

Flexible Rates / Economic Development Rates Interstate Power and Light Company Iowa Speedway

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The Board has rules allowing utilities to offer discounted or flexible rates to its customers when those discounts will either avoid customer bypass of the utility or benefit economic development. Iowa rules allow for special contracts to customers that have unique load characteristics. The Iowa Speedway example illustrates the flexibility available to the utilities to address unique situations.

Iowa Speedway Flexible Rate Tariff

In the spring of 2009, Interstate Power and Light Company (IPL) and US Motor Sports Corp. filed an agreement for a special contract with the Iowa Utilities Board concerning the Iowa Speedway located in Newton, Iowa.¹ The Iowa Speedway had recently been built and immediately became a major entertainment attraction bringing significant economic development to the area. This area had also recently experienced a major economic loss when the largest employer in the area, The Maytag Corporation, was sold and its operations moved out-of-state.

The Iowa Speedway provides significant revenue and direct and indirect employment to the Newton area and provides an economic development boost to the area that was hard-hit when Maytag left. IPL has no customers who directly compete with the Iowa Speedway.

The Iowa Speedway hosts six weekends of auto racing throughout the summer. During these six weekends, the Iowa Speedway has significant electric loads that are well above levels during all other times of the year.

The Iowa Speedway was originally on a demand-based rate and, due to the great fluctuations in demand, had a very low load factor which resulted in high electric charges. The Iowa Speedway's peak demand periods do not coincide with IPL's peak periods and therefore do not contribute to IPL's usage peaks. IPL and the Iowa Speedway came to an agreement wherein the Iowa Speedway would be billed on an energy-based rate rather than the demand-based rate. Given the unique nature of the Iowa Speedway's load and the potential for economic development, this agreement was consistent with the parameters of the flexible pricing rules and tariff.

The contract requires the Iowa Speedway to notify IPL well in advance of the dates and times of its expected load peaks. IPL can then plan for these load increases. Since these are during IPL's off-peak periods, the cost of energy is relatively low. In the

¹ US MotorSports is the owner of the Iowa Speedway.

event that the Iowa Speedway does experience significant usage during IPL peaks, the Iowa Speedway would be responsible for those costs.

The Iowa Speedway example met the flexible rate and tariff requirements of the Board's rules. Below is a summary of those rules:

General Criteria Applicable to Discounted Rates Offerings

1. Discounts can be offered to individuals, groups, or classes of customers. However, discounts must be offered to all directly-competing customers in the same service territory.
2. When evaluating whether to offer a discount, the utility must perform a cost-benefit analysis.
3. The discount should either significantly affect the customer's decision to stay on the system or result in increased consumption.
4. The discount should be beneficial to all customers and to the utility and should not lead to subsidization by other customers.

Tariff Requirements Applicable to Discounted Rates Offerings

If a utility offers flexible rates, it must have an approved general flexible rate tariff. At a minimum, the flexible rate tariff must contain the following criteria:

1. For each potential flexible rate customer, a cost-benefit analysis must demonstrate that offering the discount will be more beneficial than not offering the discount.
2. The ceiling for all discounted rates shall be the approved rate on file for the customer's rate class.
3. The floor for the discount rate shall be equal to the energy costs and customer costs of serving the customer.
4. Discounts are limited to five years. With good cause, the Board may approve a longer period.
5. Discounts should not be offered if they will encourage deterioration in the load characteristics of the customer receiving the discount.