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October 5, 2012

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

RE: Interstate Power and Light Company
Docket No. RPU-2012-0002 (TF-2012-0374)
Additional Information

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Additional Information in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ Kent M. Ragsdale
Kent M. Ragsdale
Managing Attorney – Regulatory

KMR/kjf
Enclosures

STATE OF IOWA

BEFORE THE IOWA UTILITIES BOARD

IN RE: **INTERSTATE POWER AND LIGHT COMPANY**	**DOCKET NO. RPU-2012-0002 (TF-2012-0374)**

ADDITIONAL INFORMATION

COMES NOW, Interstate Power and Light Company (IPL), and provides its additional information to the Order Requesting Additional Information Regarding the Settlement and Modifying Procedural Schedule issued on September 21, 2012, (September 21st Order) by the Iowa Utilities Board (Board). The Board reviewed the tariff changes referenced in Article X of the Settlement and had some questions about some of the tariff provisions. To obtain additional information about these proposed tariff changes agreed to in the Settlement, the Board requested that the Parties provide responses to the concerns and questions in this order. In the September 21st Order, the Board directed IPL to respond to 13 concerns and questions.

Below, IPL provides its additional information to the Board's 13 concerns and questions contained in the September 21st Order.

BOARD CONCERNS AND QUESTIONS

1. **Gas Service/Transportation Agreements, Sheet Nos. 264-284**

   The Board is not clear about the reference to "producer's act of negligence." There does not appear to be another reference to "producer" in the agreement or a definition of the term. IPL should provide additional information concerning the meaning of this term in this context.

Response:

The "producer" or provider would be the actual entity providing the natural gas, either IPL, in the case of system-supplied gas to a customer, or the competitive natural gas provider, in the case of a transportation customer.

2. **Gas Service Agreement–With Take or Pay, Section 14.07-Sheets No. 275-284.**

   IPL should provide an explanation of the purpose for a separate Gas Service Agreement–With Take or Pay, an explanation of subparagraph 4.c, and why the term of this agreement is three years.

Response:

In general, these Take or Pay terms are designed to enable main extensions in unique circumstances (as described below). The terms allow customers to fund the extension without undue risk to non-participating customers.

On an annual basis, IPL typically receives requests for potential distribution main extensions in rural areas to provide service to agricultural customers for grain drying. Usually IPL will receive less than a handful of these requests on an annual basis. Also, based on the geography involved, these extension requests typically provide limited opportunities for additional customers to attach to these distribution main extensions.

Since these are grain drying customers, the customers' usage is generally limited to the September through November time period and will likely fluctuate a great deal from year to year. Under these circumstances, IPL can determine the customer's peak hourly usage in order to properly size the distribution main extension. There can be challenges, however, in calculating an estimate for annual usage (and hence revenue needed to justify the extension). As a result, IPL encounters difficulty in estimating the three years of annual usage to use for the credit to the cost of the distribution main extension. Therefore, to balance the needs of the individual customer requesting a distribution main extension and the potential for subsidization from IPL's existing customer base, IPL has developed "Take or Pay" agreements. These agreements are for those customer types, as described above, that have significant fluctuations in usage from year to year.

Section 11.03 of IPL's extension policy, found on tariff sheet no. 252, provides the following provision in regards to estimating a future revenue credit to be applied against the cost of an extension:

> "11.05 GAS SALES ESTIMATE: The Company's representative shall be responsible for estimating the anticipated gas sales from service supplied from the extension. Such estimate shall be based upon the Company's experience in serving similar loads, the connected load of the prospective Customer, and estimates of consumption supplied by the Customer."

The issue, as previously mentioned, is estimating the potential natural gas usage for seasonal loads such as grain drying which can vary from year to year based upon weather conditions. In addition, these seasonal customers have the opportunity to switch fuel back to propane, based upon the price differential between natural gas and propane. This increases the risk of loss of revenue to IPL to offset the cost of the distribution main extension. Therefore, in cases in which the cost of an extension exceeds $15,000 and the customer is seasonal, IPL requires a "Take or Pay" service agreement. This provides a benefit to the potential new customer in that the customer receives a full revenue credit based upon actual consumption as well as protecting existing customers from subsidizing the cost of extensions for seasonal loads. This is only applicable to the cost of the distribution main extension and not the service line extension. IPL believes that 199 Iowa Administrative Code (IAC) 19.3(10)"*f*" provides the flexibility for IPL to offer these seasonal load customers the more favorable alternative of a "Take or Pay" service agreement in lieu of requesting a refundable advance, or contribution in aid of construction, prior to building the distribution main extension.

Paragraph section 4.c of the "Take or Pay" service agreement delineates the timeline under which IPL reviews the "Take or Pay" agreements to determine if the customer's load will provide sufficient revenue in relation to the cost of the distribution main extension. IPL believes that two years of the customer's actual operations is sufficient to estimate the third year of revenue in the calculation of the three year revenue credit. If the revenue credit falls short, IPL offers the customer the choice of making a contribution to aid in construction or a refundable advance for the difference.

The term of the agreement is three years, which is consistent with the extension policy found in 199 IAC 19.3(10)c1 as well as IPL's tariff. Consistent with Board rules, IPL is providing a revenue credit based upon three years of usage. In the event customer provides a refundable advance, refunding would be consistent with 199 IAC 19.3(10)c5.

3. **Gas Service Agreement–With Take or Pay, Section 14.07-Sheets No. 275-284.**

   The provisions in subparagraph 4.c appear to allow IPL to recalculate either the advance for construction or contribution in aid of construction after the first year of service to the customer. There

is no provision for this recalculation in the Board's rule. IPL should explain the purpose of the provision, how it is intended to be applied, and whether the provision is consistent with the Board's extension rules.

Response:

(See response to question 2 above). IPL believes that 199 IAC 19.3(10)"*f*" provides the more favorable flexibility to measure contractual performance after the second year of service since IPL has not requested the customer to provide a refundable advance prior to starting service. The customers obtaining gas main distribution extensions under "Take or Pay" contacts will make payment consistent with Board rules, even in the case in which three full years of non-fuel revenue does not provide sufficient revenue over the three year period to cover the cost of the distribution main extension. Any advance requested is calculated as the difference between the cost of the distribution extension and a more accurate estimate of the future revenue credit, which now includes two years of actual customer operations.

4. **Gas Service Agreement–With Take or Pay, Section 14.07-Sheets No. 275-284.**

   IPL should explain the purpose of the last sentence, what other take or pay or contribution in aid of construction agreements are being described, and why outside agreements should take precedence over the agreement in the tariff.

Response:

This last sentence pertains to the situation in which a customer has entered into two different agreements with IPL for two different distribution main extensions, constructed at different times consistent with IPL's tariff. This provision in IPL's tariff is to clarify that any excess revenue above the three-year estimated future revenue credit from one agreement cannot be applied to offset the costs in a different extension agreement for a different distribution main extension. Each extension agreement needs to stand alone and, in the event an additional contribution or advance is due on a prior agreement, subsequent agreements that may have additional revenue cannot be comingled with a different agreement.

ADDITIONAL BOARD QUESTIONS

5. Provide the following information separately for the General Service class and the Large General Service class, for each of the years 2003-2012:

a) The number of interruptible service customers at the beginning of the year;

b) The number of interruptible customers with telemetry equipment at the beginning of the year;

c) The number of customers that initiated interruptible service;

d) The number of customers initiating interruptible service that were required to install telemetry equipment;

e) The number of customers that terminated interruptible service; and

f) The number of service interruptions called by IPL during the year including, for each interruption, the date, duration, and number of customers interrupted.

Response:

a) Please see the tables below that break out number of interruptible customers between the General Service class (small interruptible rate codes 140, 150, 240, 270, and 290) and the Large General Service class (large interruptible rate codes 330, 370, 530, 830, 840, 850).

b) Currently, eight IPL system gas interruptible customers have telemetry devices, however, only one customer is paying excess facilities for the device. The customers not charged for telemetering were former transportation customers that were paying excess facilities charges under the transportation tariff but the charge was no longer billed after they moved to system supplied gas under the interruptible tariff.

c) Please see the tables below for the net number of interruptible customers by year by rate.

d) Please see IPL's response to section b above.

e) Please see the tables below for the net number of interruptible customers by year by rate.

f) IPL has not called any gas service interruptions for the time period referenced.

Table 1. Gas interruptible Customers 2003 – 2012

Gas Interruptible Yearly Customer Counts: January, 2003 - January, 2012

	Small Interruptible									
Rate	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
140	6	0	1	1	1	1	1	2	2	2
150	0	0	0	0	0	0	0	0	0	0
240	387	381	380	349	320	314	308	295	275	254
270	85	84	87	76	74	69	72	70	63	56
290	10	7	7	6	6	7	7	6	6	3
Total	**488**	**472**	**475**	**432**	**401**	**391**	**388**	**373**	**346**	**315**
Diff		**(16)**	**3**	**(43)**	**(31)**	**(10)**	**(3)**	**(15)**	**(27)**	**(31)**
	Large Interruptible									
Rate	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
330	14	14	14	14	14	14	14	13	12	11
370	2	1	2	2	2	2	2	2	2	2
530	16	13	17	13	11	11	12	11	10	10
830	53	60	58	57	60	59	57	56	57	38
840	26	38	39	38	40	41	40	39	37	19
850	3	30	34	31	33	32	32	30	30	19
Total	**114**	**156**	**164**	**155**	**160**	**159**	**157**	**151**	**148**	**99**
Diff		**42**	**8**	**(9)**	**5**	**(1)**	**(2)**	**(6)**	**(3)**	**(49)**
Program										
Total	602	628	639	587	561	550	545	524	494	414
Diff		**26**	**11**	**(52)**	**(26)**	**(11)**	**(5)**	**(21)**	**(30)**	**(80)**

6. **For each interruptible customer with telemetry equipment, provide:**

   a) **The date the customer initiated interruptible service;**

   b) **The installed cost of the telemetry equipment;**

   c) **What payment options the customer was given to pay for the telemetry equipment, and**

   d) **The total amount collected from the customer, to date, for the telemetry equipment.**

Response:

a) There is one interruptible customer that is currently being billed for telemetering. As previously mentioned, the other customers that have telemetering had it installed when they we gas transportation customers.

Customer	Date Interruptible Service
Customer A	12/21/2006

b) The cost of the facilities for this customer was $1,374.78.

c) IPL only offers an excess facilities charge for telemetering.

d) This customer has had an excess facilities charge of $21.99 per month. They would have paid this since they went on the interruptible rate in 2006. As a result they would have 69 months at this rate for a total of $1,517.31.

7. **Provide the current estimated cost of telemetry equipment for a typical customer.**

Response:

The current cost for installation of telemetering metering equipment is approximately $1,400 - $3,000 for transportation customers, depending upon which communication technology is used. A gas transportation customer would pay an excess facilities charge in the range of $22.00 - $48.00 per month, based upon the actual cost of the installation.

However, IPL is also currently investigating a technology solution that could remove the need to install telemetry for interruptible customers. Specifically, IPL is currently in the planning process for upgrading its natural gas handheld meter reading devices in the spring/summer of 2013. Once the handheld devices are upgraded there is an option for installing data recorder modules attached to the gas meters that would store 40 days of hourly interval data that the meter reader would pick up during the normal read cycle. This data would funnel into IPL's Data Acquisition Multi-Vendor Reading System (MVRS). IPL would utilize this technology for its interruptible program. IPL is still developing the incremental cost for the installation of the data recorder module but it expected to be in the range of $250 installed.

It should be noted that the telemetry provision in IPL's interruptible tariff is to address compliance validation after an interruption has been called when IPL issues its next monthly billing, as opposed to daily balancing for transportation customers. IPL previously required customers or field operations personnel to take meter readings before and after the interruption to determine compliance. This is a cumbersome and labor-intensive process, thus IPL's desire for a more automated methodology to measure compliance. IPL does not have a requirement for real-time information from interruptible customers' meters. IPL's tariff revision was merely to provide the capabilities to collect interval data through a telemetry type of technology under what is termed "telemetry" and in measuring compliance.

Since IPL anticipates it will not need to install the same type of telemetry technology used for gas transportation to measure interruptible compliance, IPL is amenable to any language revision in its proposed tariff to better reflect this alternative technology. The deployment of the alternative technology as discussed above would result in lower costs to customers than traditional telemetering.

8. **Provide a description or explanation of the terms "standard facilities" and "non-standard service" in the Excess Facilities Charge tariff provision as applied to Residential, General Service, and Large General Service customers.**

Response:

The standard service that IPL provides to a natural gas customer consists of one service line, one regulator, one point of delivery, and one meter. However, in IPL's Rules and Regulations, there is a provision for multiple metering points in certain instances for a single bill:

> **6.04 MULTIPLE METERING:** When more than one meter installation is used to measure the gas service supplied by Company to a Customer, a separate billing in accordance with the applicable rate schedule will be rendered for the gas service supply through each meter installation. Company may combine consumption of gas service registered, and render a single billing for the same class of gas service supplied to Customer through two or more meter installations if, at the option of Company, such multiple metering is installed as a convenience to Company or because it is more economical for Company to do so; provided, however, this shall not be construed to permit master metering.

Situations in which the multiple metering is allowed, are considered non-standard installations. In addition, the installation of any additional instrumentation on a standard meter would also be considered non-standard. IPL's standard rates for customer charges and volumetric charges do not reflect the incremental costs associated with providing non-standard facilities. Non-standard facilities are considered optional and as a result the customer is responsible for any incremental cost associated with those costs.

IPL's standard service includes the reading of meters on a monthly basis pursuant to its tariff and maintaining this usage history. Should a customer need or request its actual usage data that is on either a daily or hourly basis or usage data that corresponds to specific biweekly or calendar month periods, IPL could only provide this data through its metered data management system by data collected on hourly interval basis through the use of data recording instruments on the meter. To provide data in an interval format is considered non-standard, and would require telemetering, and thus be subject to an excess facilities charge.

9. Is the proposed Excess Facilities Charge an optional or mandatory method of customer payment for excess facilities required to provide non-standard service? If optional, can the customer opt to pay the full cost of the excess facilities up front?

Response:

The costs of non-standard metering is always charged through an excess facilities provision. Excess facilities is not applicable for charges such as excess service extension footage, service relocations, etc. In those cases, a customer would pay a contribution in aid of construction. IPL does not offer a customer the option to pay for metering through an upfront contribution to aid in construction. IPL requires the use of the excess facilities provision since it includes the ongoing maintenance costs of the facilities because IPL has an obligation to replace the facilities with like facilities should they fail at any time in the future. In addition, IPL's tariffs do not allow customers to own their gas meters.

10. If telemetry equipment is installed for an interruptible customer and those costs are recovered through an Excess Facilities Charge, will that charge be recovered indefinitely?

Response:

Yes. Although the charges go on indefinitely, IPL has an obligation for maintenance and to replace the facilities without any incremental cost to the customer should the facilities fail at any time. IPL continues to own the facilities and is responsible for all costs associated with ownership.

11. **Explain the basis and rationale for the 1.6 percent factor used in calculating the monthly Excess Facilities Charges.**

Response:

This is the same excess facilities rate that is used in the gas transportation tariff found under the customer charge section on tariff sheet no.48:

> I. **Customer Charge:**
> Maximum daily requirement - 200 Dth or less: $0.7242/Day
> ****** Maximum daily requirement - Over 200 Dth: $6.6321/Day
> The Customer shall be responsible for all costs associated with any specific plant such as telemetering required in providing contract carriage service to the Customer. The additional charge is 1.6% per month of the Company's additional investment.

This is also the same rate used in IPL's Iowa electric tariffs for excess facilities. This rate reflects the annualized cost recovery of the installed cost of the facilities as well as insurance, property taxes, and operations and maintenance expenses. The provision referenced above in the IPL gas tariff dates back over 20 years and can be found in IPL's (former IES) gas contract carriage (transportation) tariffs.

12. **Describe the circumstances when the Excess Facilities Charge would be applicable to residential customers.**

Response:

Currently, residential customers are not offered the interruptible option and there is not a requirement for IPL to have record of their daily usage. However, as the technology costs for metering evolve, IPL could provide the option of Excess Facilities to all customers that request it. For example, colleges may have multiple accounts served under a variety of rate codes that includes residential service. IPL would not object to a request in this instance to install telemetry on a residential account if the customer was looking to obtain more detail energy consumption data on its residential accounts than what is typically provided through the customer's normal billing cycle data. Currently, IPL is seeing an increased emphasis on "sustainability" for these customers so that this type of request in the future may not be out of the realm of possibilities.

WHEREFORE, Interstate Power and Light Company requests that the Iowa Utilities Board accept IPL's additional information to the concerns and questions found in the Board's September 21, 2012, Order.

Dated this 5th day of October, 2012.

Respectfully Submitted,
Interstate Power and Light Company

By: */s/ Kent M. Ragsdale*

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