

**IOWA UTILITIES BOARD
FISCAL YEAR 2005 REGULATORY PLAN
Prepared pursuant to
EXECUTIVE ORDER NINE
August 2, 2004**

Current Regulatory Objectives and Priorities

The objectives and priorities of the Iowa Utilities Board (Board) derive from its statutory duty to "regulate the rates and services of public utilities..." established in Iowa Code § 476.1. This broad grant of authority is refined by specific directives throughout chapters 474 through 479B. A summary of the Board's primary general objective is found in § 476.8: The Board must assure that public utilities within its rate regulatory jurisdiction charge just and reasonable rates and that all public utilities within the Board's jurisdiction provide reasonably adequate service and facilities.

In **telecommunications**, the Board's statutory objectives include encouraging the development of competition, movement toward cost-based pricing, and deployment of advanced telecommunications services. Further, the Board has a statutory duty to deregulate particular communications services or facilities whenever the Board finds that the service or facility is subject to effective competition, such that regulation is no longer necessary.

With regard to the **wholesale electric industry**, the Board is participating in the development of regional transmission organizations (RTOs). RTOs will operate wholesale electric markets and assure that electric transmission systems are independently and fairly operated.

On the **retail electric** side, the Board's objectives include the development of electric generating and transmission investment in Iowa (to ensure reliable electric service and provide economic benefits), balanced against the need for just and reasonable retail rates. The Board is also charged with the duty to promote energy efficiency and use of renewable energy sources, to the extent practical.

In the area of **natural gas regulation**, the Board is concerned about the possibility of unusually high gas bills this winter as a result of increased natural gas commodity prices (which are deregulated and, therefore, market-based). In June 2003, the Board issued a white paper entitled "Natural Gas Price Volatility." An updated white paper will be issued soon. The report projects volatile natural gas commodity prices in fiscal year 2005 and beyond, as a result of long-term issues concerning natural gas supply and transportation, which will have to be addressed at the federal level. Meanwhile, the Board will continue to monitor the industry closely, working with regulated utilities to ensure that gas utilities have

the flexibility to hedge pricing risks and that consumers are appropriately informed

Another Board objective is to ensure that gas and electric service complies with ***state and federal safety requirements***. Implementation of federal pipeline safety regulations on operator qualification and integrity management will require significant resources by both staff and utilities in this fiscal year.

The Board also has statutory duties relating to ***energy efficiency programs*** for both electricity and natural gas, pursuant to § 476.6. The Board objectives in this area are to obtain accurate information regarding utility energy efficiency programs and to ensure they are carried out in a timely and cost-effective manner.

The Board's objectives also include resolution of ***customer complaints*** against utilities. The agency devotes a significant amount of resources to providing customers timely, just, and lawful resolution of the oral and written complaints that come to the agency annually from approximately 7,000 customer contacts.

How The Board's Objectives Relate to the Governor's Agenda

These objectives relate directly to the Governor's agenda. Iowa cannot be a leader in the new economy without the telecommunications infrastructure and the necessary energy to make change possible. Reasonably adequate service at just and reasonable rates involves changing concepts and the Board is striving under its statutory mandates to make utility service in Iowa an engine for positive economic change. In addition, the Board's objectives regarding energy efficiency and alternate energy sources are important factors in achieving the Governor's goals of increasing environmentally sustainable business practices and using energy efficiently.

The Governor's agenda also requires that the Board assume national leadership roles in telecommunications and energy regulation. More than ever, policies are controlled at the federal level. Iowa's interest must be advanced in Washington. In addition, markets for telecommunication services and wholesale energy extend beyond our borders and regional cooperation is necessary to protect our interests. To that end the Board devotes significant resources to leading and serving on national and regional bodies.

This description of the Board's objectives and priorities has necessarily hit only the high points. Every day, the Board and its staff make scores of individual decisions in areas such as resolution of customer complaints, review of tariff changes for more than 200 utilities, informal advice to the public as to application of Board rules, pipeline and electric transmission line inspections, and review of

information affecting the public interest filed by the utilities with the Board. Our objective is to do all of these daily tasks in a sound, helpful, and timely manner.

Significant Rule Making Activity in FY 2005

The Board is currently considering revised customer service rules (Docket No. RMU-04-2) and revised level payment plan rules (Docket No. RMU-04-5), each of which has the potential to help residential customers if winter heating bills are as high as projected. The Board is also preparing to initiate a proceeding to consider new telecommunications service quality rules, intended to shift the focus from technical standards toward customer service standards.

Significant Contested Cases FY 2005

Some significant contested cases will occur during the upcoming fiscal year. These include an electric rate case filed by Interstate Power and Light Company in March of 2004 (Docket No. RPU-04-1) and an electric transmission line franchise petition filed by MidAmerican Energy Company for a new 345-kV line between Council Bluffs and Des Moines.

Other Significant Proceedings FY 2005

The Board is currently receiving public comment on its proposal to deregulate local telephone services in certain Iowa exchanges where effective competition appears to exist, including Council Bluffs and Sioux City (Docket No. INU-04-2). As a part of that process, the Board is updating parts of its 2003 survey of the state of local exchange telecommunications competition in Iowa. The Board will also update its broadband access survey during FY 2005; this will be the fourth broadband survey.

August 2, 2004

/s/ Diane Munns

Diane Munns
Chairman