

**IOWA UTILITIES BOARD
FISCAL YEAR 2007 REGULATORY PLAN
Prepared pursuant to
EXECUTIVE ORDER NINE
August 1, 2006**

Regulatory Objectives and Priorities for Fiscal Year 2007

In **telecommunications**, the Board's statutory objectives include encouraging the development of competition, movement toward cost-based pricing, and deployment of advanced telecommunications services. Many telecommunications services have been deregulated to varying degrees, so the Board is considering a major rewrite of its telephone rules. Increasing competition has also increased the number of contested cases between competitors, which continue to consume substantial agency resources. Finally, the Board is preparing to roll out new Captioned Relay Services to offer new options for hearing-impaired and other eligible customers.

With regard to the **electric industry**, the Board is participating in the development of regional transmission organizations (RTOs). In addition, there has been increased activity in the area of electric franchises and gas pipeline permits due to the growth of ethanol and biodiesel plant proposals and the demand for utility services.

The Board also has statutory duties relating to **energy efficiency programs** for both electricity and natural gas, pursuant to § 476.6. In order to promote efficiency and help customers control their bills, the Board has initiated the Weatherization Challenge to encourage Iowans to take energy efficiency measures to conserve energy in their homes and businesses. The Board is continuing to review current utility energy efficiency programs and best practices to identify areas of improvement. Part of this effort is to align the interests of consumers and utilities. The Board also has initiated an inquiry to study smart metering and time-of-use rates. This is a requirement of the federal Energy Policy Act of 2005. It has the potential to give consumers better information and tools to manage their electricity consumption.

In the area of **natural gas regulation**, natural gas commodity prices continue to be high and volatile. The Board continues to work with regulated utilities to ensure they have the flexibility to hedge pricing risks and that consumers are appropriately informed. The Board also is investigating ways utilities can decouple natural gas service distribution revenues from the volumes that they sell. This will assist in aligning utility incentives and ratemaking processes to promote investment in energy efficiency.

Another Board objective is to ensure that gas and electric service complies with **state and federal safety requirements**. The Board will continue

its safety inspection programs, continue involvement in national safety organizations, and maintain eligibility for federal grants.

How The Board's Objectives Relate to the Governor's Agenda

These objectives relate directly to the Governor's agenda. Iowa cannot be a leader in the new economy without the telecommunications infrastructure and the necessary energy to make change possible. Reasonably adequate service at just and reasonable rates involves changing concepts and the Board is striving under its statutory mandates to make utility service in Iowa an engine for positive economic change. In addition, the Board's objectives regarding energy efficiency and alternate energy sources are important factors in achieving the Governor's goals of increasing environmentally sustainable business practices and using energy efficiently.

August 1, 2006

John Norris
Chairman