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3-11-98 (p.624)

FILED FEB 17 1998

SENATE FILE 2246

BY COMMITTEE ON COMMERCE

WITHDRAWN

(SUCCESSOR TO SSB 2076)

3-11-98
(p.625)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to utility cost reviews associated with a rate-
2 regulated public utility's procurement of natural gas or fuel
3 for use in generating electricity.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2246

1 Section 1. Section 476.6, subsections 15 and 16, Code
2 1997, are amended to read as follows:

3 15. NATURAL GAS SUPPLY AND COST REVIEW. The board shall
4 periodically, ~~but not less than annually,~~ conduct a proceeding
5 for the purpose of evaluating the reasonableness and prudence
6 of a rate-regulated public utility's natural gas procurement
7 and contracting practices. The natural gas supply and cost
8 review shall be conducted as a contested case pursuant to
9 chapter 17A.

10 Under procedures established by the board, each rate-
11 regulated public utility furnishing gas shall periodically
12 file a complete natural gas procurement plan describing the
13 expected sources and volumes of its gas supply and changes in
14 the cost of gas anticipated over a future twelve-month period
15 specified by the board. ~~The plan shall describe all major
16 contracts and gas supply arrangements entered into by the
17 utility for obtaining gas during the specified twelve-month
18 period. The description of the major contracts and
19 arrangements shall include the price of gas, the duration of
20 the contract or arrangement, and an explanation or description
21 of any other term or provision as required by the board. The
22 plan shall also include the utility's evaluation of the
23 reasonableness and prudence of its decisions to obtain gas in
24 the manner described in the plan, an explanation of the legal
25 and regulatory actions taken by the utility to minimize the
26 cost of gas purchased by the utility, and such other
27 information as the board may require. The utilities shall
28 file information as the board deems appropriate.~~

29 During the natural gas supply and cost review, the board
30 shall evaluate the reasonableness and prudence of the gas
31 procurement plan. ~~In evaluating the gas procurement plan, the
32 board shall consider the volume, cost, and reliability of the
33 major alternative gas supplies available to the utility, the
34 cost of alternative fuels available to the utility's
35 customers, the availability of gas in storage, the appropriateness~~

1 ~~legal and regulatory actions which the utility could take to~~
 2 ~~minimize the cost of purchased gas, the gas procurement~~
 3 ~~practices of the utility, and other relevant factors:~~ If a
 4 utility is not taking all reasonable actions to minimize its
 5 purchase gas costs, consistent with assuring an adequate long-
 6 term supply of natural gas, the board shall not allow the
 7 utility to recover from its customers purchase gas costs in
 8 excess of those costs that would be incurred under reasonable
 9 and prudent policies and practices.

10 16. ~~ANNUAL-ELECTRIC~~ ELECTRIC ENERGY SUPPLY AND COST
 11 REVIEW. The board shall periodically conduct an annual a
 12 proceeding for the purpose of evaluating the reasonableness
 13 and prudence of a rate-regulated public utility's procurement
 14 and contracting practices related to the acquisition of fuel
 15 for use in generating electricity. The evaluation may review
 16 the reasonableness and prudence of actions taken by a rate-
 17 regulated public utility to comply with the federal Clean Air
 18 Act Amendments of 1990, Pub. L. No. 101-549. The proceeding
 19 shall be conducted as a contested case pursuant to chapter
 20 17A. Under procedures established by the board, the utility
 21 shall file information as the board deems appropriate. If a
 22 utility is not taking all reasonable actions to minimize its
 23 fuel and allowance transaction costs, the board shall not
 24 allow the utility to recover from its customers fuel and
 25 allowance transaction costs in excess of those costs that
 26 would be or would have been incurred under reasonable and
 27 prudent policies and practices.

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EXPLANATION

29 This bill amends provisions relating to the natural gas
 30 supply and cost review, and the electric energy supply and
 31 cost review of rate-regulated public utilities. The bill
 32 strikes the requirement that a natural gas supply and cost
 33 review be conducted at least annually. The bill also strikes
 34 language requiring a gas public utility to include a
 35 description of all major contracts and gas supply arrangements

1 entered into by the utility for obtaining gas during a 12-
2 month period as specified by the board in its natural gas
3 procurement plan. The bill strikes certain specific items the
4 board is to consider in evaluating the gas procurement plan
5 including the volume, cost, and reliability of the major
6 alternative gas supplies available to the utility; the cost of
7 alternative fuels available to the utility's customers; the
8 availability of gas in storage; the appropriate legal and
9 regulatory actions which the utility could take to minimize
10 the cost of purchased gas; the gas procurement practices of
11 the utility; and other relevant factors. The bill provides
12 that utilities shall file information as the board deems
13 appropriate regarding the evaluation of the gas procurement
14 plan.

15 The bill also provides that the utilities board is to
16 periodically, rather than annually, conduct a proceeding for
17 the purpose of evaluating the reasonableness and prudence of a
18 rate-regulated public utility's procurement and contracting
19 practices related to the acquisition of fuel for use in
20 generating electricity.

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Delaney
Douglas
Schurer

SSB 2076

Commerce
Succeeded By
SF/HF 2246

SENATE/HOUSE FILE
BY (PROPOSED DEPARTMENT OF
COMMERCE/UTILITIES DIVISION
BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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34 cost of alternative fuels available to the utility's
35 customers, the availability of gas in storage, the appropriate~~

1 ~~legal-and-regulatory-actions-which-the-utility-could-take-to~~
 2 ~~minimize-the-cost-of-purchased-gas,-the-gas-procurement~~
 3 ~~practices-of-the-utility,-and-other-relevant-factors:~~ If a
 4 utility is not taking all reasonable actions to minimize its
 5 purchase gas costs, consistent with assuring an adequate long-
 6 term supply of natural gas, the board shall not allow the
 7 utility to recover from its customers purchase gas costs in
 8 excess of those costs that would be incurred under reasonable
 9 and prudent policies and practices.

10 16. ~~ANNUAL-ELECTRIC~~ ELECTRIC ENERGY SUPPLY AND COST

11 REVIEW. The board shall periodically conduct ~~an-annual~~ a
 12 proceeding for the purpose of evaluating the reasonableness
 13 and prudence of a rate-regulated public utility's procurement
 14 and contracting practices related to the acquisition of fuel
 15 for use in generating electricity. The evaluation may review
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 25 allowance transaction costs in excess of those costs that
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28 EXPLANATION

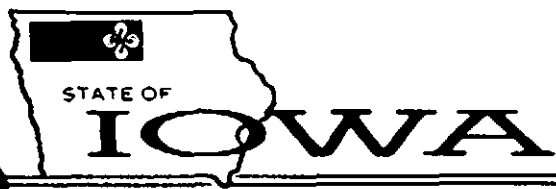
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2076



FERRY E. BRANSTAD, GOVERNOR

IOWA UTILITIES BOARD
DEPARTMENT OF COMMERCE

DATE: January 12, 1998
TO: Members of the General Assembly
FROM: Iowa Utilities Board
SUBJECT: LSB NO. 3265DP 77

Iowa was a national leader in beginning the annual review of gas utility natural gas purchasing and procurement practices in the early 1980's. At the time the natural gas market was entering a period of significant and dynamic change. With federal regulatory changes, the commodity market for natural gas is now fully competitive at the wholesale level. Because the market continues to evolve, the Board proposes to change the Annual Review of Gas (ARG) statute. Based on the experience and knowledge the Board has gained, the proposed changes would give the Board more flexibility in reviewing the procurement practices of Iowa investor owned natural gas utilities. This is achieved by giving the Board the discretion to determine the interval between reviews rather than requiring annual filings by Local Distribution Companies (LDCs). The proposal also removes the specific review criteria in order to allow the Board the discretion to replace obsolete criteria with timely and relevant information.

In addition, this bill would eliminate the need for an annual cost review of rate-regulated public utility procurement and contracting practices relating to the acquisition of fuel for use in generating electricity.

The bill would still allow the board to conduct a proceeding on an as needed basis. With passage of this bill the burden of preparing an annual filing is eliminated, however, the utilities would still be required to maintain records in the event the board commenced a review of a particular utility.