

F I N A L R E P O R T

UTILITY RATE STRUCTURE SUBCOMMITTEE

January, 1984

The Utility Rate Structure Subcommittee was established under House File 312 and the Legislative Council to study the area of utility rate regulation which were affected by the passage of House File 312.

Members serving on the Subcommittee were:

Senator Patrick J. Deluhery, Co-chairperson
Representative Michael E. Gronstal, Co-chairperson
Senator James V. Gallagher
Senator Charles H. Bruner
Senator Dale L. Tieden
Senator John W. Jensen
Representative Leo P. Miller
Representative David Osterberg
Representative Donald J. Paulin
Representative Bob Renken

Although no specific recommendations for legislative change were reported from the Subcommittee, Co-chairperson Deluhery urged the members of the Subcommittee to review the number of suggestions which had been presented to the Subcommittee with the idea that the members could pick which issues they wished to support in future legislation.

The Subcommittee was granted two meeting days. These meetings were held on November 4, and November 18.

At the first meeting, the Subcommittee initially heard from representatives of the consumer's viewpoint. Individuals representing Community Action Research Group, Iowa Rate Payers Association, Citizen Labor Energy Coalition, Iowa Citizens for Community Improvement, and United Neighbors gave presentations reflecting procedural problems they have had with the Iowa Commerce Commission's proceedings, and also problems involving utility shutoffs, customers being required to pay for excess generating capacity, and high utility rates in general. The Subcommittee also heard from Mr. James Maret, the Consumer Advocate. Mr. Maret outlined the transition of his office from being the Commerce Counsel to becoming the Office of Consumer Advocate. Mr. Maret also made certain procedural recommendations, but stated that for the most part the legislature should back away from any quick changes to House File 312 as it is too early to see what the bill's full effect has been.

In the afternoon of the first meeting, the Subcommittee received testimony from Mr. Michael Sheehan, Assistant Professor of the Graduate Program in Urban and Regional Planning at the University of Iowa. Mr. Sheehan, speaking individually and not speaking for

the University of Iowa, described what he called the "utility death cycle" and made recommendations for escaping this cycle. The Subcommittee received presentations from Mr. Enver Masud, Director of the Operations Review Division of the Iowa Commerce Commission, Mr. Barry O'Brien, Iowa Illinois Gas & Electric, and Mr. Robert Harbour, Iowa Southern Utilities. These gentlemen explained proposals on measuring a utility's management efficiency and explained a plan designed to provide for centralized dispatch of electrical energy called Project Lambda. The remainder of the meeting was devoted to a presentation by Mr. Andrew Varley, Chairman of the Iowa Commerce Commission.

The second meeting was held on November 18. The first part of the meeting was used for presentations by various utility company groups on House File 312. Mel Semrad, area manager for western Iowa for Peoples Natural Gas, and Thomas Pitner, general counsel for Iowa Electric Light and Power Co., spoke on behalf of the Iowa Utility Association. Mr. Semrad discussed the issue of service disconnections and the need to maintain the current rules which permit service disconnections. Mr. Pitner spoke about the dangers of over-regulation. Both men stated that there had not been enough time since implementation of House File 312 to fully evaluate it. They suggested no legislative action on it. Glenn O. Lovig, Executive Vice President of the Iowa Association of Electric Cooperatives talked about the effects of House File 312 on rural electric cooperatives. He advocated only minor changes to the law.

The remainder of the day was spent hearing presentations on telecommunications deregulation. Skip Laitner, research director for the Community Action Research Group in Ames gave a brief overview of deregulation and spoke from a consumer's perspective. He advocated that the Iowa State Commerce Commission investigate separation costs before determining the need for access charges. David Sather, general counsel for Northwestern Bell, discussed the effects of deregulation and the divestiture of AT&T on Northwestern Bell. Ken Lien, manager of the Winnebago Cooperative Telephone Association in Lake Mills, spoke on behalf of the Iowa Telephone Association. He discussed the concerns of the independent telephone companies. The final speaker was Andrew Varley, chairperson of the Iowa State Commerce Commission. Mr. Varley discussed the concepts of local measured service, local service only option, and intrastate access charges.

More detailed summaries of the presentations made at the meetings are in the minutes for the meetings. Written copies of presentations and other materials submitted are on file with the Legislative Service Bureau.