

Iowa Utilities Board



John Norris
Chair

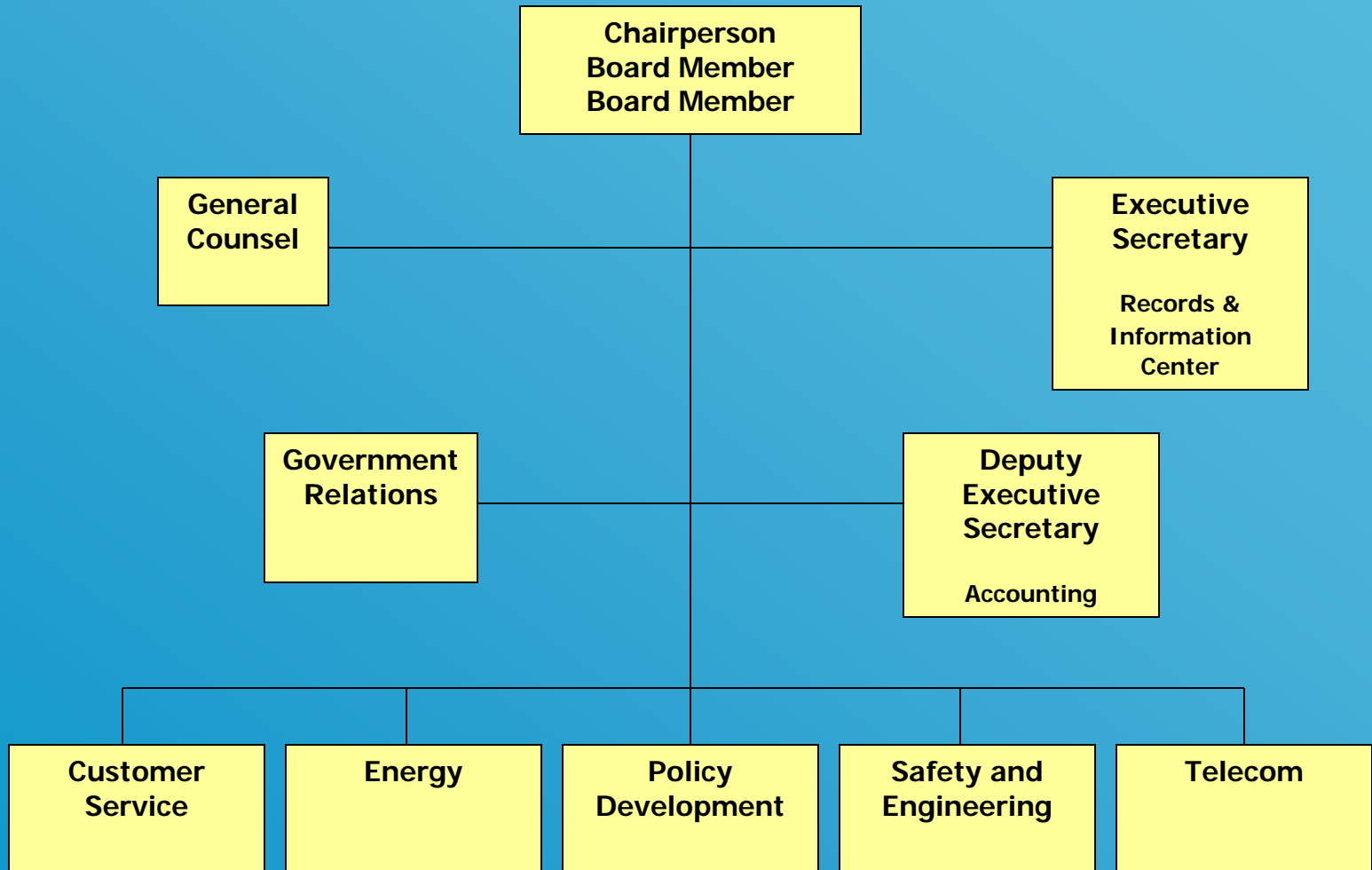
IUB Mission

The Iowa Utilities Board must ensure that:

- Consumers receive the best value in utility services.
- Utilities receive an opportunity to earn a fair return on their investment in regulated services.
- Services are provided in a safe, reliable, and environmentally conscious manner.
- Economic growth is supported by ensuring utility services adequate to meet new customer demand.
- Consumers have access to the information they need to make informed choices about their utility services.
- Competitive markets develop where effective.
- All market participants receive fair treatment.



Iowa Utilities Board



Who We Regulate

- 3 large local exchange carriers;
280 independent and competitive local exchange service providers
- 2 investor-owned electric utilities;
136 municipal electric utilities; 46 rural electric cooperatives
- 4 investor-owned natural gas utilities;
51 municipal gas utilities
- 1 investor-owned water utility
- IUB has authority to resolve certain disputes between utilities



Telecommunications

IUB regulates:

- Local carriers with over 15,000 customers for basic rates (Qwest, Iowa Telecom, Frontier)
- All local carriers for service

Long distance and wireless are deregulated



IUB Legislation - HSB 59

- The IUB issues telephone certificates to all local exchange carriers
 - Locates all company information in one place
 - Ensures phone service is available to all Iowans
- This authority sunsets on July 1, 2007
- HSB 59 allows the IUB to continue issuing telephone certificates until July 1, 2017



Telecom – Deregulation

- Telephone rates were deregulated on July 1, 2005 – except for basic (Aunt Tilly rate)
- Set annual limits for basic local service increases on residential and business single lines through June, 2008
- All local exchange retail rates will be deregulated on July 1, 2008
- Board has option of continuing basic regulation for two more years
- Board initiated two deregulation proceedings and deregulated 40 Iowa exchanges based on the presence of effective competition



Telecommunications-Other Duties

- 2006 Board resolved
 - 2 full arbitration cases
 - 6 formal complaints
- IUB works on numbering issues with:
 - North American Numbering Plan Administrator and Pooling Administrator on the assignment of telephone numbers to Iowa carriers
 - Iowa carriers to encourage them to use their telephone numbering resources efficiently
 - North American Numbering Council (an FCC advisory committee) to develop policies that will further extend the lives of area codes and the North American Dialing Plan
- IUB files comments in FCC dockets affecting telephone numbering



Broadband

- Latest IUB survey showed 93% of communities in Iowa have high speed access
- HF 277 (dereg bill) helped
- High-speed internet access will become increasingly important as a platform for computer based telephony



Telecom – Lifeline

- Qualified low-income Iowans receive a monthly phone bill credit
- Link-up assists with the initial costs of having their service installed
- Estimated 201,000 subscribers eligible in Iowa, but only 32% (64,320) take advantage of this opportunity
- The Board works with all carriers to promote program awareness and participates on a national task force to promote Lifeline
- There has been a dramatic increase in numbers since a joint program with LIHEAP automatically enrolls customers who qualify



Telecom – Dual Party Relay

- Iowa Equipment Distribution Program
 - Helps deaf/hard-of-hearing/speech-impaired community pay for specialized telephone equipment
 - Vouchers for up to 95% of the cost
 - Equipment is used on the statewide dual party relay service, authorized by Iowa Code, chapter 477C
 - Many persons in this community are not able to utilize the telephone system without this type of service



FCC Monitoring

IUB participates in and monitors proceedings at the Federal Communications Commission. In 2006 the Board submitted 16 sets comments to the FCC on:

- numbering issues
 - phantom traffic
 - separations
 - universal service
- This is especially important because of the large number of small independent companies in Iowa



Safety and Engineering

- Responsible for the regulation of gas and electric service providers and pipeline and electric transmission and distribution companies as it relates to safety, construction, and operation and maintenance of facilities



Safety and Engineering

- Reviews and processes petitions for electric transmission line franchises and pipeline permits
- Conducts inspections of natural gas and electric utilities for compliance with safety standards
- Acts as an interstate agent for the federal Department of Transportation in pipeline safety matters



Pipeline Safety Inspections

IUB inspects:

- 8,176 miles of natural gas transmission lines
- 4,677 miles of hazardous liquids pipeline (petro products, propane, fertilizer, crude)
- 17,387 miles of natural gas distribution mains
- 905,520 gas services



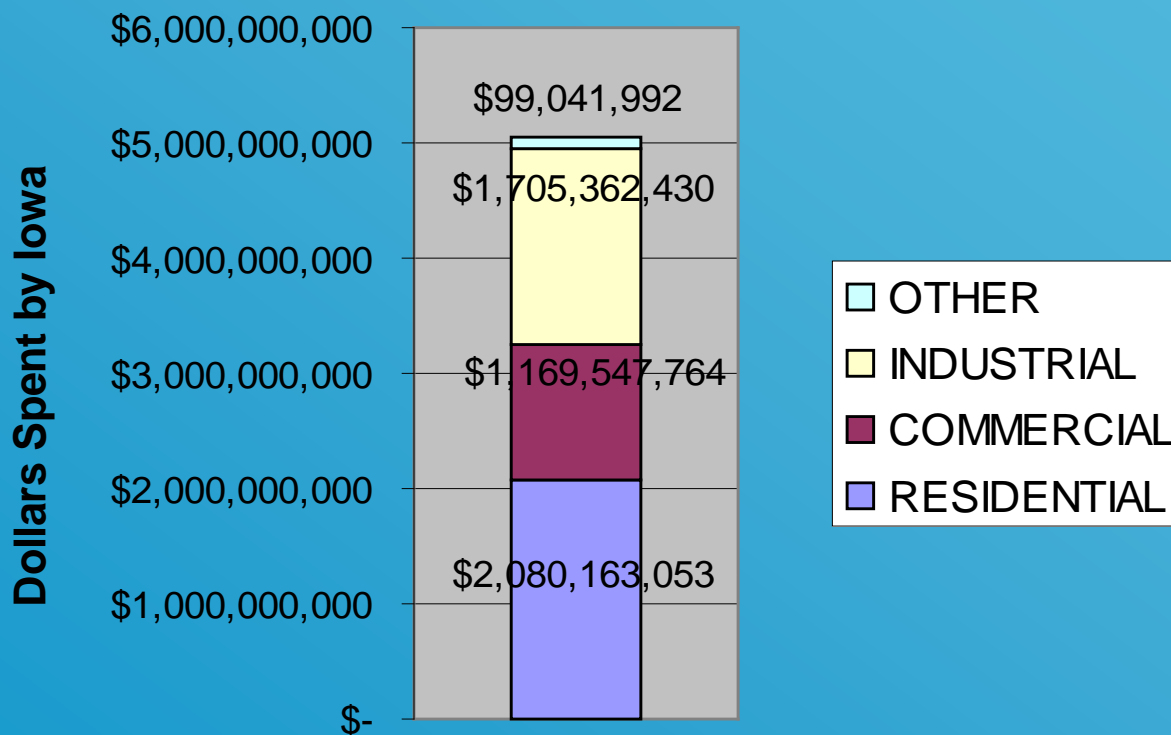
Electric Transmission Line Inspection

IUB inspects 12,300 miles of electric transmission line (69 kV and above)



Iowa Spending – Electricity and Natural Gas

Iowa Electricity and Natural Gas Spending, 2005



Sources:

- (1) FERC Financial Report, FERC Form 1 (Annual Report), (IOU and Municipals)
- (2) Iowa Association of Electricity Cooperatives (IAEC), (RECs)



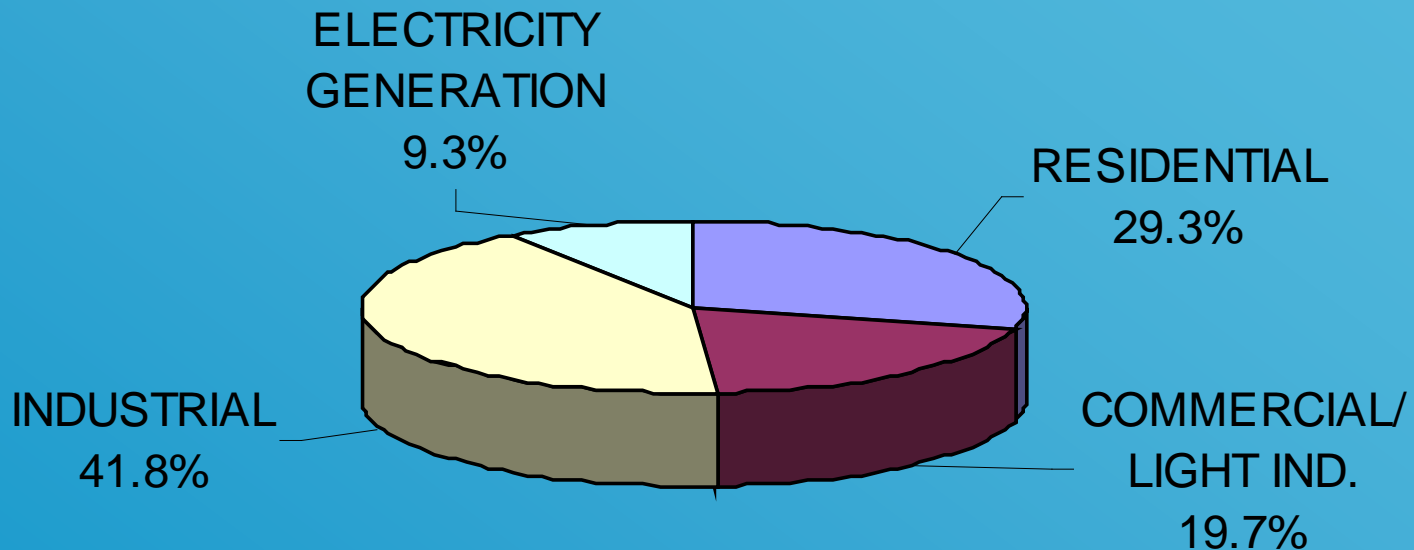
Natural Gas

- Domestically produced (for the most part)
- Iowa imports 100%
- Produced in:
 - Gulf region
 - Southwestern states
 - Rocky Mountain area
 - Portions of the Appalachian Mountains
- Some imports from Canada
- Once natural gas is released from production wells, it goes into a pipeline system that delivers it to customers throughout the country



Natural Gas Customers

Natural Gas (Energy) Consumed by Customer Type in Iowa, 2005



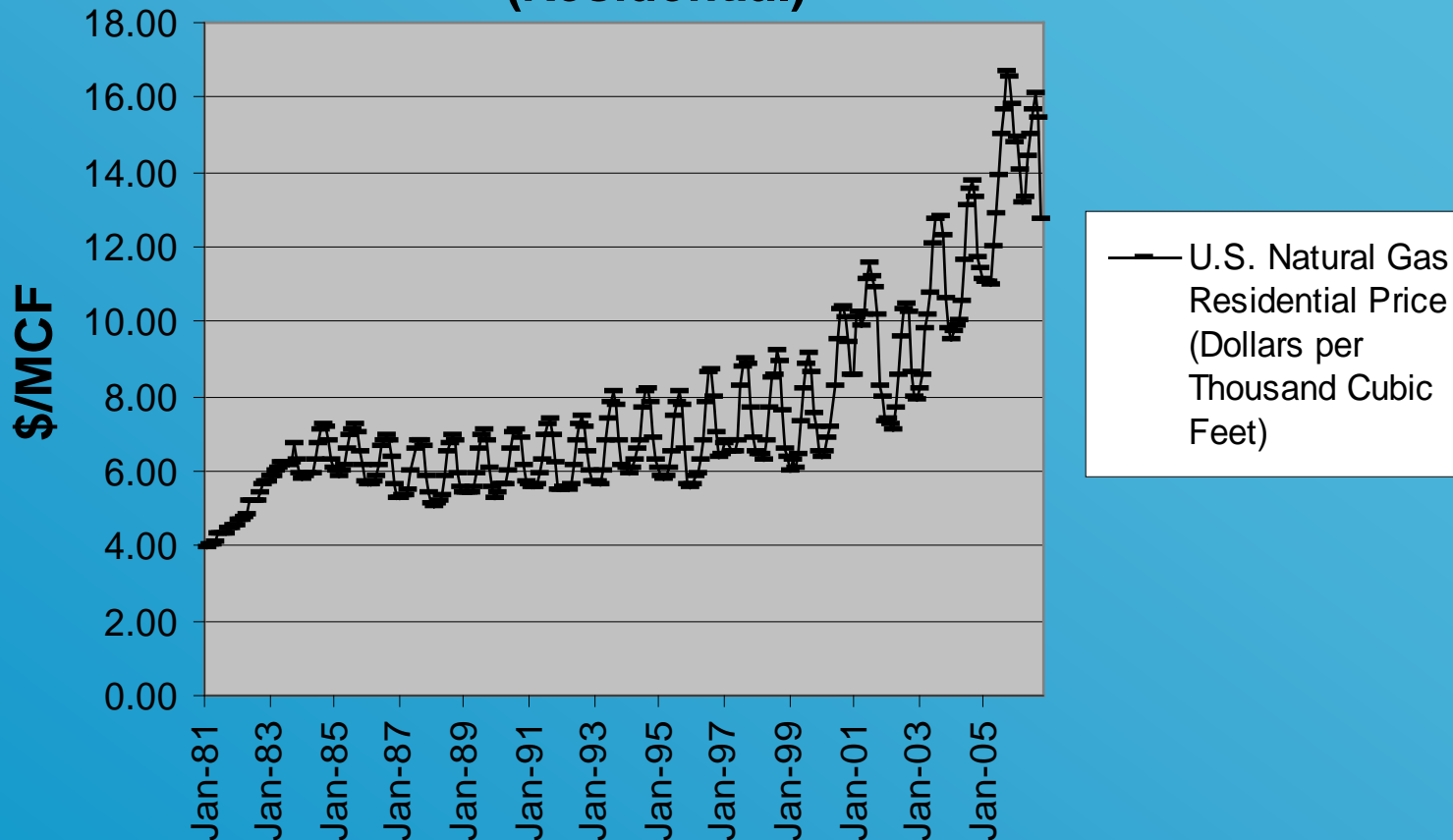
Sources:

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Natural Gas Prices - Historical

U.S. Natural Gas Prices, 1981-2006 (Residential)

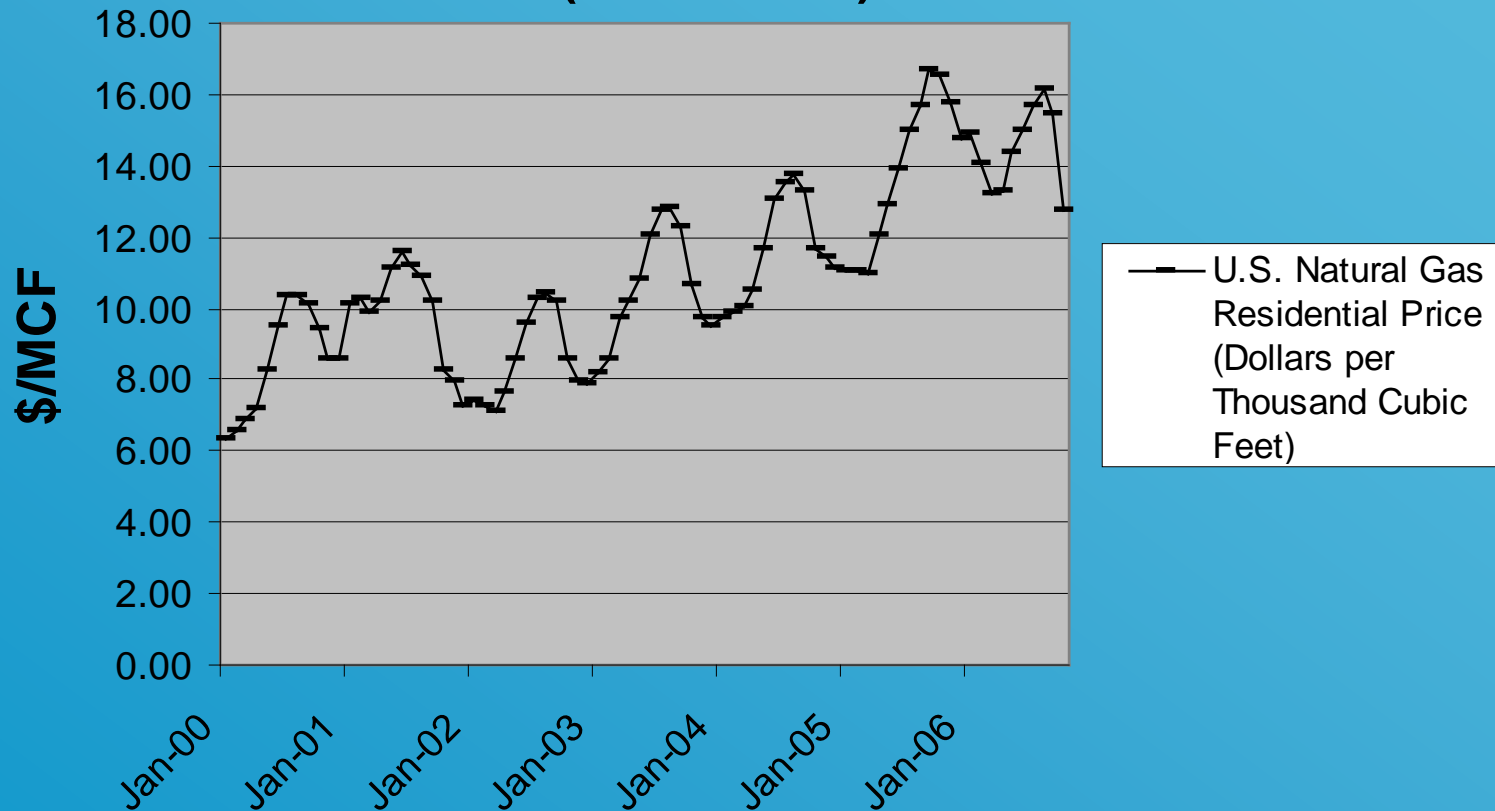


Source: U.S. DOE EIA Website, Natural Gas Summary:
http://tonto.eia.doe.gov/dnav/ng/ng_sum_lsum_dcu_nus_m.htm



Natural Gas Prices - Recent

U.S. Natural Gas Prices, 2000-2006 (Residential)



Source: U.S. DOE EIA Website, Natural Gas Summary:
http://tonto.eia.doe.gov/dnav/ng/ng_sum_lsum_dcu_nus_m.htm



Gas - Customer's Bill

- 75% - gas supply charge is unregulated
 - price is set in the marketplace
- 20% - basic service charge and delivery charge are regulated by the IUB
- 5% - pipeline transport charge is regulated by the Federal Energy Regulatory Commission



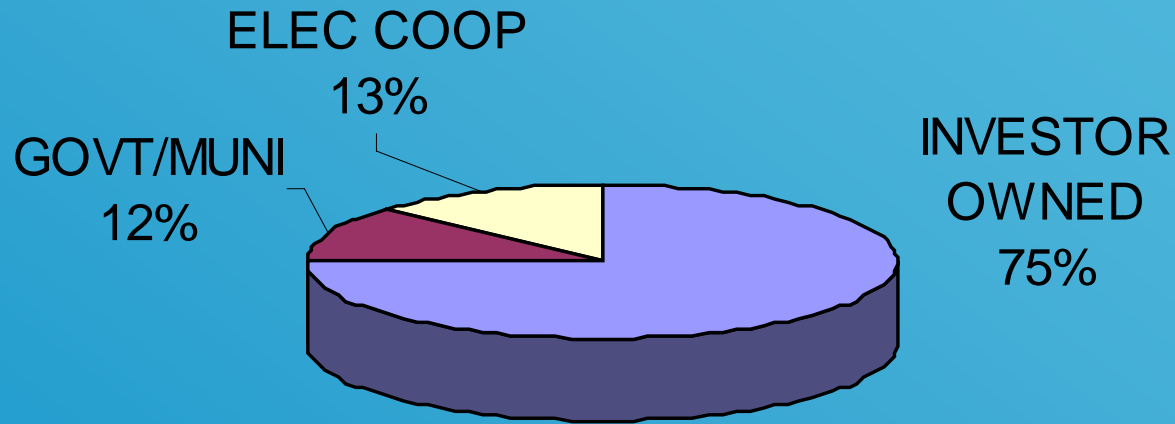
Electricity

- Generation, transmission, distribution
- Iowa has 11,999 MW nameplate capacity
- IUB jurisdiction:
 - Generation
 - Distribution
 - Service Issues
 - Safety
 - Transmission (siting only)



Iowa Electricity - Generation

kWh (Energy) by Each Producer in Iowa, 2005



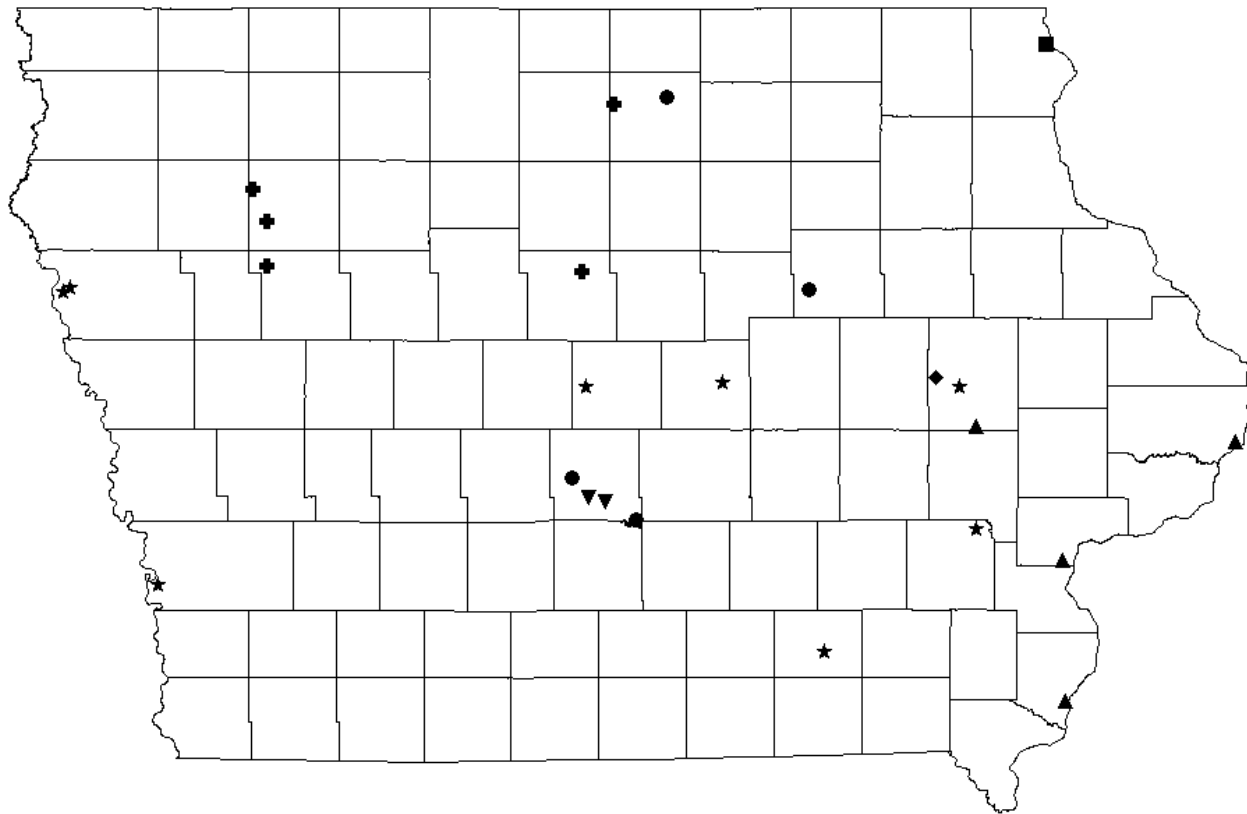
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Generation Sites

State of Iowa
Electric Generation over 100 MW

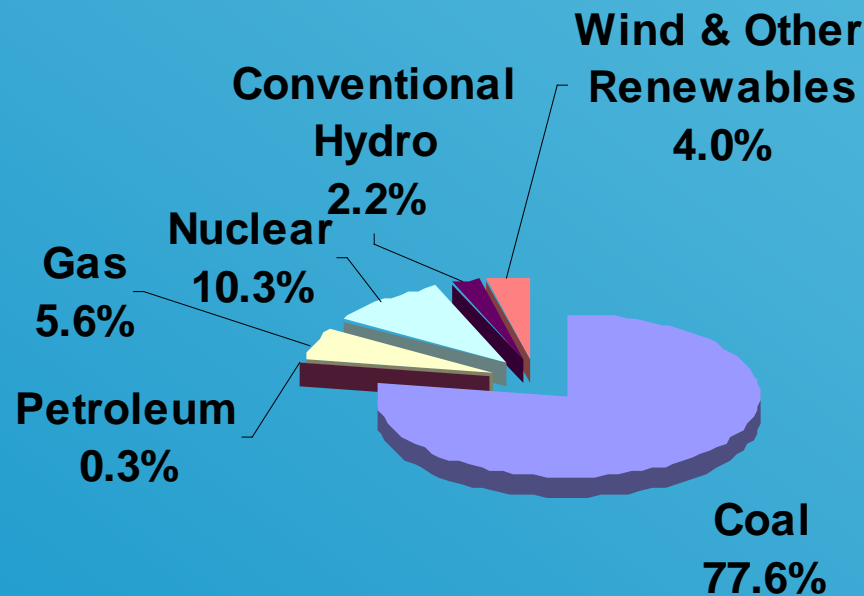


- ★ Coal
- ◆ Nuclear
- ⊕ Wind
- Natural Gas
- ▼ Natural Gas and Fuel Oil 2
- ▲ Natural Gas and Coal
- Coal and Fuel Oil 2



Generation Portfolio in Iowa

Electricity Production by Source in Iowa, 2005



Source: 1990 - 2005 Net Generation by State by Type of Producer by Energy Source (EIA-906)



Generation Addition in Iowa

- Recent additions
 - 160 MW wind – Intrepid (MEC), on-line 12/2004
 - 150 MW wind – Century (MEC), on-line 9/2005
 - 50 MW wind – Century/Intrepid (MEC), on-line 12/2005
- IUB approved
 - 545 MW (MEC) wind
 - 99 MW – Victory, on-line 12/2006
 - 123 MW – Pomeroy to be on-line 11/2007
 - 323 MW – on-line date unknown
 - 790 MW coal (MEC) – Council Bluffs Energy Center Unit 4, to be on-line 6/2007
- Proposed units
 - 750 MW coal (LS Power, LLC), Waterloo
 - 600 MW coal (Interstate Power & Light), Marshalltown
 - 100 MW wind (Interstate Power & Light)



Renewable Energy

- Amount of renewables and the percentage of the generation portfolio is increasing
- MidAmerican renewables is 9% of sales
- Alliant renewables is 4.5% of their sales
- Increases due to several factors, including state and federal tax incentives



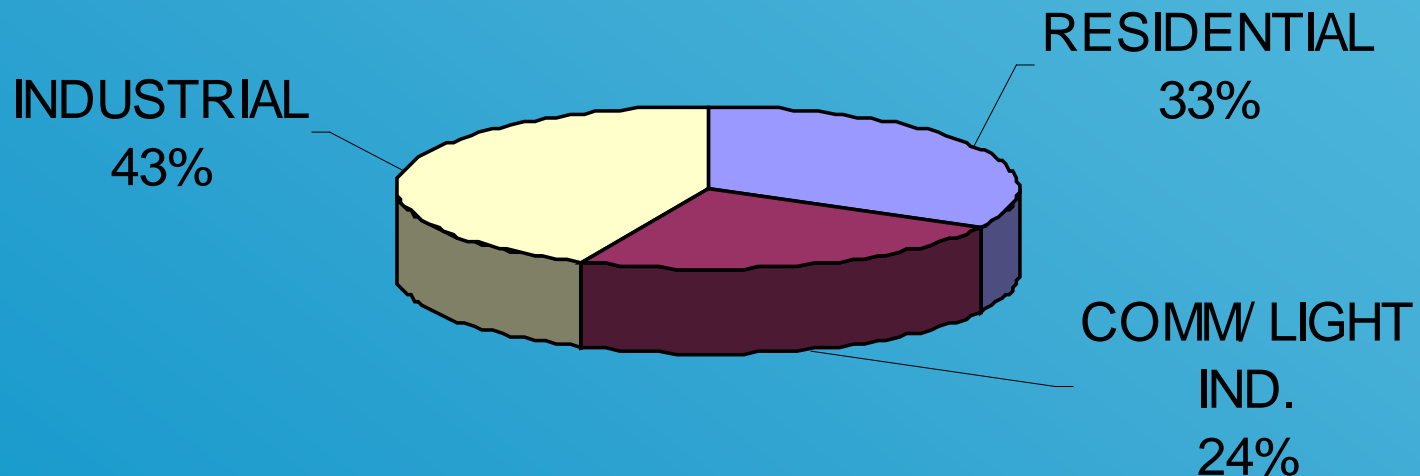
Renewable Energy - Ideas

- Tax incentives need to be longer-term for planning and finance purposes
- Expand current wind and renewable energy tax credit programs under Iowa Code 476B and 476C (fully committed)
- Increase the state's renewable portfolio standard (RPS)
- Iowa participation in a regional renewable energy tracking system could boost the export value of Iowa renewable generation



Electricity Consumers in Iowa

kWh (Energy) Consumed by Customer Type
in Iowa, 2005



Sources:

- (1) FERC Financial Report, FERC Form 1 (Annual Report), (IOU and Municipals)
- (2) Iowa Association of Electric Cooperatives (IAEC), (RECs)



Transmission

- Transmission is a high-voltage wire network and associated devices that move electric power in bulk from generation to load centers
- IUB approves the siting and physical construction of transmission
- Federal Energy Regulatory Commission (FERC) regulates the interstate transmission of electricity
- North American Electric Reliability Council (NERC):
 - Is a self-regulating industry organization
 - Sets and enforces reliability standards
 - Is subject to FERC audit

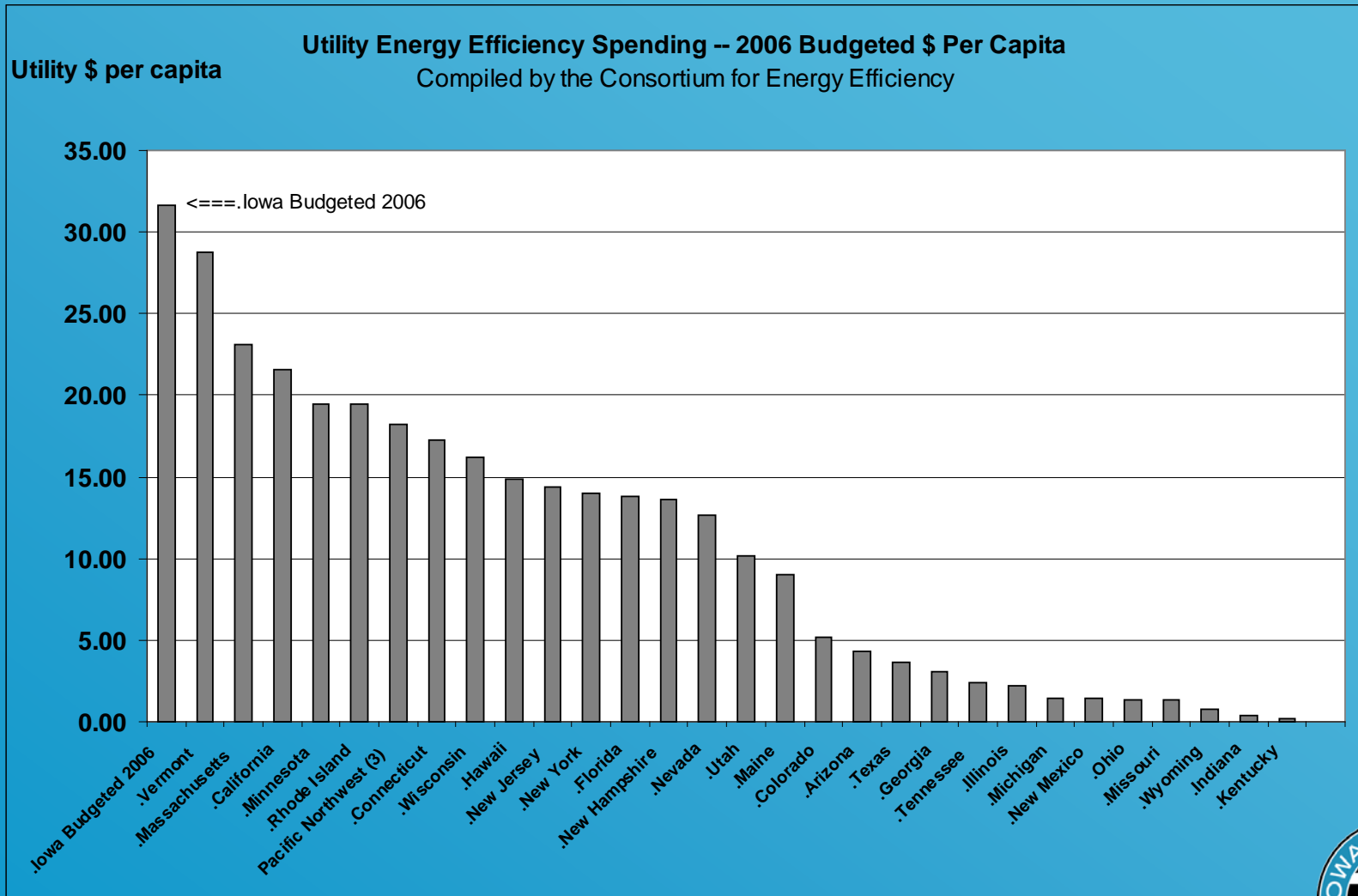


Midwest Independent Transmission System Operator (MISO)

- Created in 1996
- “Directs electricity traffic” on transmission lines in 14 Midwestern states and part of Canada
- Assures industry consumers have open access to transmission facilities
- Minimizes any risk to reliability
- Provides regional solutions to regional planning needs
- Organization of MISO States (OMS):
 - Coordinates regulatory oversight among MISO states
 - Makes recommendations to MISO, FERC and others
 - Iowa is a founding member



Energy Efficiency \$ – Iowa a National Leader



IOUs and Other Iowa Utilities – Very Successful

- Reduced peak electricity use by 1,400 megawatts
 - Avoided about 11 peaking plants or 2 coal plants
- Electricity Savings
 - Reduced annual demand by 2 million megawatt-hours or 2 coal plants
 - Enough to power 200,000 average homes for 1 year
- Natural Gas Savings
 - Reduced growth in annual use by 7 billion cubic feet
 - Enough to heat 85,000 average homes for 1 year
- Societal Test for IOUs shows benefits exceed costs
 - NET benefits of \$240 million per year
 - Dollars saved by energy efficiency remain in Iowa



IUB Energy Management Team

- Iowa Weatherization Challenge
- Investigation into advanced metering and rate design
- Best practices of energy efficiency programs
- Investigation into utility incentives regarding revenues and energy efficiency
- Demand response issues



IUB Customer Service Helps the Public

- 8,503 customer initiated contacts
 - 3,896 telephone inquiries
 - 4,288 customer issues covered
 - 716 informal investigations (C-file)
 - 797 issues resolved
 - 210 referred complaints (RC-file)
 - 227 issues resolved
 - 3,681 general comments and other
- Consumer education presentations on telecommunications fraud



IUB Customer Service Helps the Public (continued...)

- Slamming complaint recovery
 - \$67 average per customer
- Cramming complaint recovery
 - \$33 average per customer



IUB Customer Service Helps Utilities

- Helps utilities with their questions (197 questions last year)
- Provides educational meetings for utilities and CAP agencies (14 meetings - 465 participants)
 - Utility customer service clerks
 - Community Action caseworkers (LIHEAP)
 - Topics
 - Credit collection and disconnection rules
 - Customer Contribution Fund growth
 - Discussion of customer situations



IUB Electronic Filing Project

- IUB receives over 5,000 paper filings each year (70,000 pages)
- Currently working on an electronic filing system
 - To receive filings
 - Confidential material isolated when necessary
 - Publish documents created or issued by the IUB
 - Operational goal of January 1, 2008



IUB New Building Initiative

- The IUB has received approval to build a model energy efficient building to house the IUB and the Consumer Advocate
- Using proven technologies, it will serve as a model to Iowa's local governments and businesses



Hot Topics

- IPL transmission asset sales
- Base load construction
- Energy prices
- Ethanol plant construction
- MISO transmission issues
- Municipalization cases
- Rate equalization
- Wind construction
- Utility oversight issues
- Power plant emissions
- Intercarrier disputes
- Intercarrier compensation
- Access charges
- Phantom traffic



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