
IOWA UTILITIES BOARD
Energy Section

Docket No.: RFU-2009-0005
(RPU-2009-0004)
Utility: Iowa-American Water Co.
Memo Date: June 10, 2010

TO: The Board

FROM: Steve Zimmerman

SUBJECT: Iowa-American Water Company's Refund Report

I. Background/Analysis

On April 30, 2009, Iowa-American Water Company (Iowa-American) filed an application with the Iowa Utilities Board (Board) to increase its total revenue by approximately \$9.4 million. On May 29, 2009, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an Answer, Objection and Response to Iowa-American's Rate Application. No other parties intervened.

On July 27, 2009, the Board issued an order allowing Iowa-American to increase its total revenue on a temporary basis by \$6,817,952. The Board ordered the temporary rates to become effective July 27, 2009.

On August 21, 2009, less than a month after Iowa-American's temporary rates became effective, Iowa-American and Consumer Advocate filed a proposed Settlement Agreement (Settlement). According to the Settlement, Iowa-American would increase its total revenue by \$6,060,000.

On October 8, 2009, the Board issued an order approving the Settlement. The final increase approved by the Board was \$757,952 less than the approved temporary increase; therefore, the Board required Iowa-American to file a refund plan. Iowa-American filed the required plan, Docket No. RFU-2009-0005, on November 3, 2009. Iowa-American filed revisions to the plan on December 14, 2009.

Iowa-American estimated the total refund amount, applicable to the period it billed customers using temporary rates (July 27, 2009 through November 5, 2009), to be approximately \$227,000. On December 24, 2010, the Board issued an order approving the plan and requiring Iowa-American to file a refund report within 90 days of completion of the refund plan.

On May 11, 2010, IowA-American filed the required refund report. The report shows the total amount refunded including interest and sales tax was \$212,503.83.

The refund estimate is \$14,496 (6.8 percent) higher than the actual refund because IowA-American used average usage over a three-month period to calculate the estimated refund. Staff believes the 6.8 percent variance is reasonable. If the estimate was based on a larger amount, for instance annual rather than three months of usage, then a 6.8 percent variance might be considered unreasonable.

The amount refunded to Quad Cities customers was \$180,754.43. The amount refunded to Clinton customers was \$31,749.40. According to IowA-American, refunds were made by crediting the customer's account. IowA-American included 12.89 percent interest on the refunds. The interest rate was calculated according to IowA Code section 476.6(10), which requires interest on refunds to be 2 percent per annum plus the average quarterly interest rate at Commercial Banks for 24-month loans for personal expenditures as set forth in the Federal Reserve Statistical Release G.19. Interest was applied on the refunds to the date the refund was tendered.

IowA-American states that it completed all refunds by February 10, 2010. Staff has reviewed IowA-American's refund report and has no issues with the report.

II. Recommendation

Staff recommends the Board accept IowA-American's refund report, subject to complaint or investigation.

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

/sz

_____	Date
/s/ Krista K. Tanner	6/15/10
_____	Date
/s/ Darrell Hanson	6/14/10
_____	Date

cc: Standard Distribution