

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. WRU-08-20-150 (WRU-07-13-150 WRU-06-11-150, WRU-04-14-150)
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**ORDER GRANTING REQUEST FOR
TWO-YEAR EXTENSION OF WAIVER**

(Issued June 10, 2008)

On May 8, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for a two-year extension of a waiver of the electric energy adjustment clause (EAC) rules related to flowing costs and credits associated with participation in wholesale markets operated by regional transmission organizations (RTOs) through the EAC for recovery. The Board originally granted a waiver allowing these costs and credits to flow through IPL's EAC on May 13, 2004, in Docket No. WRU-04-14-150. That waiver was effective through May 31, 2006; the waiver was subsequently extended through June 30, 2008, in Docket No. WRU-07-13-150.

On May 14, 2008, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response stating that it did not object to the two-year waiver extension. However, Consumer Advocate said that in the event IPL files a general rate case, the waiver extension should not preclude a review of the costs associated with participation in wholesale markets operated by RTOs and

determination of whether the EAC remains an appropriate means for recovering those costs. Consumer Advocate cited 199 IAC 1.3, which provides that the Board may at any time cancel a waiver upon appropriate notice and opportunity for hearing. No other responses or objections to the waiver request were filed.

In Docket No. WRU-04-14-150 the Board granted the initial two-year waiver because of changes about to occur in the wholesale electricity markets that would affect costs flowing through the EAC. Those changes were brought about because of IPL's participation in wholesale energy markets operated by RTOs, such as the Midwest Independent Transmission System Operator, Inc. (MISO), approved by the Federal Energy Regulatory Commission. These markets, through features such as locational marginal pricing and financial transmission rights, replaced implicit costs and credits previously flowed through the EAC with explicit costs and credits. The initial two-year waiver was necessary because the EAC rules were adopted in an environment where there were no explicit charges and credits for such things as locational marginal pricing and financial transmission rights and the rules did not provide for such charges and credits to flow through the EAC.

The Board extended the waiver through June 30, 2008, in Docket No. WRU-07-13-150 because the reasons for granting the initial waiver remained valid, satisfying the standards for a waiver found in 199 IAC 1.3. Because the markets were relatively new and evolving, the Board believed it was more appropriate to proceed under a waiver than to change the EAC rules at that time. The Board noted that a waiver could be reexamined or modified quickly if changing circumstances warrant such action.

In support of its current waiver request, IPL said the flexibility of a rule waiver is superior to a rule change at this time. IPL said that it believed the benefits of MISO participation, while difficult to conclusively quantify, justified extension of the waiver; IPL said it would actively pursue market improvements through the MISO process. IPL also noted that MISO will be implementing its Ancillary Services Market (ASM) on September 9, 2008, and that the two-year waiver request is justified, in part, so that IPL can have an entire year's worth of data to evaluate the impact of the ASM on IPL's customers.

In its most recent order extending the waiver, IPL said that any future waiver request should address any significant developments with respect to any cost-benefit analysis regarding MISO membership, peaking-plant utilization, and any other MISO issues impacting IPL's ratepayers. IPL addressed each of these in its current waiver request.

IPL said that on February 29, 2008, a report was issued that presented a qualitative, rather than a quantitative, assessment of MISO's performance and alternatives to participation in the MISO market. This report was issued to the Public Service Commission of Wisconsin and is available on its Web site. Also, MISO had engaged in an effort called the Value Proposition that represents MISO's efforts to quantify the value of MISO's operation of the transmission system and energy markets within its footprint. IPL said it would continue to pursue market improvements through the MISO stakeholder process.

IPL also reported on peaking-plant usage and, in fact, has provided several periodic updates on this issue. IPL noted that IPL's revenue sufficiency guarantee

from MISO includes revenues for peaking-plant maintenance. Because the revenues are currently passed on to Iowa ratepayers through the EAC, the costs of peaking-plant maintenance will likely be an issue in IPL's next general rate case.

Finally, IPL reported that MISO will implement its ASM on September 9, 2008. The ASM will include buying and selling of regulation and contingency reserves within the existing energy markets. IPL said it requested a two-year waiver extension to allow time to accrue data regarding ASM's operation.

The information submitted by IPL demonstrates that the reasons for granting the prior waivers remain. A two-year extension of the waiver, through June 30, 2010, is appropriate because of ongoing changes brought about by the implementation of ASM in September 2008 and issues relating to the purchase of energy between IPL and Alliant Energy Company's Wisconsin affiliate, Wisconsin Power and Light Company. The issues relating to pool energy purchases and changes to the System Coordination Operating Agreement were addressed in a settlement between IPL and Consumer Advocate that was approved by the Board on November 15, 2007, in Docket No. RPU-07-5.

The EAC waiver remains the most appropriate means to ensure that any MISO benefits accrue on a timely basis to IPL's ratepayers. However, as noted by Consumer Advocate, the appropriateness of EAC recovery of some or all of these costs may be at issue in IPL's next general rate case. If these costs are at issue, the Board will determine whether the waiver should be modified or terminated.

The Board and its staff remain active participants in the MISO process, including membership and participation in the Organization of MISO States (OMS).

Board members and staff attend meetings at MISO headquarters in Carmel, Indiana, on a regular basis; the Board's chairman is currently serving a term as president of OMS. This participation has allowed the Board to keep abreast of the issues raised in the waiver request and the Board intends to continue its active participation and encourages other stakeholders to do the same. If IPL requests an extension of the current waiver, it should again address any significant developments with respect to the cost-benefit analysis, peaking-plant utilization, and other MISO or MISO-related issues impacting IPL's ratepayers.

IT IS THEREFORE ORDERED:

The request for waiver filed by Interstate Power and Light Company on May 8, 2008, is granted. The waiver is effective until June 30, 2010.

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 10th day of June, 2008.