



### Upcoming Events

March 14 — 16, 2011  
Gas Pipeline Welder Qualification Workshop, Des Moines Area Community College, Ankeny  
Register/more information: [Here](#)

March 14 — 17, 2011  
Gas Pipeline Welder Qualification Workshop, Iowa Lakes Comm. College, Emmetsburg  
Register/more information: [Here](#)

March 25, 2011  
Disconnection of Service Workshop/Webinar  
Register/more information: [Here](#)

April 4 — 8, 2011  
Gas "Boot Camp" Workshop  
Register/more information: [Here](#)

April 6  
Consumer Confidence Report Workshop, Mason City  
Register/more information: [Here](#)

April 7  
Consumer Confidence Report Workshop, Alta  
Register/more information: [Here](#)

April 8  
Consumer Confidence Report Workshop, Atlantic  
Register/more information: [Here](#)

April 12  
Consumer Confidence Report Workshop, Independence  
Register/more information: [Here](#)

April 13  
Consumer Confidence Report Workshop, Coralville  
Register/more information: [Here](#)

April 15  
Consumer Confidence Report Workshop, Ankeny (IAMU)  
Register/more information: [Here](#)

May 3 — 4, 2011  
Gas Fusion Workshop

May 18 — 20, 2011  
Electric Overhead Workshop

May 25 — 26, 2011  
Water Distribution & Leak Detection Workshops

## Valuing regulatory assets: A look at two legal cases

By Bob Haug, IAMU Executive Director

◆ IAMU filed a brief in an electric service territory case that is now before the Iowa Utilities Board (IUB) on appeal. An IUB administrative law judge (ALJ) ruled against Independence Light & Power (ILP) in the utility's petition for modification of service territory boundary. The decision included the price Independence should pay for facilities owned by East-Central REC, if the boundary change were allowed. In establishing a price, the ALJ accepted the value placed on the assets by the REC, which included compensation for the ongoing business value. In its brief, IAMU distinguished regulatory assets from assets that trade in a free market. The brief can be accessed [here](#).



Electric utilities operate as monopolies in exclusive service territories granted by the state. When a utility builds an asset to serve its customers it is guaranteed to recover its full cost, including interest on borrowed money, and, in the case of an investor-owned utility, a return (profit) on capital provided by its shareholders. Iowa law also allows citizens, by election or through their representative local governments, to establish a new utility service territory or to petition to modify an existing one. When a regulatory asset is transferred through such a proceeding, its true value is the remaining book value. Since both the REC and ILP operate on a not-for-profit basis, any premium above book value would require customers (in this case, the REC's former member/owners) to

*Many Iowa consumers are already having a tough time paying their monthly bill. Regulatory agencies need to do a better job of recognizing the impact of their decisions on consumers.*

pay a second time for the same assets. If the asset were being acquired by an investor-owned utility, any premium should be paid by the shareholders who expect to receive future profits from the remaining value. In its brief, IAMU contends that this approach to valuation is exactly what the Iowa Code authorizes. Besides the asset value, the Code requires compensation for reintegrating facilities that are not included in the asset transfer with the rest of the selling utility's facilities. Through this process, it is the responsibility of the IUB to ensure that both the customers in the area being transferred and those that are not are left whole.



During visits with members of the Iowa Congressional delegation, IAMU members and staff raised similar concerns about ratepayer's having to pay for the premium in Berkshire Hathaway's acquisition of the BNSF Railway Company. In that deal, Berkshire Hathaway paid a premium of approximately \$10.5 billion above the book value of the railroad. Captive shippers on the BNSF are worried that the Surface Transportation Board (STB) will allow the premium — about \$7.3 billion after changes in deferred taxes — to be added to the rate base (the STB is supposed to serve as the regulatory agency for railroads). The STB has allowed recovery of such premiums in prior cases. By contrast, the Federal Energy Regulatory Commission and other federal regulatory bodies have consistently refused to allow acquisition premiums to be rolled into rates. If the STB allows recovery of the premium from ratepayers, the cost of delivering coal is expected to increase by about 15 percent.



What seems to be missing in these and similar cases is a sense of fairness to the ultimate consumer. The U.S. Department of Energy expects electricity rates to go up by 50% in the next 7 years. Many Iowa consumers are already having a tough time paying their monthly bill. Regulatory agencies need to do a better job of recognizing the impact of their decisions on consumers.



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### Record numbers, great concern with LIHEAP aid

◆ Statistics recently released show a record number of Iowa households were behind on paying their utility bills this winter, despite more moderate weather conditions.



According to the Iowa Bureau of Energy Assistance, 267,710 Iowans failed to pay their utility bills on time in January, a 10% increase from a year ago. Cumulatively, that totals more than \$35 million owed.

The moratorium on utility disconnection for those who qualify for protection will expire April 1, 2011. Aid officials report even with Low Income Home Energy Assistance Program (LIHEAP) help, many utility customers are still having difficulties paying their bills, and fear many will have service cut after April 1.

Nationally, the number of households applying for energy assistance has risen for the third consecutive year. Proposed federal budget cuts released by the Obama administration call for a large reduction in LIHEAP funding, with further reductions reportedly proposed for fiscal year 2012. For more information regarding the national LIHEAP picture, visit the National Energy Assistance Directors Association web site [here](#). One discussion of the Iowa situation can be found [here](#).



◆ Access back issues of the IAMU Informer and the Informer Story Index on the IAMU web site's [Informer page](#). It may be necessary to download the latest version of Adobe Reader (Adobe Reader X) to view the IAMU Informer. Download it [here](#).

## Former State Rep. Libby Jacobs is named IUB Chair



◆ Governor Terry E. Branstad has appointed former State Representative Libby Jacobs to the Iowa Utilities Board.

Jacobs will serve a term on the board from May 1, 2011 – April 30, 2017. She was also appointed to serve as board chair from May 1, 2011 to April 30, 2013. Jacobs will replace Krista Tanner on the board. Current IUB chair Rob Berntsen will remain on the board as a member.

Jacobs' name has been submitted to the Iowa Senate for confirmation.



Libby Jacobs

Jacobs served in the Iowa House of Representatives from 1994 to 2008. She sat on the House Commerce Committee for 14 years and served as Majority Whip from 1999-2006. After stepping down in 2008, Jacobs launched The Jacobs Group, LLC, a Des Moines based consulting firm. Originally from Lincoln, Nebraska, she earned a Bachelor of Arts degree in Political Science from The University of Nebraska. She later earned a Masters of Public Administration degree from Drake University.

For more information on the Jacobs appointment, visit the Governor's web site at [www.governor.iowa.gov](http://www.governor.iowa.gov).

## Disconnection of Service workshop/webinar March 25



◆ IAMU's highly regarded Disconnection of Service Handbook will be in focus during a special workshop/webinar scheduled March 25 from 1 – 3 p.m.

Handbook author Gordon Greta, of the Ahlers & Cooney, P.C. law firm, will conduct the meeting. Participants may take part in the workshop in person at IAMU's Training & Office Complex in Ankeny, or join in remotely via webinar.

A brochure has been distributed and is posted on the IAMU web site, along with electronic registration (click [here](#)). For more information contact Jill Soenen, IAMU Water Services Coordinator, at [jsoenen@iamu.org](mailto:jsoenen@iamu.org) or 800-810-4268.



Gordon Greta, Ahlers & Cooney

## APPA webinar to focus on fostering energy work force

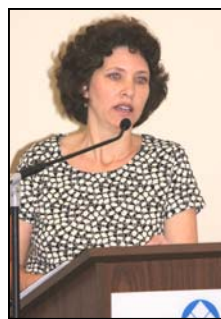


◆ The American Public Power Association (APPA) will conduct a webinar focusing on building the energy work force. Called "Fostering the Energy Work Force Pipeline – Best Practices from SMUD's DEED Project," it will discuss one utility's approach to ensuring it will have qualified workers in the future.



Diana Parker, coordinator of education relations for Sacramento Municipal Utility District (SMUD) in Sacramento, CA, will present SMUD's efforts to develop the pipeline for the future energy work force. Richard Grimsley, vice president of programs for Project Lead the Way, will explain how his program works and will discuss resources available for cities and utilities.

The webinar will be held March 30, 1 – 2:30 p.m. Central Standard Time. More information and online registration is available on the APPA web site [here](#).



Speakers at the recent Advanced H2O Workshops included Carla Schumacher of associate member FOX Engineering Associates and Brett Black of associate member The Sidwell Company. FOX also sponsored a break at the meeting. Vendors on hand included associate members Brown Supply Company and Hawkins Water Treatment Group.