



Upcoming Events

November 5, 2009

Rainscaping Rain Gardens, F.W. Kent Park, Johnson County. More information [here](#)

November 17 — 19, 2009

Annual Water/Wastewater Operator Conference, Holiday Inn Northwest, Des Moines. Early discount registration deadline Nov. 2. Register/more information [here](#)

Power Fund community grant for energy planning



◆ The Iowa Power Fund Community Grant Program has been announced by the Office of Energy Independence (OEI). Eligible applicants are cities, counties, non-profit organizations, organizations involved with energy efficiency or conservation efforts and environmental organizations. The program provides grants to help these organizations and communities create local programs to save energy.

The Office will consider projects in: the promotion of renewable energy systems, promotion of community energy savings opportunities, creation of community or regional energy efficiency alliances, development of a community energy savings plan, kindergarten — 12th grade education programs, and projects that concentrate on energy efficiency public awareness campaigns.

The OEI will accept applications from \$1,000 to \$50,000 Applicants are asked to submit one application by November 13, 2009. An application is required. Click [here](#).

IAMU awarded Smart Grid grant for thermostat plan



◆ IAMU has learned that its Department of Energy grant application for the Smart Grid Thermostat Project has been approved. The application was submitted in August as part of the DOE Smart Grid Investment Grant Program.



The project involves 75 utilities in Iowa, Minnesota and Wisconsin, with a total cost of \$12.5 million. The request was for \$5 million or 41% of the project's cost. Plans call for installation of 32,000 Honeywell UtilityPRO thermostats and smart switches for 57 megawatt peak load control; shared cost for utility operating software, servers, and initial setup; and ongoing operation and maintenance at a single secure site.

Educational and training materials for installers, utility staff and customers will be designed, and local installers in each community (including utility personnel or other members of the community) will be utilized to ensure local expertise and quality customer service. More information will be released soon. Questions? Contact Bob Haug, IAMU Executive Director, at 800-810-4268 or bhaug@iamu.org.

Court upholds July IUB municipalization decision

By Bob Haug, IAMU Executive Director



◆ Following the July 11, 2008, decision of the Iowa Utilities Board overturning elections in five communities to establish municipal electric utilities, I wrote in an [article](#) that, in doing so, the board “failed its obligation to minimize costs to consumers and avoid duplication of facilities in such proceedings, elevated private profit over public will, redefined the democratic process, and set a precedent that virtually precludes the establishment of new municipal electric utilities in Iowa.” I can think of nothing more to add in light of Iowa 5th District Judge Donna Paulsen's decision, which upheld the IUB.

As a further example of the unfortunate result of the IUB decision and its confirmation by the court, suppose your utility was attempting to acquire property of another utility in a territorial case. If the board applied the same logic to your case as it did in the municipalization case, here would be the result of how a distribution “widget” might be valued:

Suppose the widget was originally installed 20 years ago at a cost of \$100. Through rates approved by the board, the other utility has recovered \$90 plus a return on shareholder investment, but it carries the widget on the books at \$50 (property still in service is assumed to have value so the book value doesn't go to zero for ratemaking purposes). Instead of requiring you to pay the \$10 of remaining real value, plus a return on equity, or even the artificially high \$50 of book value, the board might ask you to pay the widget's **reproduction cost less depreciation** and obsolescence. In other words, if the cost of a replacement widget is now \$500, the depreciated value would be \$250. In a parallel approach to that used in the municipalization case, the board instead values the widget as though installed under current standards, which the utility claims require the installation of a Double Widget Array v.2.1. Using its black box cost calculator (you don't need to know how it's derived), it calculates the cost of the array at \$1,500. That means you pay \$750, which is **replacement cost new less depreciation**. Additionally, the other utility says that to reintegrate service to its customers east of town, it needs to build another double widget array there. Although you demonstrate that the additional double widget array is not necessary because you have similar widgets on your existing system that can do the job, the board orders you to pay the full cost of the second installation. The bottom line is that ratepayers who already paid \$90 plus a return on equity for a widget that cost \$100 to install, now get to pay the their previous supplier a bonus of \$740 on the existing widget, which by the way has not been performing reliably. Additionally, they pay for \$1,500 for the second widget array because the board chooses to ignore its obligation to avoid duplication of service.

If this example reminds you of a scheme invented by a University of Chicago economist, you might be on the right track. Unfortunately, it is a regulatory principle in Iowa that has now been upheld by the district court.

More money available for rural energy grant program



◆ The Rural Energy for America Program (REAP) has announced an increase in money

available for grants and assistance in fiscal year 2010. The appropriations bill for the U.S. Department of Agriculture, signed by President Obama October 21, allows \$99,340,000 for REAP, compared to \$60,000,000 last year.

The minimum renewable energy project size is \$10,000; the minimum energy efficiency project size is \$6,000. Residential uses are not eligible.

Applications will be accepted anytime until further notice. For important details on REAP, visit the Business and Cooperative Programs page of the USDA Rural Development web site. Click [here](#), then click on the red box on the web page.

CFU's Buchanan to energy efficiency commission seat



◆ Erin Buchanan of Cedar Falls Utilities (and former IAMU staff member) has been appointed to

the Commission on Energy Efficiency Standards and Practices. She replaces Diane Johnson, Waverly Light and Power, as the municipal utility representative on the commission.

The Commission is charged with evaluating energy efficiency standards for new buildings and, by January 1, 2011, making recommendations for changes in the code, enforcement, and adoption of a statewide energy efficiency building labeling or rating system.



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State budget-cutting plans may impact utilities, cities



◆ Proposed state department budget cuts may affect some programs and services tied to municipal utilities and cities according to documents released by Governor Culver's office. The Governor announced October 8 he was seeking an unprecedented 10 percent across-the-board state budget cut.

The preliminary spending plan reduction submitted by the DNR includes Water Quality/Water Quality Monitoring, which could result in reduced sampling and data analysis used to support permits and regulating; Watershed Construction Permits, which would require an adjustment in General Fund engineering activities to State Revolving Fund non-program engineering projects, which could in turn delay non-SRF funded projects and longer turn-around times; and Hydrology & Environmental Studies, which could result in canceled proposed drilling work and an inability to collect geological information needed to address some long-term environmental and resource needs (such as timely response in matters like municipal drinking water well locations).

It is interesting to note that the budget of the Iowa Utilities Board is being cut, despite that fact that it receives no money from the general fund. All the costs of the Board are recovered from ratepayers, through utility assessments. They are prohibited from assessing more than they spend.

A decrease in the amount of funding available for community grants may be a result of spending reduction plans submitted by the OEI. These grants focus on helping communities reduce their overall economic burden related to energy expenses and stabilization of utility bills. Reduction in funds for other grants could have a negative impact on the OEI's Power Fund in the form of less outreach and less leveraged outside capital. Staffing levels at OEI will not be reduced as part of the overall budget cuts.

Access to potential new federal funds under the Community Block Grant program may be affected by the IDED plan submission. Two to five projects which assist Iowa communities and organizations with business development, housing strategies and enhance community and local government service delivery will not be done via the Community Development Fund. Technical assistance to Main Street communities (many of which were impacted by flooding in 2008) will be decreased.

The above is a partial summary of selected departments and topics. Fully detailed information, including spreadsheets of spending reduction plans for each state department can be found [here](#).

New DNR groundwater rule information distributed



◆ The information letters for all systems required to comply with the federal Groundwater Rule were mailed by the Iowa Department of Natural Resources (DNR) on Monday, October 19. This is a new rule and applies to all systems using water from a groundwater source, including consecutive systems. All

system types are included: transient noncommunity, non-transient noncommunity, and community systems. The effective date of the rule is December 1, 2009.

The DNR's Implementation Team, consisting of staff from Water Supply Operations, Engineering, and all six field offices, has been working on the implementation of this rule. Some of their activities include the development of new documents now available on the DNR's Water Supply homepage under the "Groundwater Rule" section. Click [here](#). The Quick Reference Guide, 4-log Virus Inactivation/Removal Credit, and 4-log credit Monthly Operation Form are all ready for use; additional information will be provided via the listserv as it becomes available.

Pumping system course; water, electric utilities note



◆ IAMU water/wastewater member utilities should take note of a new course called "Pumping System Optimization: Opportunities to Improve Life Cycle Performance." Hosted by Iowa State University, the course will take place at Kirkwood Community College in Cedar Rapids December 2. Attendees will learn how

to identify and reduce hidden operating and energy costs connected with inefficient pumping systems. Others who may be interested in attending the course include engineering consultants and industrial clients in your hometown that your municipal electric utility may serve, so you are asked to help spread the word to them.

Enrollment is limited to 25 participants. To learn more, click [here](#).