

CHAPTER 29
MANAGEMENT EFFICIENCY EVALUATION

[Prior to 10/8/86, Commerce Commission[250]]

199—29.1(476) Policy and purpose. It is the policy of the commission that a public utility shall be operated in an efficient manner. This chapter describes the methodology by which the commission may evaluate the management efficiency of a rate-regulated utility and the actions that the commission may take upon a finding as to the efficiency of a utility's management.

[ARC 4104C, IAB 10/24/18, effective 11/28/18; Editorial change: IAC Supplement 7/24/24]

199—29.2(476) Efficiency considered in a complaint or rate case proceeding. In a complaint proceeding conducted pursuant to Iowa Code section 476.3 or in a rate proceeding conducted pursuant to Iowa Code section 476.6, the commission may determine whether a public utility subject to rate regulation is being operated in an efficient or inefficient manner. In making such a determination, the commission shall evaluate the management of the utility in the manner prescribed by rule 199—29.3(476). Any adjustment to a utility's level of profit (return on equity) or revenue requirement shall be made in compliance with Iowa Code section 476.52.

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199—29.3(476) Management efficiency evaluation. The commission may evaluate a utility's management efficiency based upon the utility's particular circumstances and considering a range of factors that may differ among utilities. In evaluating a utility's management efficiency, the commission may consider any of the factors listed in subrule 29.3(1) and any additional relevant factors. No single factor will be deemed conclusive evidence of efficiency or inefficiency. In performing the evaluation, the commission may collect data to compare a utility to other rate-regulated utilities providing the same service within the state of Iowa. The commission may consider data for time periods outside a rate case test year.

29.3(1) Factors.

The commission may consider the following factors:

- a. The price per unit of service (including amounts collected subject to refund) by customer class and type of service.
- b. Operation and maintenance costs per unit of service. Low operations and maintenance costs may not support a finding of efficiency if quality of service is substandard.
- c. Quality of service, as reflected in objective measures of service quality, customer complaints shown in company and commission records, findings made in complaint proceedings, penalties assessed, and measures of customer satisfaction.
- d. Customer mix.
- e. The total compensation for each officer of the utility.
- f. The company's bad debt ratio.
- g. Innovative practices implemented by utility management that result in improved service or that control costs.
- h. Geographic service territory.
- i. Economic conditions in the areas served.
- j. Weather patterns and disasters.

29.3(2) Electric utilities. When evaluating an electric utility, in addition to considering the factors listed in subrule 29.3(1), the commission may consider factors specific to electric utilities including the following:

- a. Fuel cost per kwh.
- b. Availability for each generating unit with 2,000 or more service hours per year.
- c. Companywide load factor.
- d. Development and implementation of energy efficiency programs.

29.3(3) Natural gas utilities. When evaluating a natural gas utility, in addition to considering the factors listed in subrule 29.3(1), the commission may consider factors specific to natural gas utilities including the following:

- a.* Total cost per unit of gas purchased from a pipeline (to be considered separately from operations and maintenance costs).
- b.* Total cost per unit of gas purchased from other sources (to be considered separately from operations and maintenance costs).
- c.* Residential and commercial sales volume in relation to investment in the system (rate base).
- d.* Unaccounted-for gas as a percentage of total sales volume.
- e.* Development and implementation of energy efficiency programs.

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199—29.4(476) Rewards and penalties. If the commission makes a determination as to the efficiency of the management of a utility pursuant to rule 199—29.2(476), except for an electric cooperative that has elected rate regulation, the commission may prescribe an adjustment of the utility’s return on common equity or revenue requirement as allowed pursuant to Iowa Code section 476.52. Upon making a determination as to the efficiency of the management of a rural electric cooperative that has elected rate regulation, the commission may prescribe an adjustment of the rates charged by the cooperative as part of an adjustment to the utility’s revenue requirement.

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These rules are intended to implement Iowa Code sections 476.52 and 546.7.

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