

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA AMERICAN WATER COMPANY;	DOCKET NO. ARU-2020-0123
IN RE: INTERSTATE POWER AND LIGHT COMPANY;	DOCKET NO. ARU-2020-0150
IN RE: MIDAMERICAN ENERGY COMPANY;	DOCKET NO. ARU-2020-0156
IN RE: LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP d/b/a LIBERTY UTILITIES; AND	DOCKET NO. ARU-2020-0222
IN RE: BLACK HILLS/ IOWA GAS UTILITY COMPANY, LLC d/b/a BLACK HILLS ENERGY	DOCKET NO. ARU-2020-0225

**ORDER ADDRESSING REGULATORY ASSET ACCOUNT PLANS AND
CONTESTED CASE PROCEEDINGS**

PROCEDURAL BACKGROUND

On May 1, 2020, the Utilities Board (Board) issued an order in Docket Nos. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222, and

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 2

ARU-2020-0225 that authorized rate-regulated utilities to utilize a regulatory asset account to track increased expenses and other financial impacts, including revenue changes, incurred after March 1, 2020, and associated with the public health emergency proclamation issued March 9, 2020, by Governor Reynolds. The affected rate-regulated utilities are Iowa-American Water Company (Iowa-American), Interstate Power and Light Company (IPL), MidAmerican Energy Company (MidAmerican), Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities (Liberty), and Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (Black Hills). The May 1, 2020 order directed those utilities to file within 30 days a proposal identifying the costs, financial assistance, revenue changes, and other matters to be accounted for in the regulatory asset account.

Each utility filed a plan which included the costs, financial assistance, and changed revenues the utility intended to include in the regulatory asset account. In each plan, the utility described how it proposed to recover the costs, financial assistance, and changes in revenues included in the regulatory asset account. Some of the utilities proposed to recover the amounts outside of a general rate case proceeding and requested Board approval of that recovery proposal. Comments were filed by interested persons addressing some of the plans, and the Office of Consumer Advocate, a division of the Iowa Department of Justice, addressed each plan.

On July 2, 2020, the Board issued an order explaining that recovery of the costs, financial assistance, and changes in revenues that were included in the regulatory asset accounts could only be addressed in a general rate case proceeding or other contested

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 3

case proceeding. The Board stated that a contested case proceeding is required since recovery could affect all customers, not just those affected by the pandemic. In addition, the Board will be required to review the costs, financial assistance, and changes in revenues included in the regulatory asset accounts to determine if it is reasonable to recover all or a portion of those specific amounts in light of the evidence presented in the proceeding.

CONTESTED CASE PROCEEDINGS

“A ‘contested case’ means a proceeding including but not restricted to ratemaking, price fixing, and licensing in which legal rights, duties and privileges of a party are required by Constitution or statute to be determined by an agency after an opportunity for an evidentiary hearing.” Iowa Code § 17A.2(5). Recovery of costs, financial assistance, and changes in revenues outside of a general rate case proceeding require that the Board conduct a contested case since the proceeding may affect rates paid by utility customers or affect rights of customers. This includes any offset of refunds that the Board has determined customers should receive from excess accumulated deferred income taxes (EADIT).

Since the Board issued the July 2, 2020 order, the Board has received inquiries about what types of contested case proceedings are available to the utilities for recovery, other than a general rate case proceeding. Two specific recovery mechanisms were proposed in the plans filed by the utilities: One recovery mechanism would be a contested case proceeding that would allow recovery of the costs, financial assistance, and changed revenues as an offset to refunds due to customers for EADIT.

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 4

A second type of recovery mechanism would be a contested case proceeding that would allow recovery through an automatic adjustment mechanism as a separate rate. In any contested case that affects either the rates paid by customers or customer rights, notice to customers would be required. Notice to customers was not necessary to allow the utilities to establish the regulatory asset accounts since no recovery was being authorized when those accounts were established.

There may be other types of contested case proceedings where a utility can request recovery. Each utility will need to determine where it considers it reasonable to recover the costs and changed revenues and file for Board approval of that proposal. Regardless of what the recovery proposal is, the Board will be required to conduct a contested case proceeding to consider a recovery proposal and amounts that should be recovered and allow interested persons to participate in the docket.

Iowa-American has filed proposed customer notices with the Board and has indicated that it will file an application for a general increase in rates on August 28, 2020. The Board anticipates that Iowa-American will request Board approval of its proposed low-income pilot tariff and request to offset the amounts in the regulatory asset account against excess Tax Cut and Jobs Act (TCJA) refunds in the general rate increase proceeding. Iowa-American also may file a separate proposed pilot tariff or a request to offset the TCJA refunds in a separate filing for Board review. These would be consistent with the Board's July 2, 2020 order.

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 5

Black Hills requests that the Board review the recovery of costs and changes in revenues tracked in the regulatory asset account in Black Hills' next rate case. This is consistent with the Board's July 2, 2020 order.

Liberty states in its plan that the method of recovery of the amounts tracked in the regulatory asset account will be either (a) inclusion in base rates or (b) collection in a surcharge or rider. If the amounts are to be recovered in base rates, the recovery will be an issue in a general rate case proceeding. If the amounts are to be recovered through a rider, that would require Liberty to either propose the rider in a general rate case or file a pleading requesting the Board open a contested case proceeding. Either method would be consistent with the July 2, 2020 order.

IPL proposes that recovery of regulatory asset account balances be offset against EADIT liability or other regulatory liability balances. Since recovery as proposed would be outside of a general rate case proceeding, IPL would be required to file a pleading opening a contested case proceeding for Board consideration of the proposed method of recovery. The issue of recovery also could be addressed in the subsequent proceeding that is required by Iowa Code § 476.33(4)(b). Since the subsequent proceeding will review the actual costs and revenues for a 12-month period after final rates went into effect, any effect that the pandemic had on those actual costs and revenues will be part of the Board's review. Either review will be consistent with the Board's July 2, 2020 order.

MidAmerican requests that recovery of the amounts included in the regulatory asset account be offset against EADIT liability balances. Offsetting the amounts in the

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 6

regulatory asset account against the amounts in the EADIT liability account will require MidAmerican to file a pleading opening a contested case proceeding for Board consideration. In addition, the costs, financial assistance, and changes in revenues proposed to be recovered in the regulatory asset account should be reflected in the revenue sharing information that will be filed in February 2021. Issues regarding the costs and potential reductions in revenues associated with the pandemic may be addressed when that filing is reviewed or in a separate docket opened by the Board to consider the issue. Either review will be consistent with the Board's July 2, 2020 order.

UTILITY PLANS

Each rate-regulated utility filed a plan that lists the costs, financial assistance, and changes in revenues impacted by the pandemic that it would track and include in a regulatory asset account. Board approval of the plan is requested. As discussed above, the Board cannot address recovery of the costs, financial assistance, and changes in revenues included in the regulatory asset account outside of a contested case proceeding. However, after review of the lists of items filed by the utilities that will be included in the regulatory asset accounts, the Board has determined that tracking of some additional items is necessary.

A review of the items to be included in the regulatory asset account shows that not all of the utilities included savings associated with the reduction of service as an item that would be tracked in the account. It is accepted that there have been and will be costs, financial assistance, and changes in revenues associated with the pandemic that are potentially eligible for recovery. The Board also considers it necessary to track

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 7

any savings resulting from reduction or changes in service that result from the pandemic. The Board will require utilities to track savings in the account.

In addition to savings that may result from the pandemic, a utility may receive federal or state grants or other payments to compensate for costs or lost revenue associated with the pandemic. Utilities will be required to track any such grants or payments in the regulatory asset account.

The utilities provided different proposals for reporting of amounts in the regulatory asset account. OCA recommended that the utilities be required to file quarterly updates after filing detailed cost data in November 2020. The Board finds that updates should be filed quarterly beginning with the quarter ending June 30, 2020. The updates will be required to be filed within 30 days of the each subsequent calendar quarter until the Board has issued an order in the contested case proceeding for recovery of the amounts in the regulatory asset account.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Recovery of amounts related to the pandemic included in the regulatory asset accounts authorized by the Utilities Board shall be addressed in a contested case proceeding.
2. Savings from reduction in costs and services shall be included as part of the regulatory asset account authorized by the Utilities Board.

DOCKET NOS. ARU-2020-0123, ARU-2020-0150, ARU-2020-0156, ARU-2020-0222,
ARU-2020-0225
PAGE 8

3. Federal or state grants or other payments to compensate for costs or lost revenue associated with the pandemic shall be included as part of the regulatory asset account authorized by the Utilities Board.

4. Updates of the regulatory asset accounts authorized by the Utilities Board shall be filed beginning with the quarter ending June 30, 2020. The updates shall contain the costs, financial assistance, and changes in revenues impacted by the pandemic as well as the savings from reduction in costs and services and all federal or state grants or other payments to compensate for costs or lost revenue associated with the pandemic.

5. The update for the quarter ending June 30, 2020 shall be filed by August 31, 2020. The updates required in Ordering Clause 4 for succeeding calendar quarters shall be filed within 30 days of the end of the calendar quarter and shall be filed for each subsequent calendar quarter until the Board has issued an order in the contested case proceeding for recovery of the amounts in the regulatory asset account.

UTILITIES BOARD

Geri Huser Date: 2020.08.06
12:38:17 -05'00'

ATTEST:

Anna Hyatt Date: 2020.08.06
13:50:38 -05'00'

Richard W. Date: 2020.08.06
Lozier, Jr. 10:50:55 -05'00'

Dated at Des Moines, Iowa, this 6th day of August, 2020.