

**IOWA UTILITIES BOARD
FISCAL YEAR 2008 REGULATORY PLAN
Prepared pursuant to
EXECUTIVE ORDER NINE
August 1, 2007**

Regulatory Objectives and Priorities for Fiscal Year 2008

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 beginning 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 conducting a survey of service providers to determine the current availability of competitive services, including broadband services. The survey results should help the Board decide whether to extend the existing price regulation of certain basic local exchange services, as permitted by Iowa Code § 476.1D.

With regard to the **electric industry**, the Board is participating in the development of regional transmission organizations (RTOs). The Board is reviewing the need for, and prudence of, proposed wind and coal generating plants in Iowa as well as other industry reorganization. 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 continues to explore issues associated with regional transmission planning (including possible federal involvement in that process) and electric economic demand response, as well.

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 initiated and is continuing 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.

In the area of **natural gas regulation**, natural gas commodity prices continue to be high (compared to prevailing levels in the 1980s and 1990s) and volatile. A pilot program for small gas users, notably schools, to aggregate and have choices to purchase gas more directly is being reviewed for extension. 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, or separate, natural gas service distribution revenues from the volumes that they sell. This may 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.

A new Board responsibility is the duty to issue state certificates of franchise to **cable and video service providers** in place of the existing municipal franchise process. The Board is in the process of adopting rules to implement this new statutory authority.

Finally, the Board will review and revise its rules governing utility reporting requirements in emergency situations.

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, 2007

John Norris
Chairman