

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. :

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 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 twelve 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. No Petitions for Leave to Intervene were filed in this proceeding.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, this matter was heard by a duly authorized Administrative Law Judge at the offices of the Commission in Chicago, Illinois. At the conclusion of the hearing on July 19, 2006, the record was marked “Heard and Taken.”

Prudence of Purchases

Staff reviewed Respondent’s FAC 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 charges from Midwest Independent Transmission System Operator, Inc. (MISO) included in its 2005 FAC reconciliation.

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 costs as presented in Respondent's Exhibit 1.1. Staff recommended that the Commission accept that 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 05-0835, Staff recommended no adjustments to the MISO charges, but reserved the 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. Hathorn testified that the timing of the sale of IPL's electric and gas operations under consideration by the Commission in Docket 05-0835 may impact the collection of the 2005 Ro factor. In particular, 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 or netted with any 2006 Factor Ro. IPL did not object to Staff's recommendation.

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 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 found no indication of imprudence in its review.

In accordance with the record developed herein, 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. 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 finds that Respondent's Factor Ro collection of \$14,331 should be approved, and that it should be collected consistent with the timing of the sale of IPL's electric and gas operations under consideration in Docket 05-0835. Respondent therefore may implement the Factor O collection of \$14,331 in the first monthly FAC filing after the date of the final Order in this proceeding, as in previous years. If, however, IPL's sale of its electric operations is consummated prior to its 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 or netted with any 2006 Factor Ro. If collection of this under-recovery is held by IPL, the 2005 Factor Ro collection of \$14,331 shall 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 record indicates that Respondent acted reasonably and prudently in its purchases of fuel and power during calendar year 2005;
- (5) for calendar year 2005, Respondent satisfactorily has reconciled the cost of fuel and purchased power with the revenues collected under the FAC; the reconciliation, set forth in the Appendix to this Order, results in a Factor O to be collected by Interstate Power and Light Company in the amount of \$14,331 consistent with the discussion herein.

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 the Appendix to this Order, is approved.

IT IS FURTHER ORDERED that Interstate Power and Light Company may implement the Factor O collection of \$14,331 in the first monthly FAC filing following the date of this Order or as otherwise provided 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 13th day of September, 2006.

(SIGNED) CHARLES E. BOX

Chairman

**INTERSTATE POWER AND LIGHT COMPANY
ILLINOIS RETAIL ELECTRIC
2005 FUEL ADJUSTMENT CLAUSE RECONCILIATION**

Line		
1	Balance of Factor Ra at 12/31/2004 per 2004 Reconciliation	\$ (374,399)
2	Factor Ro Collected/(Refunded) during 2005	(170,644)
3	Balance to be Collected/(Refunded) during 2005 from prior periods (<i>Line 1 + Line 2</i>)	(545,043)
4	2005 FAC Recoverable Costs (<i>Exhibit 1.3</i>)	5,768,538
5	2005 FAC Revenues (<i>Exhibit 1.2</i>)	(3,304,990)
6	2005 Base Fuel Cost (BFC) Revenues (<i>Exhibit 1.2</i>)	<u>(1,421,788)</u>
7	Under / (Over) Recovery for 2005 (<i>Sum of Lines 4-6</i>)	1,041,760
8	FAC Reconciliation Balance At December 31, 2005 (<i>Line 3 + Line 7</i>)	496,717
9	Balance of Factor Ra at December 31, 2005	<u>482,386</u>
10	Requested Ordered Reconciliation Factor (Factor O) to be collected/(Refunded) (<i>Line 8 - Line 9</i>)	<u>\$ 14,331</u>