

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. TF-08-203 (SPU-07-11)
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**ORDER REJECTING TARIFF AND REJECTING
MODIFICATION OF ALTERNATIVE TRANSACTION ADJUSTMENT**

(Issued December 15, 2008)

On November 26, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a proposed tariff, identified as TF-08-203, which would create an automatic adjustment clause for charges IPL incurs from ITC Midwest LLC (ITC Midwest) for transmission services. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to IPL's proposed automatic adjustment clause on December 2, 2008.

In support of its proposal, IPL provided estimates of annual transmission charges from ITC Midwest through 2011 and said the adjustment factors would change once each year. IPL said if its proposal were approved, it would not file a general rate case in 2009, as previously announced, but would likely file a general rate case in 2010. IPL also proposed to apply funds from a regulatory liability account approved in Docket No. SPU-07-11 (the sale of IPL's transmission system to ITC Midwest) to offset any transmission price increases in 2009. IPL argued the proposed mechanism meets the criteria for automatic adjustment clauses outlined in 199 IAC 20.9(1).

Consumer Advocate enumerated several objections to IPL's proposal. Among Consumer Advocate's objections are:

1. No notice was given to customers of either IPL's plans to implement an automatic adjustment clause or the impact of such a clause on customers' rates;
2. IPL's proposal violates the Board's order issued on September 20, 2007, in Docket No. SPU-07-11, which indicated the funds in a regulatory liability account generated through acceptance of the alternative transaction adjustment were to be used over an eight-year period. If IPL's proposal were accepted and most of the funds (\$75 million) were used in 2009, less than \$30 million would remain in the account, which is insufficient to provide the promised \$13.04 million payments for each of the next seven years;
3. Approval of the clause takes away an incentive for IPL to operate more efficiently;
4. Automatic adjustment clauses such as this one should not be addressed outside of a full rate case, where all of the utility's costs and revenues can be examined. A utility should not be able to automatically charge for selected increases in one area when there may be cost reductions in another area; and
5. Acceptance of IPL's proposal without notice to customers and an examination of all of IPL's costs and revenues would violate due process.

Without addressing the merits of IPL's proposal for an automatic adjustment mechanism for transmission costs or for changes in the use of proceeds created by the alternative transaction adjustment addressed in Docket No. SPU-07-11, the Board will reject IPL's proposals in this filing. Creation of an automatic adjustment mechanism of this type outside the context of a rate case is single-issue ratemaking and will not normally be permitted; IPL's proposal does not justify an exception to the general prohibition against single-issue ratemaking. Rate cases enable all of a utility's costs and revenues to be examined, not just costs associated with one aspect (transmission) of the utility business. IPL can propose its automatic adjustment mechanism and accompanying changes to the alternative transaction adjustment in a general rate case.

IT IS THEREFORE ORDERED:

Tariff filing TF-08-203, including any proposal to change the use of the proceeds contained in a regulatory liability account created by the acceptance of the alternative transaction adjustment in Docket No. SPU-07-11, is rejected.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 15th day of December, 2008.