STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. TF-07-221 (SPU-04-1)

ORDER APPROVING SMALL VOLUME GAS TRANSPORTATION TARIFF

(Issued April 24, 2008)

On November 5, 2007, the Utilities Board (Board) issued an order in Docket No. SPU-04-1, In re: Iowa Joint Utility Management Program, Inc., directing Interstate Power and Light Company (IPL) to file a proposed permanent small volume gas transportation tariff to replace the existing Small Volume Gas Transportation Pilot Project tariff (Pilot Project). In the order, the Board required IPL to make three changes to the Pilot Project tariff and described other modifications that IPL could propose. On December 28, 2007, IPL filed the proposed compliance tariff with an effective date of April 30, 2008, that largely adopted the charges and provisions in the Pilot Project tariff with the three changes required by the Board.

On January 7, 2008, Iowa Joint Utility Management Program, Inc. (IJUMP), filed comments regarding the proposed permanent tariff. On January 15, 2008, IPL filed a reply to IJUMP's response. On January 18, 2008, Cornerstone Energy LLC, d/b/a Constellation NewEnergy-Gas Division (Cornerstone), filed comments regarding IPL's proposed tariff. On January 25, 2008, the Board issued an order docketing the proposed tariff and directing that IPL respond to a hypothetical pricing scenario described in the order.

On January 31, 2008, IPL filed a response to Cornerstone's comments and requested a waiver of 199 IAC 7.9(2). On February 7, 2008, the Board issued an order accepting IPL's response and stating that a waiver was not necessary. On February 8, 2008, IPL filed its response to the hypothetical proposed in the January 25, 2008, order.

On March 11, 2008, the Board issued an order requesting additional information from IPL. On March 17, 2008, IPL filed the additional information. On March 20, 2008, Cornerstone filed a response to the additional information filed by IPL on March 17, 2008.

I. Tariff Elements and Conditions of Service

In the November 5, 2007, order, the Board directed that the proposed tariff reflect the provisions in IPL's existing Pilot Project tariff and include three additional provisions as follows:

1. The tariff should be offered to all small volume customers (as defined by the tariff), except residential customers, referencing usage limits in the definition of a small volume customer in 199 IAC 19.14(1);
2. The tariff could include a cap on the total number of customers allowed to take service under the permanent tariff; and

3. Customers taking service under the tariff would pay the same energy efficiency cost recovery (EECR) factor they would pay as system customers and they would be allowed to participate in energy efficiency programs offered by IPL.

In the order, the Board also described other modifications that IPL could propose to the Pilot Project tariff. IPL chose to propose two of the modifications described by the Board. IPL proposed to make the small volume service available to all small volume customers, without the limitation to heat-sensitive customers that is part of the Pilot Project tariff. IPL also will require small volume gas transportation customers to provide proof of firm interstate pipeline capacity, by affidavit. IPL had this requirement in the Pilot Project tariff.

The significant issues raised with respect to the proposed permanent tariff are discussed below.

A. Eligible Customers

IPL established the usage criteria for the permanent small volume gas transportation service based upon the November 5, 2007, Board order. The permanent service will be available to customers whose usage does not exceed 25,000 therms in any billing month or 100,000 therms in any consecutive 12-month period, which is the usage level set in 199 IAC 19.14(1). Further, the service will be available to all eligible small volume customers and not just heat-sensitive customers.

IPL stated that four customers that currently take service under the Pilot Project will not be eligible to take service under the proposed permanent tariff because their volumes exceed the usage limit. IPL initially proposed to transfer the four customers not eligible for the new small volume gas transportation service to existing transportation service. In response to the additional information requested by the Board in its March 11, 2008, order, IPL indicated it would be willing to grandfather each of the four customers into the proposed permanent small volume gas transportation service if that is the customer's preference.

Cornerstone argued that IPL should maintain the usage limit in the Pilot Project tariff rather than the more restrictive limit proposed in the permanent tariff. Cornerstone stated that it understood that the change to permanent service was intended to expand the availability of small volume gas transportation and the IPL eligibility limit results in a restriction on the service's availability.

The Board will approve the usage limit proposed by IPL. The limit uses the definition of small volume customer established by the Board in 199 IAC 19.14(1) and IPL has agreed to grandfather the four current Pilot Project customers that would not be eligible for the permanent service under this usage limit. IPL will be required to offer the four customers the option of taking service under the permanent tariff approved in this order, taking transportation under the existing transportation tariff, or returning to system service.

B. Participant Cap

IPL proposes to cap the number of customers who can take the service at 500 and will accept customers on a first-come first-served basis. IPL indicates that the increase from 151 current customers to the cap of 500 will be possible without significant changes to the Pilot Project cost structure. IPL maintains that this level is reasonable since it is more than three times the current number of customers taking service under the Pilot Project.

Cornerstone agreed that a limit on the number of new customers taking the service by month is appropriate but suggested the proposed cap of 500 is not justified.

The Board will approve this tariff provision. The 500 total customer cap proposed by IPL is consistent with the cap information filed by IPL in Docket No. SPU-04-1 as the total number of small volume customers IPL could serve without a significant increase in administrative costs. Five hundred customers is over three times the number now taking service under IPL's Pilot Project tariff.

C. Energy Efficiency Cost Recovery Factor

IPL proposes to require that small volume gas transportation customers pay the current EECR factor as directed by the Board in the November 5, 2007, order. Small volume customers will be allowed to participate in IPL's energy efficiency programs. This provision complies with the November 5, 2007, order.

D. Daily Balancing

IPL will continue offering its daily balancing service in lieu of telemetry requirements. The daily balancing charge will remain the same under permanent service as it was in the Pilot Project at 1.05 cents per therm. Revenue generated from this service will continue to be credited to system customers through the annual purchased gas adjustment (PGA) reconciliation process.

IJUMP stated that it anticipated lower daily balancing or swing service fees under the permanent tariffs. IJUMP pointed out that the proposed IPL charge is higher than Aquila, Inc., d/b/a Aquila Networks, at $0.075, and lower than MidAmerican Energy Company (MidAmerican), at $0.111.

Cornerstone agreed with IPL's proposed daily balancing provision. Cornerstone stated the understanding that it will not incur daily balancing penalties if it delivers the amount of gas forecasted by IPL.

The Board will approve this provision of the proposed tariff. The $0.105 per dekatherm (Dth) daily balancing fee is the same fee that IPL is currently charging under the Pilot Project tariff and is therefore in compliance with the Board's November 5, 2007, order. Revenue generated from this service will continue to be credited to the PGA during the annual reconciliation process.

E. Monthly Balancing / Cash Outs

Small volume customers will be obligated to balance on a billing month basis, either individually or as part of a pool of customers. Every six months, net monthly imbalances will be financially cashed out and included in the annual PGA reconciliation filing. The cash-out rate will continue as the Chicago City-Gate index rate plus (for under-deliveries) or minus (for over-deliveries) $0.08/Dth.

IJUMP suggested that system customers would not be harmed if IPL charged or pays the Gas Daily Index Price without the $0.08/Dth adder or deduction for monthly imbalance cash-out.

Cornerstone agreed with the proposed monthly cash-out provision.

The Board will approve this charge and provision. The rate structure for monthly cash outs is the same as charged under the Pilot Project tariff.

F. Nomination and Dispatching

IPL proposes to charge $47 per month per metering point for nomination and dispatching. IPL proposes that it will forecast the natural gas requirements for all customers on this service. In the event that the specified amount of natural gas is not delivered for any three consecutive days in a 12-month period, the customer's transportation service would be terminated. Once terminated, the customer would not be allowed to return to small volume gas transportation service for a minimum of 12 months.

IJUMP suggested that IPL's $47 nomination and dispatching fee is the primary reason that the participation level in the IPL Pilot Project was relatively low. IJUMP suggests that MidAmerican's two-part fee structure of a monthly per account fee of $16 (now $15.52) and a monthly scheduling fee of $158 per pool operator is more cost-justified, even though IJUMP considers MidAmerican's fees to be excessive also.

The Board will approve the charge of $47 and the nomination and dispatching provisions in the permanent tariff. The $47 fee is the same charge found in IPL's Pilot Project tariff and the Board considers it reasonable for IPL to maintain the same rate for this service until its next general rate review proceeding, where all costs and revenues will be reviewed.

G. Switching/Reconnection Fee

IPL proposes the same reconnection fees as it charges in its Pilot Project tariff. Under the permanent tariff, small volume gas transportation customers electing to return to system gas will pay a reconnection fee. The fee will be $500 during the winter heating season or $50 with proper advance notification from July to November. Existing Pilot Project customers will be transferred automatically to the new service and will not be charged a switching fee for this first switch of service. Further, IPL does not intend to charge a switching fee for current Pilot Project customers who then choose to switch from the permanent small volume gas transportation service to system service within the first 30 days.

IPL states that in addition to the administrative work involved in switching customers between transportation and system service, it charges a fee to mitigate the potential for constant switching between rates. IPL states that it has multiyear contracts for firm pipeline capacity based on its customers' estimated usage.

Customers constantly switching service could cause a shortage or excess in interstate pipeline capacity, which may be difficult for IPL to adjust to on short notice.

IJUMP suggested that IPL's proposed switching fee may exceed incremental costs. IJUMP understands that IPL may incur incremental costs if customers switch more frequently than annually, but points out that IPL allows sales service customers to switch service on and off once annually during regular business hours without incurring a switching fee.

Cornerstone stated that it does not support the $500 reconnection charge and considers it unnecessary. Cornerstone suggested that it is not realistic that customers would force IPL to incur unidentifiable costs up to $500 since these customers are already on IPL's system. Cornerstone recommends the Board either reject the reconnection charge or require cost justification for the $500.

The Board has historically had a concern about the $500 switching fee that is in IPL's Pilot Project tariff and has the same concern with charging the same fee in the permanent service. However, the fee provides protection for IPL system customers by discouraging small volume gas transportation customers from switching back and forth during the winter. Since this is the same fee that is in the Pilot Project tariff and the proposal is therefore consistent with the November 5, 2007, order, the Board will approve the fee and the proposed provision. The cost support for this fee will be reviewed in IPL's next general rate review proceeding.

H. Pipeline Capacity

IPL proposes that a small volume gas transportation customer provide proof of firm delivery service to the city gate on the interstate pipeline and produce additional evidence in support of that proof upon request. IPL indicates this provision is similar to the requirement in the Pilot Project tariff. IPL indicates that the proposed tariff spells out in detail the monthly balancing provisions, where the Pilot Project just referred to the balancing provisions in IPL's existing transportation tariff.

IJUMP states that it does not have an issue with IPL's proposed method of handling pipeline capacity by requiring new accounts to take or pay for capacity for one year or until IPL's obligation to pay the interstate pipeline is terminated. IJUMP indicated its willingness to sign an affidavit stating that IJUMP will require suppliers to provide primary firm capacity.

Cornerstone stated that it agreed with the capacity assignment proposal.

The Board will approve this provision. There is no issue with IPL's treatment of capacity and this is the same provision that exists in the Pilot Project tariff.

I. Minimum Term

IPL proposes to require a minimum commitment by a small volume gas transportation customer to remain on the service for one year. This is the same requirement that is in the Pilot Project tariff.

Cornerstone suggested that customers should only be required to be on the small volume gas transportation service for a six-month period spanning the winter heating season. Requiring small volume customers to pay the administrative fee in the summer months may make the program uneconomical.

The minimum term proposed by IPL in the permanent service is the same as the term in the Pilot Project tariff and is not unreasonable. The Board will approve this provision.

J. Contracts

Cornerstone in its January 18, 2008, response states that IPL proposes to require customers choosing the permanent service to sign a contract outlining the rules and responsibilities of the customer. Cornerstone believes this requirement of a separate contract with IPL may be a barrier to small volume customer participation in the service. Cornerstone indicates it would like the ability to include the IPL provisions in a Cornerstone contract that would then include both IPL and Cornerstone provisions.

IPL indicates that it will work with suppliers to satisfy contract issues, but is opposed to making a special nonstandard contract with only one marketer.

The Board will not require IPL to develop a single contract that includes IPL's and a supplier's requirements. IPL and suppliers should be able to work out a solution that addresses possible customer confusion without the practical and legal problems that could occur trying to implement a single contract to address all circumstances with all customers.

K. Billing Services

Cornerstone in its January 18, 2008, response states that IPL has made no provision for providing billing services in the proposed small volume transportation tariff. Cornerstone believes that small volume customers are less likely to take the permanent service if the customer is to receive two monthly invoices.

Under the Pilot Project, IPL bills the marketer, who then bills the customer for both the utility and marketer charges. IPL proposes to continue this billing practice under the permanent service. In addition, IPL suggests that billing issues are outside the scope of this docket and states that it will consider offering other services, as needed, outside of this docket.

The Board does not consider it reasonable at this time to require IPL to address billing issues. The billing services offered by IPL under the Pilot Project appear to have worked well, and any issues concerning billing can be discussed between IPL and suppliers. If no resolution is reached, this issue can be raised before the Board in the future.

L. Annual review

IPL does not propose an annual review of the charges and fees in the permanent tariff, but suggests that the fees and charges can be reviewed in its next general rate case. IPL suggests that it could be financially harmed if rates in the permanent service were changed without consideration of all rates and revenues.

IPL indicated its willingness to evaluate rate changes in the context of a rate case with the requisite full examination and balancing of interests.

Cornerstone suggested that the Board should require an annual cost justification review of the charges and fees proposed by IPL in the permanent small volume gas transportation service.

IJUMP also proposed that the fees and charges be subject to periodic review and refund and that IPL be required to file annual reports to document the incremental costs associated with the service.

The Board does not consider annual reviews of the fees and charges in the permanent tariff necessary since IPL has adopted the fees and charges from the Pilot Project tariff. The Board intends to review the permanent tariff, including cost support for the fees and charges, in IPL's next general rate review proceeding.

II. Proposed Permanent Small Volume Gas Transportation Tariff

In the November 5, 2007, order, the Board directed IPL to file a proposed permanent small volume gas transportation tariff based upon IPL's existing Small Volume Gas Transportation Pilot Project tariff that would (a) be available to all small volume gas transportation customers, not just schools and governmental entities, (b) set a reasonable cap on the total number of customers that could take the service, and (c) require small volume customers to pay the EECR and allow them to participate in energy efficiency programs. The Board also provided that IPL could propose other modifications to the permanent service as described in the order.

IPL chose to file a proposed permanent tariff that mirrored the Pilot Project tariff with the three additional requirements and that was available to all small volume customers, not just heat-sensitive customers. On March 17, 2008, IPL filed revisions to the language in the proposed tariff that clarified some of the provisions of the service. Since IPL's proposed permanent tariff offers substantially the same service to customers on a permanent basis that IPL offered under the Pilot Project, the Board will approve the proposed permanent tariff as revised on March 17, 2008.

Approval of this tariff will result in implementation of a permanent service for those small volume gas customers that decide there is benefit to transporting gas rather than using IPL's system service. The approval of the permanent tariff brings to an end the Pilot Project that has continued from 1996. The conclusion of the pilot and the implementation of a permanent small volume gas transportation service should provide a benefit to those customers that choose to take the service. A review of the permanent tariff will be conducted in IPL's next general rate review proceeding.

IT IS THEREFORE ORDERED:

1. The permanent small volume gas transportation compliance tariff filed by Interstate Power and Light Company on December 28, 2007, as revised on March 17, 2008, is approved for service effective May 1, 2008.

2. Interstate Power and Light Company shall offer the four current Small Volume Gas Transportation Pilot Project customers whose usage levels exceed the

limit in the new permanent tariff the option of being grandfathered under the new permanent service, returned to system gas, or taking service under the existing transportation service.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 24th day of April, 2008.