



### Upcoming Events

July 20 & 21, 2011  
**Water Operator Lab Workshop**  
Register/more information: [Here](#)

August 3, 2011  
**"Golfin' for Safety" Golf Tournament, Fox Ridge Golf Course, Dike, IA**  
Register/more information: [Here](#)

August 17, 2011  
**Street Lighting Workshop**  
Register/more information: [Here](#)

September 7 — 8, 2011  
**IAMU/APGA Natural Gas Operator Qualification Workshop**

September 14 — 16, 2011  
**Electric Underground Workshop**

September 21 — 22, 2011  
**Product Show & Expo**

### Get your golf on for safety training August 3!

◆ Enjoy a day on the golf course while supporting safety training at IAMU. Golfin' for Safety event will hit the links at the Fox Ridge Golf Club in Dike August 3, with 18



holes of golf, including a betting hole and a beer tasting hole sponsored by A-Line Iron and Metals and a putting contest sponsored by Van Wert, Inc. All proceeds will support the purchase of safety equipment for IAMU's Safety & Training Field.

Utility members and associate members alike are urged to form teams and sign up now. Registration is \$50 per person or \$200 per team. IAMU associate members have several sponsorship options to choose from. For more information or to register, click [here](#).

## Supreme Court reverses greenhouse gas suit decision



◆ The U.S. Supreme Court has ruled unanimously that the Clean Air Act bars federal common law suits seeking to restrict greenhouse gas emissions on the ground that they constitute a public nuisance. In *American Electric Power Co. v. Connecticut*, the high court reversed a decision by the U.S. Court of Appeals for the Second Circuit allowing a suit by a group of states to proceed against AEP, the Tennessee Valley Authority, Southern Co., Xcel Energy and Duke Energy Corp.

"The critical point is that Congress delegated to [the Environmental Protection Agency] the decision whether and how to regulate carbon-dioxide emissions from power plants; the delegation is what displaces federal common law," Justice Ruth Bader Ginsburg wrote in a decision on behalf of the court.



"The expert agency is surely better equipped to do the job than individual district judges issuing ad hoc, case-by-case injunctions," Ginsburg said. "Federal judges lack the scientific, economic, and technological resources an agency can utilize in coping with issues of this order."

Eight states—California, Connecticut, Iowa, New Jersey, New York, Rhode Island, Vermont and Wisconsin—filed the suit in 2004, but New Jersey and Wisconsin withdrew from the case earlier this year. APPA, the Edison Electric Institute and National Rural Electric Cooperative Association filed a joint brief last year urging the Supreme Court to grant AEP's appeal and overturn the Second Circuit decision. Regulation of greenhouse gases "is too consequential, and too complex, to address on a piecemeal basis" through "nuisance" suits in different courts across the country, the utility associations said.

## A case for good debt: A look at utility misconceptions

By Bob Haug, IAMU Executive Director



◆ With all the talk about federal and state debt, it is easy for utility boards and city councils to shy away from debt, even for critical infrastructure. This could be a serious mistake! Utilities are capital intensive businesses and infrastructure put in place today will serve users well into the future. Utilities that avoid debt on facilities that last a long time are not being fair to their consumers. A utility that defers investment until the cash is in the bank forces current customers pay the tab not only for the facilities they are using, but for those built in the future. Reliability of service can be adversely affected by using antiquated or worn out facilities beyond their economic lives. A utility that avoids debt by "renting" the facilities of an investor-owned utility (IOU) imposes additional costs on consumers that could be avoided.

A better understanding of how IOUs are regulated is useful in thinking about debt. An IOU can be thought of as a collection of shareholders looking for safe investment opportunities that pay good dividends. When an IOU invests in new infrastructure, regulators determine an acceptable "capital structure," i.e., the ratio of debt to equity. Typically, it's 50:50 or half debt and half equity, though utilities are often allowed as much as 60% equity. Ratepayers, including municipal utilities using IOU assets, return the shareholders' investment over the life of the facilities, plus the return on equity (ROE), e.g., 10.5% to 12.5%. Rates also cover the full cost of the utility's debt. Tax benefits and treatment of depreciation sweeten the deal even more. Investor-owned utilities combine their ROE, taxes, and depreciation into what is called a "fixed charge rate." Fixed charge rates – typically about 16% – can be as high as 22% per year.



Electrical substations are just one example of infrastructure that is often rented by utilities, sometimes at a significant cost.

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## LED street light survey to explore joint purchases



◆ IAMU Energy Services has developed a brief survey to gauge the interest of municipal utilities regarding a potential joint purchase of LED (or other increased efficiency) street lights for a variety of types of street lights in current use. If sufficient interest is noted IAMU will evaluate the possibility of helping members achieve economies of scale via a competitive RFP.

The Energy Group, an IAMU associate member, is conducting a separate OEI grant funded study of estimating the energy usage of all street lighting in the state and the effect that a statewide retrofit could potentially have on energy efficiency in Iowa. We encourage participation in this survey; however, it is separate from IAMU's.

The IAMU survey can be completed using by clicking [here](#). IAMU's "Understanding Street Lighting Technology & Science Workshop" is August 17. More details, including registration information can be located [here](#).

## Governor to sign water/wastewater proclamation



◆ Gov. Branstad will sign a document proclaiming "Water and Wastewater Workers of Iowa Week" in a July 28 ceremony at the Ames Wastewater Treatment facility.

The proclamation will in part read: "Recognizing that the State of Iowa's wealth of natural resources has been threatened by the degradation of surface and ground waters, the Water and Wastewater workforce of Iowa have dedicated themselves to applying environmental passion and science to enhance drinking and recreational waters of Iowa."

## Reminder: Iowa law requires gender balanced boards



◆ IAMU members are reminded that a new state law requires gender balanced boards.

In 2009, the Iowa legislature enacted an amendment to Iowa Code § 69.16A requiring that all appointed boards of a political subdivision of the state that are established by the Code must be gender balanced. A board made up of three members must have at least one of either gender. A board with five members must have at least two of either gender.

There is a good faith exception to this requirement: If, after three months of a good faith effort to fill the vacant position, no qualified person is found, an appointment can be made that would otherwise be prohibited. The person or persons making the appointment must use a "fair and unbiased method of selecting the best qualified applicants."

This law applies to all boards on or after January 1, 2012, but it is not cause to prevent a board member whose term expires before the effective date to be prevented from reappointment. For further questions regarding the application of this law, contact IAMU Legislative & Regulatory Counsel Julie Smith at [jasmithlaw@mchsi.com](mailto:jasmithlaw@mchsi.com).



## CFU and representatives honored at APPA Conference



◆ Cedar Falls Utilities (CFU) and three of the utility's representatives were recognized at the recent American Public Power Association (APPA) National Conference in Washington, D.C. for awards received from the association earlier this year.

CFU was honored with the APPA Award of Continued Excellence at the group's Engineering and Operations Technical Conference in March (see March 29, 2011 IAMU *Informer*). In addition, CFU representatives Dick Eades (Secretary); Roger Kueter (Trustee) and Vilas Morris (Trustee) were recognized for having been among the 2011 recipients of the APPA Honor Roll Award. The award, which is presented throughout the year, recognizes individuals who have made significant local contributions to public power.

*Good utility debt, continued from Page 1*



When a municipal utility has a choice between owning an asset and renting it, the value of tax-exempt financing is huge. A municipal utility using a \$2 million IOU substation with a fixed charge rate of 16% would make monthly payments of \$26,800. By contrast, if the substation was financed with tax-exempt municipal utility revenue bonds over 20 years at an interest rate of 5%, the levelized debt service would amount to about \$13,200 per month. Over the life of the debt, the savings to the municipal utility's customers would be \$3,264,000. Part of the savings would be used for operation and maintenance of the substation, but the net savings is extremely significant. This example is obviously a case where debt is a good thing, and offers opportunities for the utility to reduce costs to consumers.

Determining how best to financing assets or when to "rent" at market prices is a complicated matter. The purpose of this article is to remind boards and councils that there is such a thing as good debt. Avoiding it for the wrong reasons can be a big mistake. The stakes are high for consumers and advice from independent experts can be well worth the cost.

## Water heating workshop from Iowa Energy Center in August

◆ The Iowa Energy Center will again offer its High Performance Water Heating Systems – Residential and Light Commercial Training Workshop August 9, 2011.



The intensive and practical one-day workshop will prepare attendees to design and install energy efficient water heating systems in residential and light commercial applications, incorporating the many recent technological changes that have transformed heating domestic water. Utility company representatives and energy professionals are among those the workshop is recommended to. Many aspects of water heating will be covered, including system layout for energy efficiency; storage, water heater and tankless systems; energy efficiency codes, regulations and standards. For more information or to register, click [here](#).