

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA-AMERICAN WATER COMPANY	DOCKET NO. WRU-07-6-123
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ORDER GRANTING WAIVER

(Issued March 21, 2007)

On March 5, 2007, Iowa-American Water Company (Iowa-American) filed with the Utilities Board (Board) a motion for waiver of three of the minimum rate case filing requirements delineated in 199 IAC 26.5(5). The three filing requirements for which Iowa-American seeks a waiver are the depreciation study (199 IAC 26.5(5)"e"(1)); a recent lead-lag study (199 IAC 26.5(5)"e"(5)); and a class cost-of-service study (199 IAC 26.5(5)"e"(9)). Iowa-American stated in its motion that it had contacted the Consumer Advocate Division of the Department of Justice (Consumer Advocate) and was authorized to represent that Consumer Advocate has no objection to granting the waiver.

In support of its waiver request, Iowa-American states that it is a relatively small utility; in Iowa-American's last rate case, filed in 2001, its revenue requirement was approximately \$23 million and its rate base approximately \$61 million. Iowa-American's last rate increase was about \$2.9 million and rate case expense totaled \$289,000. See, Iowa-American Water Co., "Order Approving Settlement Agreement," Docket No. RPU-01-4 (2/22/2002).

Iowa-American states it wants to reduce the level of rate case expense in its next case, which it plans to file on or about April 30, 2007. Iowa-American estimates that a depreciation study would cost \$50,000, a cost-of-service study would cost \$50,000, and a lead-lag study would cost \$20,000. Iowa-American notes that since its last depreciation study, prepared for a 1996 rate case, there have been no major plant additions or retirements. Iowa-American also states it will propose across-the-board rate increases in its upcoming rate case, not class-based rate changes. Finally, Iowa-American proposes to use its 2001 lead-lag study because no party took significant issue with the study and there have been no significant changes in operations from Iowa-American's last rate case that would impact its working capital requirement.

The Board will grant the waiver. Granting the waiver will avoid unnecessary and substantial rate case expense that likely would have to be borne by Iowa-American's customers. Because of Iowa-American's relatively small size, the cost of such studies can constitute a disproportionate amount of the final increase. While the three studies that are the subject of the waiver request will at times be necessary, they appear to be of little benefit for Iowa-American's upcoming case. There have been no significant changes to rate base (depreciation study), Iowa-American will not propose class-based changes in rates (class cost-of-service study), and there have been no significant changes in Iowa-American's operations that would impact its working capital requirement (lead-lag study). In addition, no significant objections were raised to any of the prior three studies. The Board notes that it granted Iowa-

American a similar waiver last year on May 4, 2006, in Docket No. WRU-06-15-123. However, Iowa-American did not file a rate case in 2006 as originally planned.

Iowa-American's customers will benefit from the waiver request because rate case expense will be reduced by approximately \$120,000. The evidentiary requirements being waived are not required by statute and the waiver will not negatively impact the public health, safety, and welfare. The previous studies and the rate case process, which includes participation by Consumer Advocate and any intervenors, ensures a thorough and comprehensive review of Iowa-American's impending filing. The standards for granting a waiver contained in 199 IAC 1.3 have been satisfied.

IT IS THEREFORE ORDERED:

The motion for waiver filed by Iowa-American Water Company on March 5, 2007, is granted.

UTILITIES BOARD

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

Dated at Des Moines, Iowa, this 21st day of March, 2007.