

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. WRU-08-35-150
---	--------------------------

ORDER GRANTING WAIVER

(Issued October 20, 2008)

On September 15, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for waiver to allow IPL to use the same method for computing the tax gross-up amount for refundable advances for construction (advances) as is used in calculating nonrefundable contributions in aid of construction (contributions) under the Board's extension rules. The calculation methods are used for calculating the amount a customer is required to pay for certain plant additions, gas distribution main extensions, or electric line extensions. IPL proposes to use the tax gross-up method for nonrefundable contributions described in 199 IAC 19.3(10)"a" and 20.3(13)"a" for both calculations. Under the proposed waiver, the amount a customer must pay can be calculated using the method for nonrefundable contributions (producing a lower required payment), yet the customer will still receive refunds as if an advance had been paid. The net result is that customers pay less up front while still having the possibility of receiving a refund.

IPL is also requesting a waiver of the option a customer has under Board extension rules at 199 IAC 19.3(10)"b," 19.3(10)"c"(2), 19.3(10)"c"(3), 20.3(13)"b," 20.23(13)"c"(2), and 20.3(13)"c"(3) to choose to pay either the refundable advance or the nonrefundable contribution. Since both customer payments will be calculated in the same manner, the option will no longer be necessary. The waiver request has been identified as Docket No. WRU-08-35-150.

IPL indicates that this waiver request is similar to a waiver request granted to MidAmerican Energy Company (MidAmerican) in Docket No. WRU-08-31-156, issued August 29, 2008. MidAmerican was granted a waiver to use the computation method for nonrefundable contributions for refundable advances and to eliminate the customer's choice of a payment amount calculation. MidAmerican also provides refunds to customers where Board rules provide for advances.

IPL states that throughout its service territory there are numerous instances where IPL provides either gas or electric service while MidAmerican provides the other service. In these situations, both utilities provide utility infrastructure to these joint customers and the differences in the calculation methods have caused some customer confusion. IPL suggests a consistent statewide policy that complements MidAmerican's approach will better serve IPL customers and reduce this confusion.

Paragraphs 199 IAC 19.3(10)"a" and 20.3(13)"a" state that for refundable advances, the customer payment shall include a grossed-up amount for the income tax effect on the utility's revenues. For nonrefundable contributions, customer

payments shall also include a grossed-up amount for the income tax effect; however, the customer payment is reduced by the present value of the tax benefits to be obtained by depreciating the property. The customer payment for a contribution is therefore less than for an advance, but only advances are eligible for refunds when other customers attach to the new line extension. IPL's proposed waiver would allow the customer to make the smaller payment and still receive a refund in all circumstances where Board rules provide an option.

Subrule 199 IAC 1.3 establishes four criteria that must be met by clear and convincing evidence for the Board to grant a waiver. The criteria are: (1) the application of the rule would pose an undue hardship on the person for whom the waiver is requested, (2) the waiver would not prejudice the substantial legal rights of any person, (3) the provisions of the rule are not specifically mandated by statute or another provision of law, and (4) substantial equal protection of public health, safety, and welfare will be afforded by means other than that prescribed in the rule.

The Board finds that it would be an undue hardship for IPL to be required to continue to offer the two calculation methods available under Board rules to a customer required to pay for a portion of plant additions, gas distribution main extensions, or electric line extensions, where MidAmerican has been allowed to only offer one calculation method. Elimination of customer confusion and simplifying the extension process will benefit IPL and MidAmerican joint customers as well as IPL operations. The substantial legal rights of customers will not be prejudiced since

use of the nonrefundable contribution calculation means customers will be paying a lower amount and will still be eligible for refunds where the rules allow.

The specific method for calculating the amount a customer will pay for gas and electric line extensions is not mandated by statute or other provision of law. In addition, there will be substantially equal protection of public health, safety, and welfare afforded by using the same present value of tax gross-up calculations for both advances and contributions.

Since the waiver request meets the four criteria in 199 IAC 1.3, the Board will grant the waiver request. The waiver granted includes a waiver of the customer's option to choose either a refundable advance or nonrefundable contribution, found in 199 IAC 19.3(1)"b", 19.3(10)"c"(2), 19.3(10)"c"(3), 20.3(13)"b," 20.3(13)"c"(2), and 20.3(13)"c"(3). Since both calculations will be the same, no option is necessary. The customer will pay the lower amount and still receive a refund where appropriate under Board rules.

Since the waiver request has been granted, the Board will direct IPL to file proposed tariff revisions that are consistent with the waiver.

IT IS THEREFORE ORDERED:

1. The waiver request filed by Interstate Power and Light Company on September 15, 2008, is granted as described in this order.

2. Interstate Power and Light Company shall file proposed tariff revisions consistent with the waiver granted in this order within 30 days of the date of the order.

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 20th day of October, 2008.