Regulatory Challenges, Developments, and Issues Confronting the IUB

NARUC Energy Regulatory Partnership Program

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

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Regulatory Challenges, Developments, and Issues

- Rate Case Challenges
  - Economic Hardship
    - Key Indicators, Unemployment
    - Natural Disasters
  - Renewables
- Developments
  - Climate Regulation
  - Transmission Build Out
    - New Energy Policy Drivers
    - UMTDI, CARP, EIPC
- Issues
  - Demand/Capacity Projections
  - Service Quality/Consumer Issues

IOWA UTILITIES BOARD

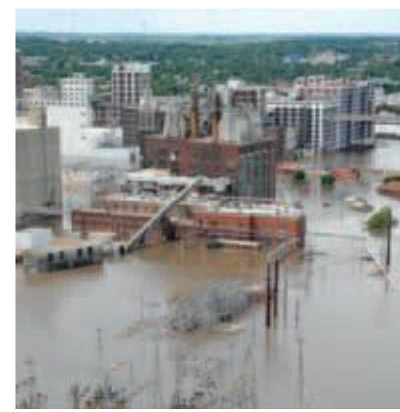
Economic Hardship
Key Economic Indicators

Indicators	2009 Oct	Nov	Dec	2010 Jan	Feb	Mar
Agricultural Futures Price Index						
Corn (cents/bushel)	53.4	49.8	47.7	42.2	37.5	31.6
Soybean (cents/bushel)	202.2	202.4	206.9	196.6	189.3	185.3
Hog (cents/pound)	4.6	5.2	6.3	7.1	8.3	9.4
Cattle (cents/pound)	-9.1	-8.6	-7.8	-6.5	-5.2	-3.5
Iowa Stock Market Index	48.02	48.92	49.88	51.42	53.41	56.03
Yield Spread	3.32	3.35	3.54	3.67	3.58	3.58
Building Permits	564	568	586	591	605	641
Average Weekly Unemployment Claims	8,010	7,863	7,725	7,564	7,298	6,980
Average Weekly Manufacturing Hours	38.4	38.6	38.8	39.1	39.4	39.6
New Orders Index (percent)	42.1	44.6	47.5	50.9	53.0	55.7
Diesel Fuel Consumption (mil gallons)	51.51	51.23	51.37	51.30	51.10	51.32

Also, in January 2010: unemployment up to 6.7% (was 4.4% prior year); 40,000 Iowans lost jobs; 113,100 unemployed

Natural Disasters – ’08 Flood

Flood Waters impacted 181 miles of overhead distribution line and 62.4 miles of underground distribution line.



At one point during the flood, 23 substations in the Cedar Rapids area were out of service due to loss of supply from the two Cedar Rapids generating stations.

Natural Disasters
‘09 – ’10 Winter Storms






Natural Disasters
‘09 – ’10 Winter Storms

Renewables
Merchant Generators vs. IOUs

- Iowa has become an epicenter for wind development. Regulated IOUs as well as independent merchant generators are building wind farms in Iowa. Federal stimulus money has been a significant driver of wind development. If a national RES is created, it would further incent development.
  - 2,534 towers are up and running in Iowa today; 3,670 MW
  - 121 turbines planned in the immediate future; 200 MW
  - 534 towers added in 2009; 879 MW
  - 78 installations in Iowa (Installation is defined as any single construction project. For example, a single school turbine and the third major addition to a particular farm would both be considered installations)

    source: Iowa Office of Energy Independence
- RPU-2009-0003: MidAmerican Energy Company Advanced Ratemaking Principles (1001 MW Wind)

Climate Regulation

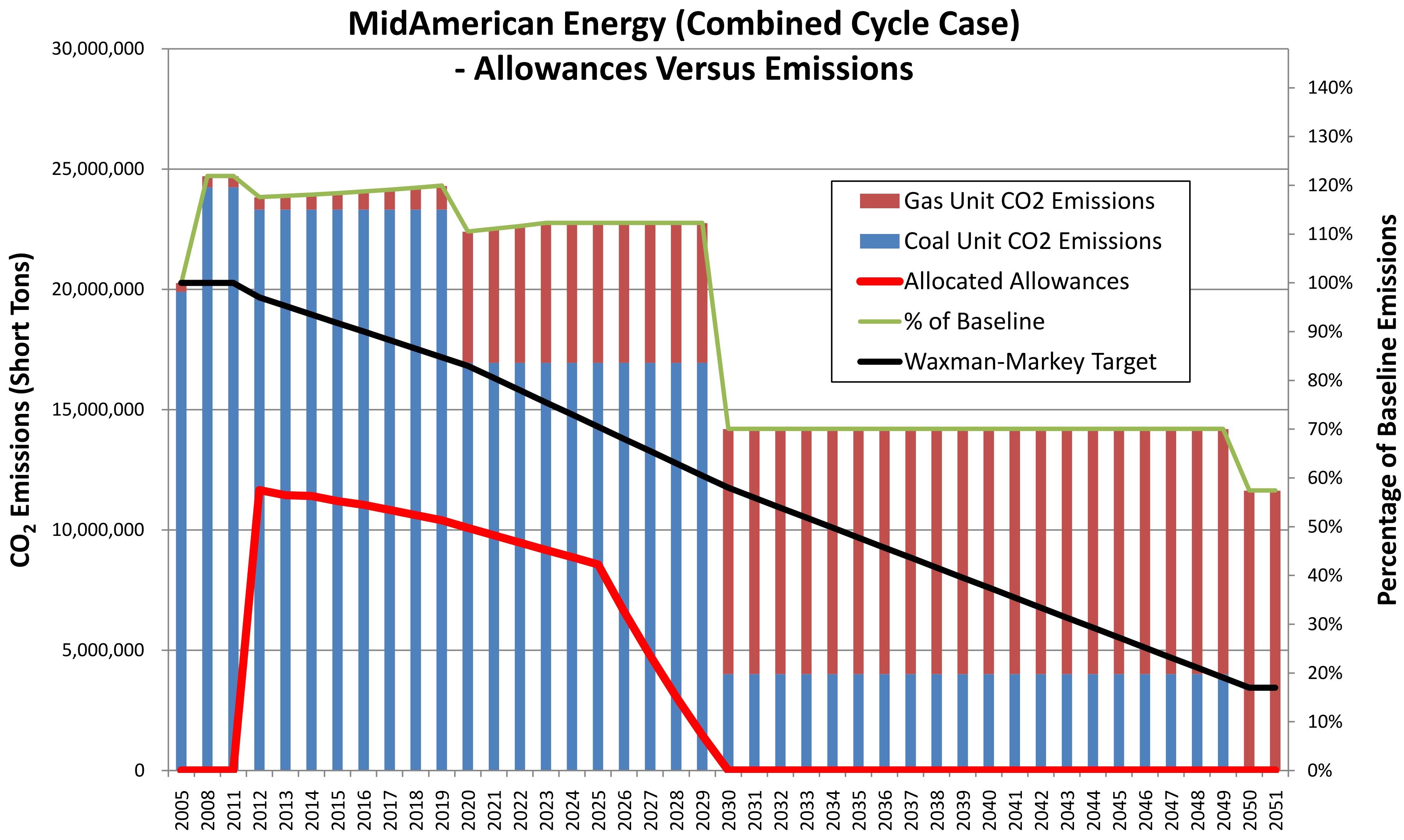
"The elephant in the room is carbon policy. It is difficult to plan when you don't know exactly what we are planning for … ."

John Norris, FERC Commissioner

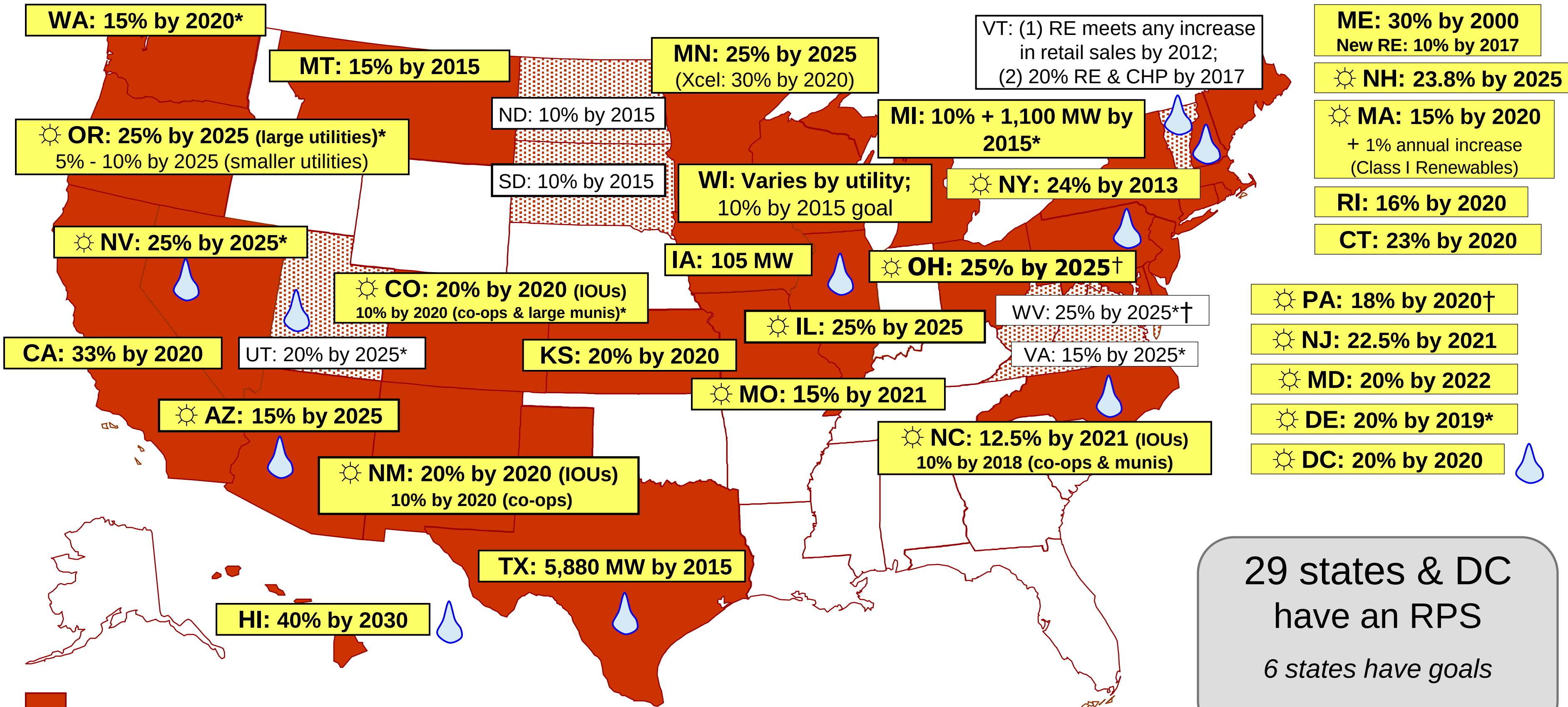
In 2009, federal climate legislation stalled. Recently, however, climate regulation has returned to the forefront. What will it look like?

Proposal	Obama Proposal	Waxman-Markey	Kerry-Lieberman-Graham
Structure	Economy-wide cap and trade, renewable electricity and energy efficiency standards, clean energy investment	Utility, industry, and petroleum sector cap, renewable electricity and energy efficiency standards, clean energy investment	Utility (2012) and industry (2016) cap and trade with linked fuel carbon fee, renewable electricity and energy efficiency standards, consumer rebates
Emissions Reductions	15% by 2020 80% by 2020	17% by 2020 80% by 2050	17% by 2020 80% by 2050 (for capped sectors)
Allowances	Full auction	Allocations based on historical emissions (50%) and retail sales (50%)	?

Climate Regulation



New Energy Policy Drivers
Renewable Portfolio Standards



29 states & DC have an RPS

6 states have goals

State renewable portfolio standard

State renewable portfolio goal

Solar water heating eligible

☼ Minimum solar or customer-sited requirement

* Extra credit for solar or customer-sited renewables

† Includes non-renewable alternative resources

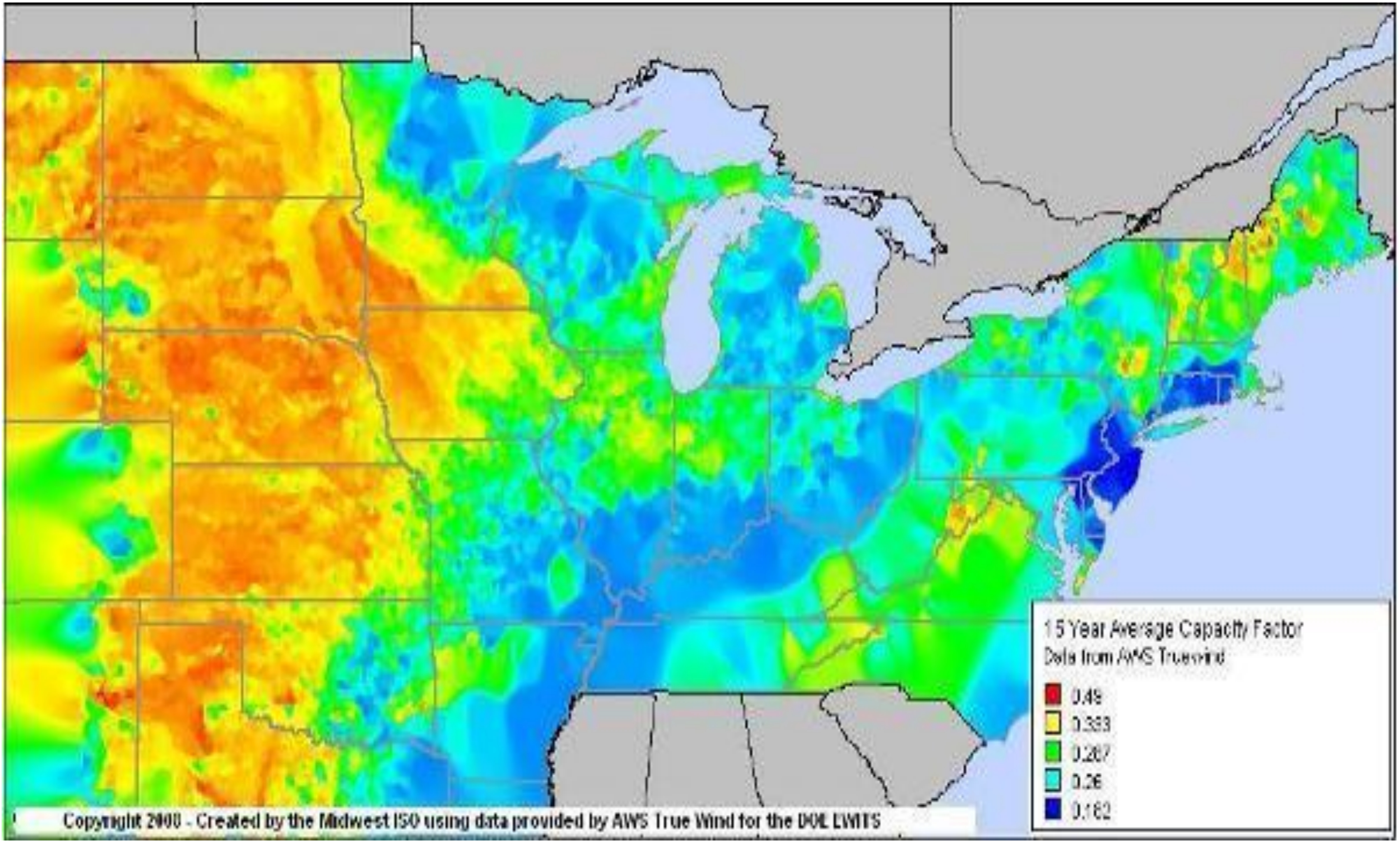
Notes:

(1) Despite relatively small statutory RPS, Iowa is currently #2 in installed wind capacity with 3,043 MW, per AWEA.

(2) Source of RPS map: Database of State Incentives for Renewables and Efficiency, www.dsireusa.org

(www.dsireusa.org / October 2009)

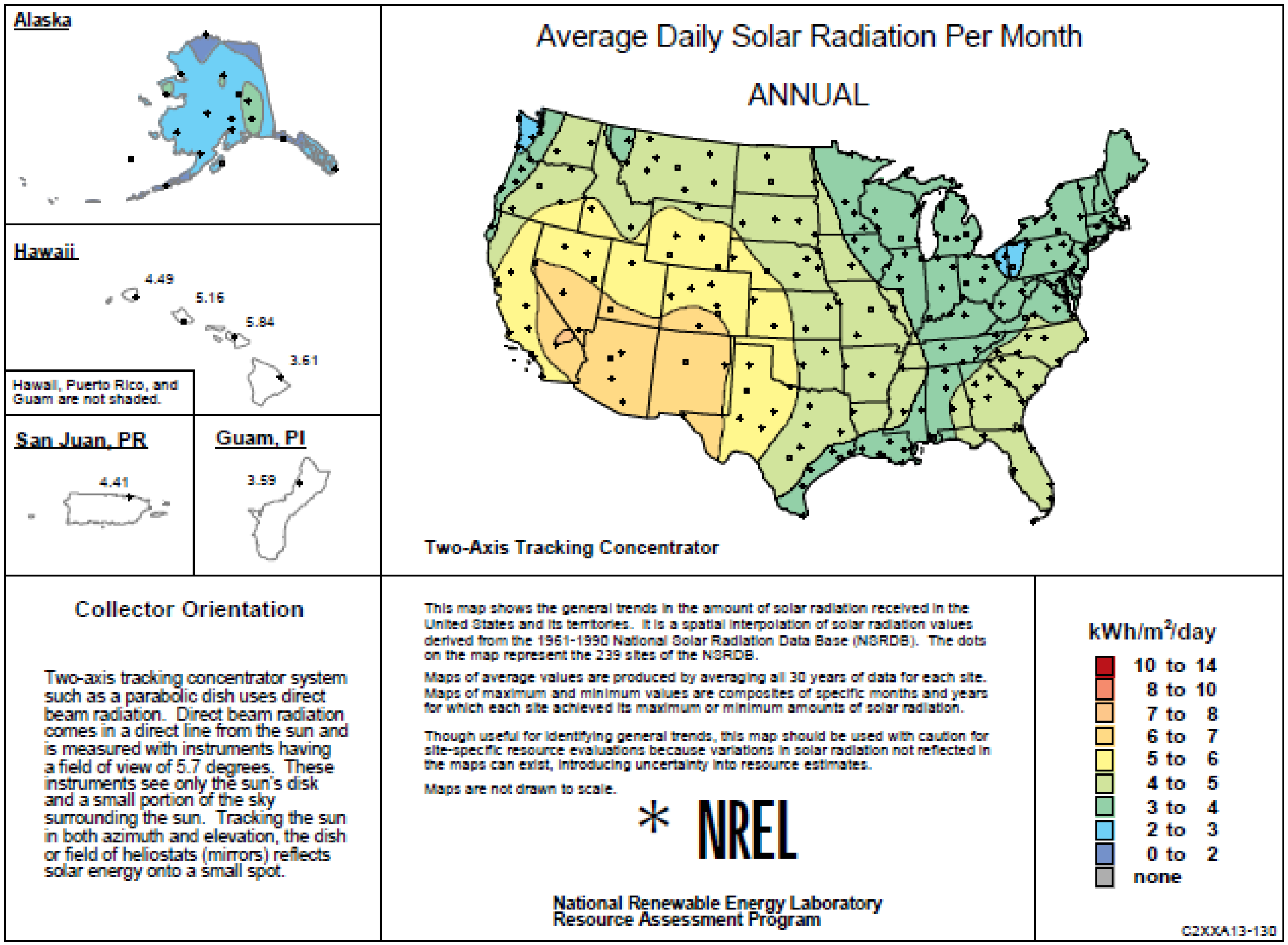
New Energy Policy Drivers
Wind Potential



New Energy Policy Drivers

Solar Potential

(for Concentrating Solar Power)

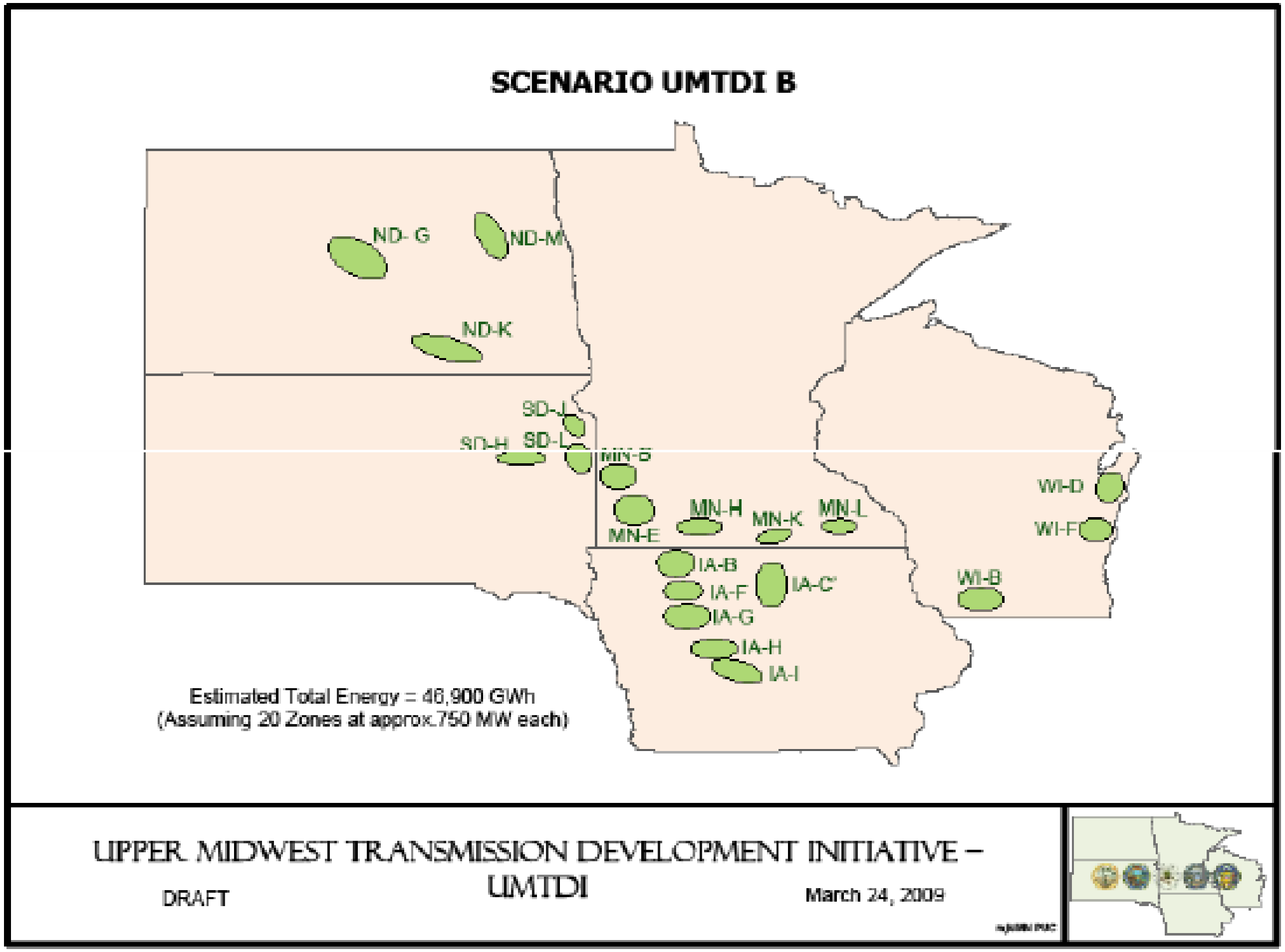


Source: U.S. DOE / NREL, http://www.energysavers.gov/pdfs/130.pdf

Upper Midwest Transmission Development Initiative (UMTDI)

- Effort to coordinate wind resources, transmission and cost allocation to satisfy needs
- After stakeholder input, recommended
  - 5-state Renewable Energy Zones (REZ)
  - Further study of "no-regrets" projects, at a capped cost
  - Assumptions adopted by broader MISO Regional Generation Outlet Study (RGOS)
- Greater policymaker awareness of costs, benefits and issues

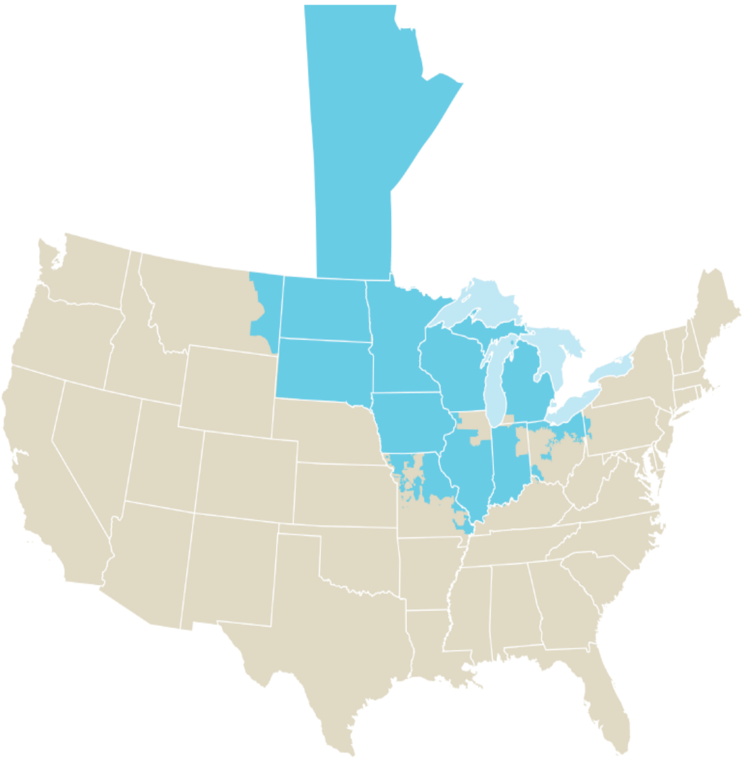
UMTDI Map



SCENARIO UMTDI B
ND- G
ND-M
ND-K
SD-J
SD-H
SD-L
MN-E
MN-H
MN-K
MN-L
IA-B
IA-F
IA-C'
IA-G
IA-H
IA-I
WI-D
WI-F
WI-B
Estimated Total Energy = 46,900 GWh
(Assuming 20 Zones at approx.750 MW each)
UPPER MIDWEST TRANSMISSION DEVELOPMENT INITIATIVE – UMTDI
DRAFT
March 24, 2009

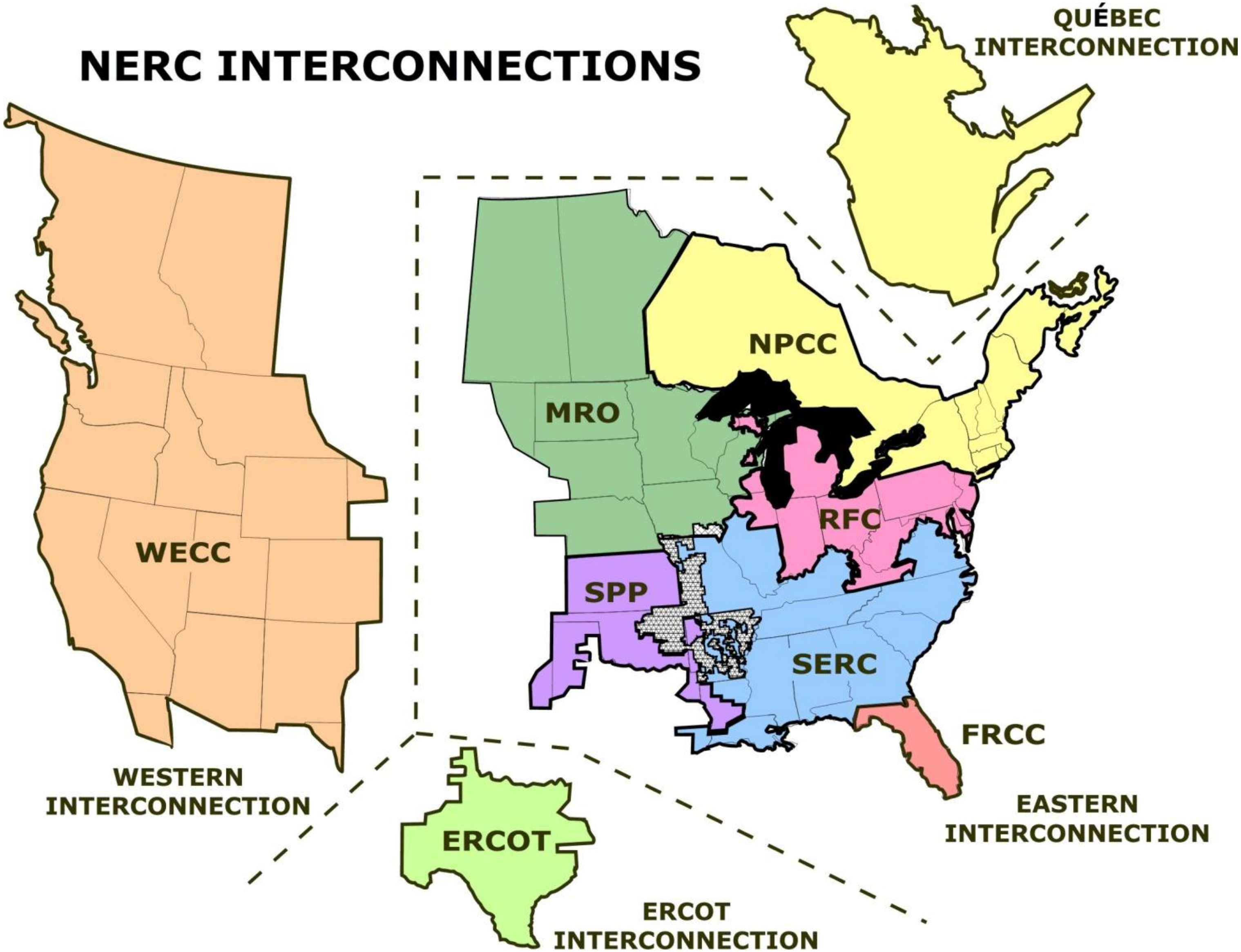
Cost Allocation and Regional Planning (CARP)

- Effort led by Organization of MISO States (OMS)
- 2009 through July 2010
- Extremely detailed effort to guide new cost allocation within MISO
- States lead CARP and chair the MISO cost allocation effort RECB TF



Midwest ISO Regional Reliability Area

Eastern Interconnection Planning



Eastern Interconnection Planning

- $80M in Recovery Act funding. "Seed money" to create standing analytic capabilities over long term.
- DOE is awarding $60M to five interconnection level entities:
  - East: EIPC and EISPC
  - West: WECC and WGA
  - Texas: ERCOT
  - $20M for technical support through National Laboratories
- Eastern Interconnect Awardees
  - "Topic A" (Eastern Interconnection Planning Collaborative) (EIPC)); and
  - "Topic B" (Eastern Interconnection States Planning Council (EISPC)) - 39 States and D.C.; represented by State Public Utility Commissions and Governors' Offices

Eastern Interconnection Planning

- Topic A and Topic B groups will perform two different kinds of work:
  - Topic A: inclusive, collaborative interconnection-level analysis and planning, to be done under the guidance of a "stakeholder steering committee" (SSC). At least 1/3 of the SSC must be state officials.
  - Topic B: cooperation among states on electric resource planning and priorities (as input to Topic A work).
- SSC to "provide strategic guidance to the Applicant's analysts on the scenarios to be modeled, the modeling tools to be used, key assumptions for the scenarios, and other essential activities."
  - Formation has been controversial
  - Topic B sees role as critical to success; wants significant input with SSC

Demand/Capacity Projections

	Interstate Power and Light			MidAmerican Energy Company		
	Demand	Capacity	Reserve Margin	Demand	Capacity	Reserve Margin
Year	Megawatts	Megawatts	(%)	Megawatts	Megawatts	(%)
2010	3011	3506	16.45%	4420	5267	19.20%
2011	3061	3556	16.17%	4450	5339	20.00%
2012	3117	3606	15.68%	4481	5336	19.10%
2013	3168	3770	0.19	4514	5416	20.00%
2014	3215	3770	17.24%	4559	5416	18.80%
2015	3265	3770	15.47%	4587	5453	18.90%
2016	3313	3830	15.59%	4615	5453	18.20%
2017	3362	3880	15.38%	4669	5453	16.80%
2018	3412	3949	15.73%	4739	5454	15.10%
2019	3463	3998	15.43%	4825	5454	13.00%
2020	3513	4058	15.51%	4901	5441	11.00%

Interstate Power and Light Projections are from their Minnesota 2007 Resource Plan filed with the Board on June 2, 2009.

MidAmerican Energy company Projections are filed under Board docket number RPU-09-03

Reserve margins are necessary to ensure reliability and adequate resources to serve load. Generally, 15% reserve margin is adequate to meet the loss of load expectation of 0.1 day in one year. Iowa utilities have adequate reserve margins to serve their projected load for the next decade.

Service Quality/Consumer Issues

Service Quality

Types of complaints (ranked - 2009)

- -Billing
- -Disconnect
- -Meter Reading
- -Payment Arrangement
- -Poor Customer Service

Number of Complaints

Year	Total #Complaints* (ranked)
2005	4,909
2006	5,111
2007	4,241
2008	3,556
2009	3,429

*includes verbal & written correspondence, does not include misdialed calls

Consumer Issues

Affordability

Payment Options

Payment Assistance

Education

- -Utility Bills
- -Efficiency and Conservation

Questions?

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