

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

**Illinois Commerce Commission** :  
**On Its Own Motion** :  
**-vs-** :  
**Interstate Power and Light Company** : **05-0735**  
: :  
**Reconciliation of revenues collected under** :  
**fuel adjustment charges with actual costs** :  
**prudently incurred.** :

**Draft ORDER**

By the Commission:

On November 22, 2005, the Illinois Commerce Commission ("Commission") entered an Order commencing reconciliation proceedings in accordance with Section 9-220 of the Public Utilities Act ("Act") (220 ILCS 5/9-220), which directed Interstate Power and Light Company ("Respondent") to present evidence in this docket at a public hearing to show the reconciliation of Respondent's fuel adjustment clause ("FAC") revenues collected with the actual cost of such fuel supplies "prudently purchased" for the 12 months ended December 31, 2005.

Notice of the filing of Respondent's testimony and exhibits was posted in Respondent's business offices and was published in newspapers having general circulation of Respondent's electric service territories, in the manner prescribed by 83 Ill. Adm. Code 255 in compliance with the Commission's Order in this proceeding.

Pursuant to notice as required by law and by the rules and regulations of the Commission, prehearing conferences were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Chicago, Illinois on December 14, 2005 and May 24, 2006. Appearances were entered by counsel on behalf of Petitioner and the Commission's Staff. Thereafter, an evidentiary hearing was held on July 19, 2006. Respondent presented the Direct Testimony of Michael R. Bremel, Regulatory Pricing Analyst, and Supplemental Direct Testimony of Peter Shatrawka. Dianna Hathhorn of the Financial Analysis Division and Ronald Linkenback of the Energy Division testified on behalf of the Commission Staff. At the conclusion of the hearing on July 19, the record was marked "Heard and Taken."

No Petitions to Intervene were filed in this proceeding.

### Prudence of Purchases

Staff reviewed Respondent's uniform fuel adjustment clause filing and its responses to Staff's data requests related to that filing. Staff found no reason to dispute Respondent's assertion that all expenses pertaining to its fuel and power purchases were prudently incurred during the reconciliation period.

### Fuel Reconciliation

Respondent presented a reconciliation of the total costs of electric fuel and purchased power with the total FAC and base fuel cost revenues for the 2005 reconciliation year in its direct testimony. IPL provided further information on Midwest Independent Transmission System Operator, Inc. (MISO) charges included in its 2005 FAC reconciliation in Supplemental Direct Testimony.

Staff testified that it had no reason to object to Respondent's reconciliation of FAC revenues collected under its Electric Fuel Adjustment Clause with the actual FAC recoverable costs as presented in Exhibit 1.1 and the underlying documents to Mr. Bremel's direct testimony. Staff recommended that the Commission accept the reconciliation of revenues collected with actual costs incurred, as set forth in Appendix A hereto.

### MISO Charges

Staff further reviewed IPL Shatrawka's Supplement Direct Testimony concerning MISO charges included in IPL's 2005 FAC reconciliation. Staff noted that no other Illinois public utilities that still have a FAC mechanism in place are members of MISO, and therefore, IPL is the only company at this time seeking to recover MISO charges through its FAC.

Staff testified that due to the relatively small amount of the MISO transactions, combined with the fact IPL is exiting the electric retail energy business in Illinois in pending docket number 05-0835, Staff recommended no adjustments to the MISO charges. Staff, however, reserved its right to recommend adjustments to MISO charges in the future based on the evidence presented and the materiality of the charges.

### Effect of IPL Asset Sale on 2005 Ordered Collection

Ms. Hathhorn testified that the timing of the sale of IPL's electric and gas operations in consideration by the Commission in Docket No. 05-0835 may impact the collection of the 2005 Ro factor. Staff testified that if IPL's sale of its electric operations is consummated prior to the collection of the 2005 Factor Ro from customers, then the Factor Ro should be held and aggregated with the unamortized balances that exist at the time of the sale. Staff further testified that it would be more efficient if the resulting unamortized balance was held and accrued interest, and then that amount would be netted with the Factor Ro resulting from a Commission order on the reconciliation period

from January 1, 2006 through the date of the sale. Staff recommended that the Commission order for the last reconciliation period should provide instructions for the disposition of the final unamortized balance.

IPL did not object to Staff's recommendation.

#### Staff Recommendation

Staff recommended that Respondent's Factor Ro collection of \$14,331 be approved, and that it be collected depending upon the timing of the resolution of Docket No. 05-0835 as discussed above. Staff further recommended that the Commission order for the last reconciliation period provide instructions for the disposition of IPL's final unamortized balance due to the sale of its electric assets.

#### Commission Analysis and Conclusion

The record herein contains a description and review of the Respondent's FAC revenues collected with actual cost of fuel supplies prudently purchased for the twelve months ended December 31, 2005. All parties were afforded the opportunity to conduct discovery, cross-examine witnesses, and present evidence with regard to any issue in this proceeding. Staff conducted a thorough review of Respondent's accounts, and analyzed work papers and supporting data relied upon by Respondent. Staff used the appropriate standards adopted by the Commission to review prudence. The Commission concurs with Staff that Respondent's expenditures for fuel and power during the reconciliation period ending December 31, 2005, were reasonable and prudent. Additionally, the determinations made in this Order create no presumptions for future reconciliation proceedings regarding either the reasonableness of Respondent's fuel expenditures in periods after 2005, or the nature and scope thereof. The Commission approves the reconciliation submitted by Interstate Power and Light Company of the costs incurred for the purchase of fuel and power with the revenues received for such fuel and power for calendar year 2005, set forth in Appendix A hereto.

The Commission agrees that if the 2005 Factor Ro collection of \$14,331 is not flowed through the FAC prior to the date of the sale of IPL's electric and gas operations, then the \$14,331 2005 Factor Ro should be held and netted against the automatic reconciliation balance (Factor Ra) existing at the date of the sale and any Factor Ro for the reconciliation period from January 1, 2006 through the date of the sale. The Commission order for the last reconciliation period should provide instructions for the disposition of the final aggregated over/under recovery balance. IPL's 2005 Ro Factor will not accrue interest.

#### Findings and Ordering Paragraphs

The Commission, having given due consideration to the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Interstate Power and Light Company, an Iowa corporation, is engaged in the generation, transmission, and distribution of electricity, and the purchase and distribution of gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over Respondent and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;
- (4) the evidence indicates that Respondent acted reasonably and prudently in its purchases of fuel and power during calendar year 2005;
- (5) for calendar year 2005, Respondent has reconciled satisfactorily the cost of fuel and purchased power with the revenues collected under the FAC resulting in a Factor O to be collected by Interstate Power and Light Company of \$14,331;

IT IS THEREFORE ORDERED that the reconciliation submitted by Interstate Power and Light Company of the costs incurred for the purchase of fuel and power with the revenues received for such fuel and power for calendar year 2005, set forth in Appendix A hereto, is approved.

IT IS FURTHER ORDERED that Interstate Power and Light Company implement the Factor O collection of \$14, 331 as discussed herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_ day of September, 2006.

(SIGNED) CHARLES E. BOX

Chairman