100 kW for self-use (and sells any excess generation to IPL). Are there any circumstances under which this customer would be charged the proposed 2-part (kW demand/kWh energy) rate structures for Standby and Supplementary Power Service (Tariff Sheets 78, 80) rather than the customer's current energy-only General Service rates? If so, please explain.

5. In the first paragraph of Tariff Sheet 76, IPL states:

Supplementary power shall not exceed 40 percent (40%) of the entire Customer's facility power requirements.

Explain the basis and rationale for this 40 percent maximum.

6. In the last paragraph of Tariff Sheet 76 and the first paragraph of Tariff Sheet 77, IPL states that Standby Service:

means electric energy or capacity supplied by the Company to replace energy or capacity ordinarily generated by the Customer's own generation equipment during periods of either scheduled (maintenance) or unscheduled (backup) outages of all or a portion of the Customer's generation.

In the case of wind generation facilities that generate power on an intermittent basis, could a sharp drop in wind speed and generation be interpreted as an unscheduled outage under the proposed tariff? If so:

- a. How would the threshold limits for determining such unscheduled outages be defined?
- b. How would the customer's standby power requirements be distinguished from the customer's supplementary power requirements?

7. Will the proposed Monthly Supplementary Service Charges for service at transmission voltage levels (Tariff Sheet 80) apply to IPL's current Bulk Power customers? Will these charges apply to any other customers that take service at transmission voltage levels? If so, please explain.
8. Under "Billing Demand for Supplementary Service" (Tariff Sheet 81), IPL states:

Billing demand for transmission voltage service shall be the largest metered demand in twelve months ending with the current billing month but not less than 40,000 kW.

Explain the basis and rationale for this proposed minimum demand level and why it is higher than the current 25,000 kW minimum demand level for Bulk Power Service.

9. Paragraph 1 under "Terms and Conditions" (Tariff Sheet 82) states: "Standby Service is available to any non-residential Customer who requires 100 kW or more of standby capacity from the Company."
  - a. Given this minimum standby demand level, could the proposed Standby Service ever apply to Residential or General Service customers? If so, please explain.
  - b. Similarly, could the proposed Supplementary Power Service ever apply to Residential or General Service customers? If so, please explain.
10. Paragraph 14 under "Terms and Conditions" (Tariff Sheet 84) states:

The Company reserves the right to establish a minimum charge in order to recover the costs of facilities required to serve such load. Said charge shall be specified in the Agreement for Service.

Explain the additional meaning and applicability of this paragraph, if any, beyond the minimum charges specified in Tariff Sheets 78-81.
11. Paragraph 16 under "Terms and Conditions" (Tariff Sheet 84) states:

The Company may be reimbursed by the Customer for costs which are incurred, or which have been previously incurred, in providing facilities which are used principally or exclusively in supplying service for any portion of the Customer's requirements which are to be normally supplied from a source of power other than the Company's electric system.

Provide a representative example showing how this provision would be applied by IPL.

12. The paragraph "Power Factor for Stand-by Service" (Tariff Sheet 79) states:

A reactive demand charge of \$0.61 per kVAr will apply for the portion of the maximum kVAr registered during the month in excess of 20% of the maximum KW registered during the month.

This seems to set a minimum power factor threshold of about 98 percent, below which IPL would impose reactive demand charges. If this is not the case, explain. Otherwise, please explain why this minimum power factor threshold should be higher than the minimum power factor thresholds established in the Large General Service and Bulk Power tariffs.

13. Paragraph 18 under "Terms and Conditions" (Tariff Sheet 84) states:

During times of Customer generation, Customer will be expected to provide VARs as needed to serve their load. Customer will provide equipment to maintain a unity power factor plus or minus 10 percent for Supplemental demand, and when Customer is taking Backup service from Company.

This seems to set a higher power factor requirement (unity or 100 percent, plus or minus 10 percent) than the power factor requirement for Large General Service (90 percent, plus or minus 5 percent). If this is not the case, explain. Otherwise, explain why this power factor requirement should be higher than the requirements established in the Large General Service tariff.

14. In the Exhibit A calculation of the Generation Reservation Fee for Standby Service (Tariff Sheet 78), explain how the 10 percent forced outage adjustment factor was derived. Also, explain the theoretical relationship between the forced outage rate and IPL's Standby generation reservation costs.
15. In Exhibit A, IPL provides a reference to "RPU-04-1 Supporting Schedules, Page 41 'Standby Price Development', filed January 18, 2005" in support of its \$5.516/kW Transmission and Distribution component. Provide a copy of this document and any supporting documents.
16. In the Exhibit B calculations of the Daily Demand Charges for Standby Service (Tariff Sheet 78), why is only the \$2.14 transmission reservation fee subtracted from the \$10.77 average demand rate? Why not subtract both the \$2.14 transmission reservation fee and the \$3.38 distribution reservation fee, since both fees seem potentially applicable in the Standby customer's minimum monthly charge (depending on service voltage)?
17. In Exhibit B, IPL refers to "RPU-05-3 DV Workpaper A, Page 34 of 34 filed June 30, 2005" in support of its estimated loss factors. Provide a copy of this document and any supporting documents.
18. Would interruptible service under Rider INTSERV be available to customers receiving Supplementary Power Service? If not, please explain.

If so, assume that a Large General Service customer in the Southeastern zone (Rate Code 807-8) has been taking interruptible service since 1993 and has total peak load requirements of 1,000 kW. Also, assume that 700 kW of this total load is served as interruptible demand, 100 kW is served as firm contract demand, and 200 kW is served with the customer's own generation.

- a. Of the 800 kW served by IPL, how much of the 100 kW firm contract demand and how much of the 700 kW interruptible demand would be served under Supplementary Power Service, and how much would be served under the customer's standard Large General Service tariff (Rate Code 807-8)?

- b. What \$/kW interruptible credits would apply to the interruptible demand served under Supplementary Power Service?
- c. What \$/kW interruptible credits would apply to the interruptible demand served under the customer's standard Large General Service tariff (Rate Code 807-8)?

Included with the ICC's objection was a petition to intervene and request for permission to appear. The Board will grant the petition to intervene. The ICC has alleged a unique interest in this proceeding that is not currently represented and its participation can be expected to assist in the development of a thorough evidentiary record.

Individual requests for permission to appear to represent the ICC were filed by James M. Bushee, Daniel E. Frank, and Matthew J. Binette. All three attorneys are members of the same law firm and are licensed to practice law in other states, but not Iowa. Attached to the requests was an appearance of Iowa counsel for purposes of service of process. The requests appear to contain the information required by Iowa Supreme Court rule 31.14 and will be granted.

**IT IS THEREFORE ORDERED:**

1. An investigation is instituted to determine the reasonableness of Interstate Power and Light Company's proposed Standby Tariff filed on December 26, 2006, and revised on January 3, 2007. This matter will be identified as Docket No. TF-06-336, a formal contested case proceeding. Tariff filing TF-06-336 is suspended. The expenses reasonably attributable to this investigation shall be assessed to IPL in accordance with Iowa Code § 476.10.

2. The petition to intervene filed by the Iowa Consumers Coalition on January 16, 2007, is granted.

3. The requests for permission to appear filed by James M. Bushee, Daniel E. Frank, and Matthew J. Binette are granted.

4. The parties shall file a joint report on or before March 15, 2007.

5. IPL is to provide the information identified in the body of this order within 30 days of the date of this order.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

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Dated at Des Moines, Iowa, this 23<sup>rd</sup> day of January, 2007.