

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

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| IN RE: INTERSTATE POWER AND LIGHT COMPANY | DOCKET NO. RPU-08-1 |
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ORDER REGARDING ISSUES TO BE ADDRESSED IN BRIEFS

(Issued December 5, 2008)

At the close of the hearing in Docket No. RPU-08-1, the Utilities Board (Board) directed the parties to address three legal issues in brief. These are:

1. Assume the Board issues ratemaking principles for a proposed electric generating plant pursuant to Iowa Code § 476.53. If the utility rejects the ratemaking principles, can the utility nevertheless build the proposed generating plant (assuming a certificate has been issued pursuant to Iowa Code chapter 476A) and seek traditional ratemaking treatment in a subsequent rate case?
2. Assume that in constructing a generating facility a utility exceeds the cost cap awarded in a ratemaking principles proceeding. Also assume that in a subsequent rate case the utility establishes that the overage is reasonable and prudent. What rate of return does the utility receive on the overage, the return on equity established in the ratemaking principles proceeding or the general return on equity established in a rate case (which

could change in a subsequent rate cases)? Is your opinion the same regardless of which return on equity is higher?

3. Assume that the ratemaking principles requested by Interstate Power and Light Company (IPL) in this case are awarded without modification and that the generating plant to which those principles apply is constructed and in-service. Also assume that placing the plant in IPL's rate base will result in a significant rate increase to the utility's customers. In a subsequent rate case, would the Board have the ability to phase-in the rate increase (over multiple years) resulting from the plant being placed in-service to mitigate rate shock to customers? If your answer is no, how could the requested principles, such as regulatory lag principle, be modified so that the Board would have that authority?

4. In a ratemaking principles proceeding or subsequent rate case proceeding, does the Board have the ability to establish a regulatory liability account similar to what was done with regard to the sale of Duane Arnold Energy Center to mitigate any rate shock that might occur when the generation plant is placed in service? In other words, can ratepayers be required to "prepay" a portion of the plant to mitigate potential rate shock and, if so, how could such a mechanism be implemented?

IT IS THEREFORE ORDERED:

The parties to Docket No. RPU-08-1 shall address the issues outlined above in their post-hearing briefs.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Sharon Mayer
Executive Secretary, Assistant to

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 5th day of December, 2008.