

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA-AMERICAN WATER COMPANY	DOCKET NO. RPU-2016-0002 (TF-2016-0037, TF-2016-0038, RN-2016-0002)
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**ORDER DOCKETING TARIFFS, APPROVING CORPORATE UNDERTAKING,
ESTABLISHING PROCEDURAL SCHEDULE,
AND REQUESTING ADDITIONAL INFORMATION**

(Issued May 26, 2016)

On April 29, 2016, Iowa-American Water Company (Iowa-American) filed with the Utilities Board (Board) a proposal to increase its final annual water revenues by approximately \$5.15 million, or 13.7 percent, over current levels. The proposal is identified as TF-2016-0037. Iowa-American also filed a proposed tariff, identified as TF-2016-0038, which would increase its annual water revenues on a temporary basis by approximately \$2.16 million, over current water revenues.

Pursuant to Iowa Code § 476.6(9), Iowa-American implemented its proposed temporary rates on May 9, 2016, ten days after its April 29, 2016, filing; the rates are subject to refund. Iowa-American also filed a Corporate Undertaking on April 29, 2016, in support of its temporary rate increase. In lieu of a bond, Iowa American submitted a Corporate Undertaking in the principal sum of \$2,106,443, which is equal to the amount of temporary relief that Iowa-American implemented.

Iowa Code § 476.6(9)(b) provides that if a utility chooses to place temporary rates into effect without prior board review, the utility shall file a bond or Corporate Undertaking approved by the Board. Iowa-American's Corporate Undertaking in the amount equal to the projected amount of Iowa-American's interim revenue increase satisfies the requirement of Iowa Code § 476.6(9)(b). The Board will approve Iowa-American's Corporate Undertaking as filed on April 29, 2016.

Iowa-American's filing indicates that the primary drivers for the requested increase relate to increased capital investment, a steady decline in revenue in the time since Iowa-American's last rate case, and a tax increase of \$500,000. Iowa-American also states that it faces expenses in excess of \$46 million for improvements to its distribution system to replace aging and aged infrastructure. Iowa-American is also asking that the Board approve a Qualified Infrastructure Plant (QIP) surcharge, designed to attract capital investment for infrastructure replacement, a Revenue Stabilization Mechanism (RSM), designed to enhance revenue recovery, and the elimination of a double leverage adjustment so that Iowa-American can better attract necessary capital.

Rule 199 IAC 26.5 sets out the rate case filing requirements for rate-regulated utilities, such as revenue requirements, capital structure, income tax returns, and testimony and exhibits. Iowa-American has substantially complied with the filing requirements, but there are two deficiencies in the filing. Iowa-American will be required to file additional information to remedy the following filing deficiencies:

1. Board rule 199 IAC 26.5(5)(e)(18) requires the filing of any prospectus issued during the year of filing or during the two preceding calendar years. Iowa-American filed a prospectus for 2015, but not for 2014.

2. Board rule 199 IAC 26.5(5)(e)(19) requires a rate filing to include consolidated and consolidating financial statements. Iowa-American references its annual reports and its SEC filings as sources for this information, but these appear to include only consolidated financial statements. The rate filing did not include the required consolidating financial statements.

In addition, although not part of the minimum filing requirements, the Board notes that in Docket No. RPU-2013-0002, which was Iowa-American's most recent rate proceeding, the Board stated that

for future rate cases in which Iowa-American files a class cost-of-service study, Iowa-American will be required to file schedules showing the functionalized costs by cost category and schedules showing how all rates are calculated. These schedules are to be provided in Excel format, including formulas for each calculation. (Iowa-American Water Company, Docket No. RPU-2013-0002, "Final Decision and Order," p. 52, 2/28/2014.)

In the current rate proceeding, Iowa-American filed a class cost-of-service study identified as Herbert Exhibit 1 and an alternative rate design identified as Herbert Exhibit 2 in PDF format. However, these exhibits were not filed in an Excel format and did not include supporting workpapers identifying formulas for each calculation. Therefore, the Board will require Iowa-American to file Excel versions of

these exhibits in addition to Excel versions of any applicable supporting workpapers, all of which should include identifying formulas for each calculation.

Also, Iowa-American does not appear to have used the sales volumes reported on page 57 of Form WA-1 as the billing determinants in this docket. The Board will require Iowa-American to provide a detailed explanation of the differences between the volumes reported in Form WA-1 and the volumes provided in response to Board rule 199 IAC 26.5(5)(e)(8), Williams Exhibit 6, and the workpaper supporting that exhibit. The explanation should also include a schedule detailing the differences.

To allow the Board and other parties time to fully consider Iowa-American's proposals, the Board will docket Iowa-American's permanent rate increase proposal for further investigation. The proposed increase and temporary and final tariffs will be docketed as a formal proceeding, identified as Docket No. RPU-2016-0002, and a procedural schedule will be set for filing of testimony, hearing, and briefs.

As the parties may be aware, the Board has ceased spreading prefiled prepared testimony on the record at hearings and instead has the prefiled prepared testimony marked as an exhibit. As a result of this change in treatment of the prefiled testimony, prior to the hearing in this proceeding parties should mark the prefiled prepared testimony and exhibits as follows:

1. Prefiled prepared testimony should be marked with the last name of the witness and identified as either Direct, Reply, Rebuttal, or Surrebuttal.

2. Schedules that are over 50 pages, which should be filed separately, or Exhibits filed in support of the prefilled prepared testimony should be marked with the last name of the witness, identified as either Direct, Reply, Rebuttal, or Surrebuttal, and marked with the Schedule or Exhibit number.

3. Exhibits offered during direct or cross examination should be marked with the name of the party and the predetermined Exhibit number.

In addition, parties are required to provide one copy of prepared prefilled testimony and supporting exhibits to the court reporter at the hearing. Parties are also required to provide one copy of any exhibit offered at the hearing to the court reporter, three copies to the Board, three copies to Board staff, and make additional copies available to opposing counsel. Exhibits not previously filed in the Board's electronic filing system (EFS) prior to hearing, shall be filed in EFS within three days of the conclusion of the hearing.

Pursuant to 199 IAC 26.9, the Board previously scheduled three consumer comment hearings, one in the Clinton district, one in the Quad Cities district, and one in the Dixon district. The times, dates, and places of the comment hearings were included in the notification of rate increase provided by Iowa-American to all its customers. The consumer comment hearings provide an opportunity for Iowa-American's customers to express their views regarding the upcoming rate case, as well as the general quality of service provided by Iowa-American. However, persons with specific service complaints must follow the complaint procedure prescribed in 199 IAC 6.2. Individual service complaints cannot be addressed at the consumer

comment hearings. For convenience, the Board will include the consumer comment hearing schedule in this order.

IT IS THEREFORE ORDERED:

1. An investigation is instituted to determine the reasonableness of Iowa-American Water Company's proposed permanent rate increase. This matter will be identified as Docket No. RPU-2016-0002, a formal contested case proceeding. Tariff filing TF-2016-0037 and any proposed permanent rate increase is suspended. The expenses reasonably attributable to this investigation shall be assessed to Iowa-American in accordance with Iowa Code § 476.10.

2. Consumer comment hearings shall be held at the following locations for the purpose of receiving comments from the general public concerning the proposed rate increase. Persons with disabilities requiring assistive services or devices to observe or participate in a consumer comment hearing should contact the Board at (515) 725-7334 at least five days in advance of the scheduled date to request that appropriate arrangements be made.

a. Monday, May 23, 2016, beginning at 4:30 p.m., at the Scott Community College Student Life Center, Room 2300, 500 Belmont Road, Bettendorf, Iowa.

b. Tuesday, May 24, 2016, beginning at 5:30 p.m., at the Clinton Community College Technology Center, Room 10, 1951 Manufacturing Drive, Clinton, Iowa.

c. Tuesday, June 14, 2016, beginning at 5:30 p.m., at the American Legion, 406 Davenport Street, Dixon, Iowa.

3. The following procedural schedule is established:

a. The parties shall notify the Board prior to September 21, 2016, if they desire a prehearing conference.

b. The Office of Consumer Advocate, a division of the Iowa Department of Justice, and any intervenors shall file prepared direct testimony, with underlying workpapers and exhibits, on or before July 11, 2016. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.

c. If OCA or any intervenors find it necessary to file testimony in rebuttal to each other's direct testimony, they may file rebuttal testimony on or before July 21, 2016.

d. Iowa-American shall file its reply testimony, with underlying workpapers and exhibits, on or before August 15, 2016.

e. OCA and any intervenor shall file reply testimony on any of issues raised initially in that party's direct testimony and responded to by another party, on or before August 29, 2016.

f. The parties shall file a joint statement of the issues on or before September 5, 2016.

g. All parties that choose to file a prehearing brief may do so on or before September 16, 2016.

h. A hearing shall be held beginning at 9 a.m. on October 20, 2016, for the purpose of receiving testimony and the cross-examination of witnesses. The hearing shall be held in the Board's Hearing Room on the first floor, 1375 E. Court Avenue, Room 69, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Board at (515) 725-7334 at least five days in advance of the scheduled date to request that appropriate arrangements be made.

i. The parties may file simultaneous initial briefs on or before November 18, 2016.

j. All parties who filed initial briefs may file reply briefs on or before December 9, 2016.

4. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

5. In the absence of objection, all data requests and responses referred to in oral testimony or on cross-examination that have not been previously filed shall become a part of the evidentiary record of these proceedings. The party making reference to the data request shall file one copy of the data request and response with the Board at the earliest possible time.

6. In the absence of objection, when the Board has called for further evidence on any issue and the evidence is filed after the close of the hearing, the evidentiary record will be reopened and the evidence will become part of the record three days after the evidence is filed with the Board. All evidence filed pursuant to this paragraph shall be filed no later than three days after the close of the hearing in this proceeding.

7. Iowa-American shall remedy the rate filing deficiencies identified in the body of this order within ten days of the date of this order.

8. Iowa-American shall provide the additional information identified in the body of this order within ten days from the date of this order.

9. Prepared prefiled testimony and exhibits shall be marked for admission into the record at hearing as described in this order.

UTILITIES BOARD

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 26th day of May 2016.