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IOWA GAS SUPPLY RULES

NARUC Energy Regulatory Partnership Program

The Public Services Regulatory Commission of Armenia
and The Iowa Utilities Board



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IOWA NATURAL GAS SUPPLY RULES

- Iowa Code § 476.1 gives the Board jurisdiction over companies that furnish natural gas by piped distribution system to the public for compensation
- Iowa Code § 479.1 gives the Board jurisdiction over the intrastate transportation of natural gas by pipeline. Interstate pipelines are subject to federal jurisdiction



PROMULGATION OF RULES

- Iowa Code § 17A.74 establishes procedures for the adoption of rules that the Board must follow
- Proposed rules are published in the Iowa Administrative Bulletin
- All proposed rules must allow for public comment
- An oral presentation to allow for the Board to ask questions and for additional comments is usually held



Promulgation of Rules cont ...

- The rules that are adopted are then published in the Iowa Administrative Bulletin with a summary of the comments and an explanation of any changes made by the Board based upon the comments
- The adopted rules become effective 35 days after publication



BOARD SUPPLY RULES

- Iowa law does not provide for exclusive service territories for natural gas utilities. (The law does provide for exclusive service territories for electric utilities.)
- If a company provides service to the public for compensation, the company is a natural gas utility and is subject to the Board's jurisdiction and must comply with Board rules
- The Iowa law does provide for small natural gas utilities, under 2,000 customers, who are only subject to service regulation, and for municipal utilities that are not regulated by the Board except for disconnections



Board Supply Rules cont ...

- Rates for natural gas service are set based upon costs assigned to customer classes
- Classes are large volume, small volume, transportation, interruptible, and residential/commercial
- Rates are based upon class cost of service studies and costs are recovered either through a customer charge or a volumetric charge based on usage
- These costs are only for the physical plant and the cost of operating the utility



PURCHASED GAS ADJUSTMENT

- The cost of gas, the commodity, is passed through to customers on a monthly basis through a purchased gas adjustment factor
- The monthly factor is set once a year and then adjusted each month for estimated costs, which are trued up at the end of each year
- Any over or under collections are recovered or returned through the monthly factor over the next year
- PGA costs include storage, interstate pipeline costs, and the cost of gas from producers



CONSUMER ISSUES

- The Board regulates the service provided by the utility and has standards that utilities are required to follow
- These rules address: service connections, disconnection, bills, payments, extensions, and meter reading and testing



SERVICE CONNECTION

- Each residential customer must have a meter, unless the customer meets the requirements for a master meter
- Utility must keep meter reading records
- Rules require monthly meter reading and billing
- Allow estimated bills for two months only



LINE EXTENSIONS

- Residential have different requirements than large volume customers
- Plant additions or distribution main additions are paid for by utility up to three times estimated base revenue, which is calculated on the basis of similarly situated customers
- When customer is required to pay, cost will include gross-up for taxes and is subject to refund
- Customer will receive refunds if additional customers attach to distribution main extension paid for by customer



Line Extensions cont ...

- Residential service line extensions are paid for by utility for first 50 feet of steel pipe or 100 feet of plastic pipe
- Where service line exceeds the length paid for by the utility, the residential customer is required to pay for that portion of the extension. The payment is non-refundable



DISCONNECTIONS

- Utility may disconnect without notice to customer for hazardous situation, tampering, unsafe customer equipment
- Utility must give notice to customer to disconnect for other reasons, including non-payment
- Must give 12-day disconnect notice



BILLING

- Board rules establish what information is required on bill
- Rules require monthly bills
- Rules require 20 days to pay bill
- Utility must offer a customer who cannot pay a reasonable payment arrangement. The arrangement is for a period of at least 12 months



Billing cont ...

- Utility must offer a second payment arrangement if the first arrangement is broken and the customer has made two consecutive payments on the first arrangement
- Utility must offer residential customers a level payment plan, also known as budget billing
- Utility may not disconnect if temperature below 20 degrees F during any 24 hour period



Billing cont ...

- Utility may not disconnect, if the customer disputes the bill and files a complaint with the Board
- Utility must delay disconnection 30 days if a resident notifies the utility of a health condition that requires natural gas service, i.e. heat
- Low income Iowans are protected from disconnection in winter, November 1 through March 31



METER READING AND TESTING

- Utility must have a written program for inspection and testing of meters
- Inspection and testing program are to meet industry and federal safety standards
- Customers may request a meter test once every 18 months. Charge for test is \$25
- Customer may request a referee test of the meter. Referee test cost \$30



NATURAL GAS SAFETY RULES

- Construction and operation of natural gas system must meet good engineering practices
- These standards are regulated by U.S. Department of Transportation
- Utility shall establish a pipeline inspection program
- Natural gas system must be able to provide safe and adequate service to all firm customers on peak day



HELP FOR LOW INCOME CUSTOMERS

- **Conflict between two ideals:**
 - Customers should pay the cost of serving them
 - People should not lose basic utility service just because they are poor
- **Two approaches to providing help:**
 - Create special lower rates or special rules for low income customers (subsidy from utility company)
 - Government subsidy to help low income customers pay their bills



WHO PAYS?

- **Utility subsidy or special rules for low income customers:**
 - When utility must give subsidy, other utility customers usually pay the cost
 - Low income customers do not pay true prices, so less incentive to save energy
 - Very popular with elected politicians
- **Government subsidy for low income customers:**
 - More fair than utility subsidy, if taxes are based on ability to pay
 - Customers pay real price of service
 - Harder to get political approval to spend government money



LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

- Federal government program
- Administered by state governments and regional service agencies
- November 1 to April 30
- Based on income and size of family
- One-time subsidy paid directly to utility company with a credit on customer's bill
- For propane or fuel oil, direct payment to seller
- People can apply until money runs out



ENERGY EFFICIENCY ASSISTANCE

- Low Income Weatherization Program
 - Similar to LIHEAP
- IUB's "Weatherization Challenge"
- Energy Efficiency rebates & other incentives
 - Utilities required to offer cost-effective incentives
 - Available to all incomes
 - Upper income customers probably use them more



PROTECTION FROM DISCONNECTION

- Many states have law similar to Iowa
- Does not apply to nonregulated businesses (propane, fuel oil)
- Indirect subsidy from utility company and other customers
- Some utilities complain about abuse
 - Actual amount of abuse is unknown



OTHER ASSISTANCE

- Sales tax exemption for utility bills (all incomes)
- Help from utilities
 - Special funds for assistance
 - Payment plans



SPECIAL UTILITY RATES FOR LOW INCOME

- Often proposed in Iowa, not yet adopted
- IUB & utilities have opposed this approach



QUESTIONS?



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