

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

|   |   |
|---|---|
| IN RE:<br><br>INTERSTATE POWER AND LIGHT<br>COMPANY | DOCKET NO. RPU-08-5<br>(TF-08-142,<br>RPU-04-1) |
|---|---|

**ORDER APPROVING TARIFF AND REQUIRING ADJUSTMENTS**

(Issued October 31, 2008)

On September 8, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a proposed electric tariff, identified as TF-08-142. IPL filed amended tariff sheets on October 22, 2008. The proposed tariff is a fourth-step equalization tariff that would take another step toward equalizing rates across IPL's four pricing zones. In the Board's "Final Decision and Order" issued January 14, 2005, in Docket No. RPU-04-1, the Board directed IPL to begin making annual revenue-neutral equalization filings. Tariff filing TF-08-142 is the fourth of these annual filings that have generally been referred to as rate equalization filings.

If the fourth-step equalization tariff is implemented, prices for the residential and general service classes will require only one additional step to complete the equalization process as currently scheduled. The equalization process was completed for the large general service and lighting classes with the third-step equalization tariff, which was effective on June 30, 2008, in Docket No. RPU-07-4. IPL stated the proposed rate changes are designed to be revenue neutral with

respect to IPL's total revenues. Consistent with prior equalization filings, IPL has proposed a June 30, 2009, effective date for the fourth-step equalization tariff.

On September 12, 2008, the Board docketed IPL's filing as Docket No. RPU-08-5. The Board did not set a procedural schedule, but allowed interested persons to file comments or objections to the proposed tariff on or before October 17, 2008. In the docketing order, the Board said it would proceed to rule on the tariff without hearing or further comment if no objections were filed. No objections to the tariff were filed.

For those residential and general service customers receiving increases, the percentage increases in step 4 will generally be less than the percentage increases in the prior three steps. The proposed tariff implements the fourth step of the equalization process in a manner consistent with the Board's prior orders. The proposed tariff will be approved.

The fourth step equalization filing also addresses customer migration to time-of-use (TOU) rates. In Docket No. RPU-05-3, which contained the first equalization step, IPL presented its consolidated target rates and projected significant customer migration to TOU rates in the IPC rate zone due to the redesign of the IPC TOU rates; IPL expected the projected TOU migration to result in net revenue losses to IPL. Because the rate equalization process was designed to be revenue neutral for IPL, IPL proposed to adjust its base rates to offset the projected lost revenues by customer class. IPL's proposal was approved by the Board, as well as a mechanism

to reconcile projected versus actual revenue losses due to TOU migration in the IPC rate zone. If actual lost revenues were less than projected, the difference was to be refunded to customers through IPL's energy efficiency cost recovery (EECR) factor. The first TOU reconciliation was filed on September 7, 2007, as part of the step 3 rate equalization filing in Docket No. RPU-07-4.

The second annual TOU reconciliation is part of the step 4 equalization filing. The TOU reconciliation shows that the actual revenue losses due to TOU migration were \$434,804 less than projected, which should result in corresponding subtractive adjustments totaling \$434,804 in IPL's next EECR filing. The subtractive adjustments will be \$121,437 for the residential class, \$147,335 for the general service class, and \$166,033 for the large general service class.

Also, in IPL's previous EECR filing (TF-08-14), IPL mistakenly made additive rather than subtractive adjustments in the amount of \$181,855; to reverse this entry, IPL will be required in its next EECR filing to make additional subtractive adjustments totaling \$363,710. The additional subtractive adjustments will be \$92,978 for the residential class, \$27,776 for the general service class, and \$242,954 for the large general service class.

**IT IS THEREFORE ORDERED:**

1. Tariff filing TF-08-142, as amended on October 22, 2008, is approved, subject to complaint or investigation, effective June 30, 2009.

2. IPL shall make the subtractive adjustments described in the body of this order in its next EECR filing to implement the annual TOU reconciliation filed with the fourth step equalization filing, and to correct the previous erroneous adjustments made in TF-08-14.

**UTILITIES BOARD**

\_\_\_\_\_

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 31<sup>st</sup> day of October, 2008.