

## IOWA UTILITIES BOARD

IN RE:  REVIEW OF NONUTILITY SERVICES— RECORDKEEPING AND COST ALLOCATIONS RULES [199 IOWA ADMINISTRATIVE CODE CHAPTER 33]	DOCKET NO. RMU-2023-0033
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### **ORDER OPENING DOCKET AND SETTING TECHNICAL CONFERENCE AND COMMENT DEADLINE**

On January 10, 2023, Gov. Kim Reynolds issued Executive Order Number 10 (Executive Order), which put a moratorium on agency rule making and directed agencies, including the Iowa Utilities Board (Board), to engage in a comprehensive evaluation of existing rules. The goals of the Executive Order include increasing public input in the rule-making process, eliminating rules that do not provide substantial benefits to lowans, reducing the page and word count of the Iowa Administrative Code, and reducing restrictive rule language. As part of the comprehensive review, agencies are required to repeal each rules chapter and evaluate whether the chapter, or a portion of the chapter, should be re-promulgated. To assist agencies in performing their comprehensive reviews, the Iowa Department of Management developed and published forms and processes. (See <https://dom.iowa.gov/resource/red-tape-rulemaking-processes/executive-order-10-rulemaking-processes> (last accessed on June 14, 2023).)

Pursuant to the Executive Order, the Board is conducting comprehensive reviews of each chapter of its administrative rules, and the Board will open the above-captioned

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docket for purposes of conducting a comprehensive review of chapter 33, which contains the Board's Nonutility Services—Recordkeeping and Cost Allocations rules. Attached to this order as Attachment A is the Board's retrospective analysis (Red Tape Review Rule Report) of chapter 33, which the Board will direct staff to publish on the Board's website as required by section III.B of the Executive Order. Attached to this order as Attachment B is the Board's draft regulatory analysis of chapter 33, which the Board will direct staff to submit in the legislative Rules Management System for publication in the Iowa Administrative Bulletin. Finally, attached to this order as Attachment C is a draft version of chapter 33 that the Board is evaluating whether to re-promulgate.

Most of the current proposed changes to chapter 33 center on the removal of unnecessary and restrictive language. The proposed version of chapter 33 attached to this order would result in the reduction of 12 words and the elimination of 25 restrictive terms.

The Board is also scheduling a technical conference for September 6, 2023. The technical conference will be led by Board staff and participation may occur in person or by webinar. The purpose of the technical conference is to receive comments regarding the draft regulatory analysis and the proposed version of chapter 33 to be re-promulgated. Additionally, the Board will accept written comments concerning the regulatory analysis and the proposed re-promulgated version of chapter 33 through September 6, 2023. The Board will use the oral and written comments received to prepare a final version of the regulatory analysis, which will be uploaded in this docket and published on the Board's website.

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**IT IS THEREFORE ORDERED:**

1. Docket No. RMU-2023-0033 is opened for the purpose of conducting a comprehensive review of 199 Iowa Administrative Code chapter 33 pursuant to Executive Order Number 10.

2. A technical conference is set for 9 a.m. September 6, 2023, in the Utilities Board hearing room, located at 1375 East Court Avenue, Des Moines, Iowa, to be held concurrently with the technical conference for chapter 34. Interested persons may appear in person or by webinar. Information for attending by webinar can be found on the Utilities Board's website on the Hearing and Meeting Calendar webpage.

3. Comments regarding the draft regulatory analysis or the proposed re-promulgated version of chapter 33 shall be filed by 3:30 p.m. September 6, 2023.

**UTILITIES BOARD**

Erik M. Helland 2023.07.06  
15:25:07 -05'00'

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Joshua Byrnes Date: 2023.07.06  
15:33:13 -05'00'

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ATTEST:

Keetah Horras 2023.07.06  
15:56:00 -05'00'

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Sarah Martz Date: 2023.07.06  
14:19:42 -05'00'

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Dated at Des Moines, Iowa, this 6th day of July, 2023.

### Red Tape Review Rule Report (Due: September 1, 2023)

<b>Department Name:</b>	Iowa Utilities Board	<b>Date:</b>	June 26, 2023	<b>Total Rule Count:</b>	7
<b>IAC #:</b>	199	<b>Chapter/ SubChapter/ Rule(s):</b>	33	<b>Iowa Code Section Authorizing Rule:</b>	476.79
<b>Contact Name:</b>	Kerri Russ	<b>Rule #:</b>	chapter 33	<b>Phone:</b>	515-725-7331

**PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE**

**What is the intended benefit of the rule?**

The intended benefit of chapter 33 is to inform rate-regulated utilities and other interested persons of the records required and standards and methods for cost allocations when nonutility services are offered by rate-regulated utilities.

**Is the benefit being achieved? Please provide evidence.**

Yes. The rules give a roadmap for rate-regulated utilities to provide information to the Board, such as cost allocation manuals, to give the Board and other interested persons the opportunity to review how costs are allocated when nonutility services are offered.

**What are the costs incurred by the public to comply with the rule?**

Unless a member of the public hires an attorney, there are no costs to the public.

**What are the costs to the agency or any other agency to implement/enforce the rule?**

There are no additional costs to the agency beyond the salary of the employees who review compliance with the rule.

**Do the costs justify the benefits achieved? Please explain.**

Yes. When information is received in the relevant docket, the information is reviewed to ensure costs are being allocated as required.

**Are there less restrictive alternatives to accomplish the benefit?  YES  NO**

**If YES, please list alternative(s) and provide analysis of less restrictive alternatives from other states, if applicable. If NO, please explain.**

The rules specifically state what information should be filed and when the information is filed there are minimal comments from the public and other interested persons. Any less restrictive alternatives would likely provide ambiguity and could lead to more questions within the relevant dockets.

**Does this chapter/rule(s) contain language that is obsolete, outdated, inconsistent, redundant, or unnecessary language, including instances where rule language is duplicative of statutory language? [list chapter/rule number(s) that fall under any of the above categories]**

**PLEASE NOTE, THE BOXES BELOW WILL EXPAND AS YOU TYPE**

Revised rule numbers 33.2, 33.3, 33.4, 33.5, 33.6, and 33.7 to remove restrictive language and to account for outdated language.

**RULES PROPOSED FOR REPEAL (list rule number[s]):**

None at this time.

**\*RULES PROPOSED FOR RE-PROMULGATION\* (list rule number[s] or include text if available):**



CHAPTER 33  
NONUTILITY SERVICES—RECORDKEEPING  
AND COST ALLOCATIONS

**199—33.1(476) Applicability.** This chapter applies to all rate-regulated public utilities.

**199—33.2(476) Definitions.** All terms used in this chapter are defined in Iowa Code section 476.72 unless further defined in this chapter.

*“Exception time reporting”* is when an employee works predominantly in either utility or nonutility operations and only reports time worked in the less predominant area.

*“Filing threshold”* means that the summation of an electric or gas utility’s revenues recorded in FERC accounts 415 and 417 equals 3 percent of a utility’s operating revenues recorded in FERC account 400, or the summation of a water utility’s revenues from nonutility service equals 3 percent of the utility’s operating revenues. The revenues in these accounts will be as recorded in the annual FERC Form 1 for electric and combination utilities, FERC Form 2 for gas utilities, and similar National Association of Regulatory Utility Commissioners (NARUC) accounts for water, sanitary sewage, or storm water drainage service utilities.

*“Fully distributed cost”* is a costing approach that fully allocates all current and embedded costs to determine the revenue contribution of utility and nonutility services.

*“Incidental activities”* are activities that are so closely related to the provision of utility services and limited in scale that it is impracticable to identify separately the costs of such activities.

*“Net book value”* means the original purchase price net of depreciation.

*“Nonproductive work time”* is time for which an employee is paid but which is not specifically attributable either to utility or to nonutility operations.

*“Positive time reporting”* is when productive work time is accounted for and allocated to utility operations or nonutility operations.

*“Study time reporting”* is when periodic studies are done to determine the amount of productive work time being spent on utility versus nonutility operations.

*“Utility operating revenues”* are the dollar amounts recorded in FERC account 400, or similar NARUC account for water, sanitary sewage, or storm water drainage service utilities.

**199—33.3(476) Availability of records.**

**33.3(1) *Separate records.*** A rate-regulated public utility receiving revenues for providing nonutility service shall keep and render to the board separate records on the nonutility service.

**33.3(2) *Records to be maintained.*** The records maintained for each nonutility service and made available for inspection include the following: documents depicting accounts payable and vouchers; purchase orders; time sheets; journal entries; source and supporting documents for all transactions; a description of methods used to allocate revenues, expenses, and investments between utility and nonutility operations, including supporting detail; and copies of all filings required by other state and federal agencies.

**33.3(3) *Method of inspection.*** The records for each nonutility service will be made available to the board at the principal place of business of the public utility. Notwithstanding rule 199—18.3(476), upon receipt of a formal request in writing from the board for information, the public utility shall produce the requested information within seven days. Upon a showing of good cause, the board may approve additional time for response.

**199—33.4(476) Costing methodology.** Costs will be allocated between utility and nonutility operations using fully distributed cost.

**33.4(1) *Cost causation for utility assets.*** Each utility identifies for each asset utilized directly or indirectly, in whole or in part, in the provision of nonutility services: (a) the type of asset; (b) the use of the asset; (c) the proportional utilization of the asset between utility operations and nonutility operations; and (d) the characteristics of the asset that allow proper allocation.

**33.4(2) *Cost causation for utility expenses.*** Each utility identifies for each expense account wherein any expense related,



directly or indirectly, to the provision of nonutility services is recorded: (a) the function causing the expense to be incurred; (b) the procedure used in performing the function; (c) the proportional utilization of the function between utility operations and nonutility operations; and (d) the characteristics of the cost that allow proper allocation.

**33.4(3) Time reporting.** Positive time reporting will be used whenever possible, if not possible exception time reporting or study time reporting may be used. Nonproductive work time will be allocated between utility and nonutility operations in proportion to the allocation of productive work time.

**199—33.5(476) Cost allocation manuals.** Every rate-regulated public utility equaling or exceeding the filing threshold in any calendar year shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since the last filing, the utility files a letter with the board to that effect. In the event the utility has made only minor changes to its manual to reflect new accounts or new affiliates or has modified language, the utility may file only the pages affected together with a cover letter explaining the pages being filed. A utility excused from filing a cost allocation manual for any of the foregoing reasons will comply with the other requirements of this rule.

**33.5(1) Contents of manuals.** Each cost allocation manual contains the following information:

- a. *Nonutility services.* A list, the location, and description of all nonutility services.
- b. *Incidental activities.* A summary of incidental activities conducted by the utility.
- c. *Resource identification.* An identification of the assets and expenses involved directly or indirectly, in whole or in part, in the provision of nonutility services as identified in subrules 33.4(1) and 33.4(2).
- d. *Allocation methodology.* A description of the cost allocation methodology, including an overview, explanation, and justification of the details provided in response to paragraphs 33.5(1) “e” through “h” below.
- e. *Allocation rationale.* A statement identifying, for each asset and expense account and subaccount identified in compliance with subrules 33.4(1) and 33.4(2), the basis for allocating costs in the account or subaccount to utility and nonutility operations, including any allocation factor used by the utility for this purpose.
- f. *Accounts and records.* A description of each account and record used by the utility for financial recordkeeping for nonutility services, including all subaccounts.
- g. *Allocation factors.* A paragraph containing, for each allocation factor identified in compliance with paragraph 33.5(1) “e,” an explanation of how the allocation factor is calculated, a description of each study and analysis used in developing the allocation factor, and the frequency with which each allocation factor is recalculated.
- h. *Time reporting methods.* A paragraph indicating the type of time reporting (positive, exception, or study) used for each reporting organization (e.g., executive, residential sales, and external affairs) and providing a description of how the identified type of time reporting is performed in that reporting organization.
- i. *Training.* A description of the training programs used by the utility to implement and maintain its cost allocation process.
- j. *Update process.* A description of the procedures used by the utility to: (1) determine when an update is needed; (2) develop the update; and (3) provide the update to the board.

**33.5(2) Annual filing and acceptance of manuals.** The following procedure is used for the annual filing and acceptance of manuals.

- a. *Filing.* A utility meeting the filing threshold will file a manual on or before September 1 of each year following a year during which the utility met the threshold.
- b. *Notice.* At the time of the initial filing and whenever a manual is updated, each utility mails or delivers a written notice to consumer advocate, local trade associations, and customers who have notified the utility in writing of their interest in the cost allocation manual. Notice to customers may be provided by means agreed to between the public utility and the customer. The notice will state that an objection may be filed with the board within 60 days of the filing of the manual with the board. The utility shall promptly provide copies of the manual upon request.
- c. *Objections.* Any interested person may file with the board an objection to a cost allocation manual within 60 days of the filing date.
- d. *Docketing.* If the board finds that reasonable grounds exist to investigate the manual, the board may docket the filing for investigation. At the time of docketing, the board will set a procedural schedule that includes a date for an oral presentation and an opportunity to file comments. If the board finds that there is no reason to investigate, the board will issue an order stating



the reasons for the board’s decision within 90 days of the date of filing.

*e. Acceptance of manuals.* The board may accept, reject, or modify a utility’s manual. However, any board decision is for accounting purposes only and is not binding in any other proceeding.

**33.5(3) Updating of manuals.** All affected sections and pages of a utility’s manual are updated and filed with the board within 60 days of any of the following conditions:

- a.* A new nonutility business is commenced or acquired, or an existing nonutility business is eliminated or divested;
- b.* An affiliate relationship changes;
- c.* Operations affecting nonutility businesses change sufficiently to warrant a new allocation method; or
- d.* Accounting practices change.

**33.5(4) Reporting requirements—accounting tables.** Companies filing cost allocation manuals should include in their annual reports, tables showing for each account identified in compliance with subrules 33.4(1) and 33.4(2) the following: (a) the account total; (b) the amount allocated to nonutility services; (c) the amount allocated to utility services; and (d) the value of the allocation factors used to allocate costs to utility and nonutility services. Such tables are to be accompanied by a signed statement by an officer of the utility and an independent auditor certifying that, for the year covered by the report, the utility has complied with its cost allocation manual and that the data reported fairly reflect the actual operations of the utility.

**199—33.6(476) Standards for costing service transfers within a regulated subsidiary or utility.**

**33.6(1) Nonutility service provided to regulated subsidiary or utility.** The utility or its regulated subsidiary shall pay for a nonutility service provided to it by an affiliate at the price actually charged to nonaffiliates. If no such price is available, the service is priced at the lower of fully distributed cost, the price actually charged to affiliates, or the market price for comparable services.

**33.6(2) Service provided by the utility to nonutility operations.** A utility that provides utility service to a nonutility affiliate charges such affiliate the tariffed price or, if a tariffed price is not available, charges the fully distributed cost of the service.

**199—33.7(476) Standards for costing asset transfers within a regulated subsidiary or utility.**

**33.7(1)** If an asset that is a direct cost of nonutility operations becomes a cost of utility operations, the asset is transferred or allocated to utility operations at the lesser of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

**33.7(2)** If an asset that is a direct cost of utility operations becomes a cost of nonutility operations, the asset is transferred or allocated to the nonutility operations at the greater of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

These rules are intended to implement Iowa Code sections 476.72 through 476.83.

**\*For rules being re-promulgated with changes, please attach a document with suggested changes, if available.**

**METRICS**

<b>Total number of rules repealed:</b>	<b>0</b>
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Proposed word count reduction after repeal and/or re-promulgation	12
Proposed number of restrictive terms eliminated after repeal and/or re-promulgation	25

ARE THERE ANY RULES YOU WOULD RECOMMEND BE CODIFIED IN STATUTE?

No.

**Regulatory Analysis**

**TEXT BOXES WILL EXPAND AS YOU TYPE**

**Agency Name** Iowa Utilities Board **Rule #** chapter 33

**Iowa Code Section Authorizing Rule** Iowa Code section 476.79

**State or Federal Law(s) Implemented by the Rule** Iowa Code section 476.78

**Public Hearing**

A public hearing at which persons may present their views orally or in writing will be held as follows:

Date/Time: September/6/2023 9 a.m.

Location: Iowa Utilities Board Hearing Room, 1375 East Court Avenue, Des Moines, Iowa 50319

Any interested person may submit written comments concerning this regulatory analysis. Written comments in response to this regulatory analysis must be received by the Department no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Contact Name

Kerri Russ

Address

1375 East Court Avenue, Des Moines, Iowa 50319

Email and/or phone number

[kerri.russ@iub.iowa.gov](mailto:kerri.russ@iub.iowa.gov)/515-725-7331

**Purpose and summary of proposed rule:**

The purpose of chapter 33 is to inform rate-regulated utilities and other interested persons of the records required and standards and methods for cost allocations when nonutility services are offered by rate-regulated utilities.

**Analysis of Impact of Proposed Rule**

1. Persons affected by the proposed rule

- Classes of persons that will bear the costs of the proposed rule:

Rate-regulated utilities with nonutility services

- Classes of persons that will benefit from the proposed rule:

Customers of rate-regulated utilities who offer same nonutility service; other interested persons



## Regulatory Analysis

2. Impact of the proposed rule, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred

- Quantitative description of impact:

This is part of the everyday work for the Board, so there is no additional impact to the Board, economic or otherwise. The rate-regulated utility may have costs due to the filing requirements. An interested person may have an impact if the person chooses to hire an attorney or if a competitor chooses to invoke the rule and pay the rate-regulated utility directly. There are no costs to see the public information filed in the Board's electronic filing system.

- Qualitative description of impact:

This chapter ensures fair allocation of costs when a rate-regulated utility has a nonutility service.

3. Costs to the state

- Implementation and enforcement costs borne by the agency or any other agency:

There are no additional costs to any agency other than the normal everyday costs of operation of the Board.

- Anticipated effect on state revenues:

There is no anticipated effect on state revenues.

4. Comparison of the costs and benefits of the proposed rule to the costs and benefits of inaction

There is a huge benefit in ensuring the costs are allocated accurately where there is a monopoly rate-regulated utility involved. For administering the rule, there is minimal costs involved. Inaction would likely be detrimental because there would be no market or regulatory factors.

5. Determination if less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule

The Board does not believe there are any less costly methods of addressing the purpose of this rule.

6. Alternative methods considered by the agency

- Description of any alternative methods that were seriously considered by the agency:

Inaction.

- Reasons why they were rejected in favor of the proposed rule:

Inaction is not feasible due to the monopoly, anti-competitive market.

### Small Business Impact

If the rule will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rule on small business:

**ATTACHMENT B**

**Regulatory Analysis**

- Establish less stringent compliance or reporting requirements in the rule for small business.
- Establish less stringent schedules or deadlines in the rule for compliance or reporting requirements for small business.
- Consolidate or simplify the rule's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rule for small business.
- Exempt small business from any or all requirements of the rule.

If legal and feasible, how does the rule use a method discussed above to reduce the substantial impact on small business?

There is not a substantial impact on small businesses.

**Text of Proposed Rule:**



## Regulatory Analysis

### CHAPTER 33 NONUTILITY SERVICES—RECORDKEEPING AND COST ALLOCATIONS

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*“Fully distributed cost”* is a costing approach that fully allocates all current and embedded costs to determine the revenue contribution of utility and nonutility services.

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**199—33.3(476) Availability of records.**

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**33.3(2) *Records to be maintained.*** The records maintained for each nonutility service and made available for inspection include the following: documents depicting accounts payable and vouchers; purchase orders; time sheets; journal entries; source and supporting documents for all transactions; a description of methods used to allocate revenues, expenses, and investments between utility and nonutility operations, including supporting detail; and copies of all filings required by other state and federal agencies.

**33.3(3) *Method of inspection.*** The records for each nonutility service will be made available to the board at the principal place of business of the public utility. Notwithstanding rule 199—18.3(476), upon receipt of a formal request in writing from the board for information, the public utility shall produce the requested information within seven days. Upon a showing of good cause, the board may approve additional time for response.

**199—33.4(476) Costing methodology.** Costs will be allocated between utility and nonutility operations using fully distributed cost.

**33.4(1) *Cost causation for utility assets.*** Each utility identifies for each asset utilized directly or indirectly,



## Regulatory Analysis

in whole or in part, in the provision of nonutility services: (a) the type of asset; (b) the use of the asset; (c) the proportional utilization of the asset between utility operations and nonutility operations; and (d) the characteristics of the asset that allow proper allocation.

**33.4(2) Cost causation for utility expenses.** Each utility identifies for each expense account wherein any expense related, directly or indirectly, to the provision of nonutility services is recorded: (a) the function causing the expense to be incurred; (b) the procedure used in performing the function; (c) the proportional utilization of the function between utility operations and nonutility operations; and (d) the characteristics of the cost that allow proper allocation.

**33.4(3) Time reporting.** Positive time reporting will be used whenever possible, if not possible exception time reporting or study time reporting may be used. Nonproductive work time will be allocated between utility and nonutility operations in proportion to the allocation of productive work time.

**199—33.5(476) Cost allocation manuals.** Every rate-regulated public utility equaling or exceeding the filing threshold in any calendar year shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since the last filing, the utility files a letter with the board to that effect. In the event the utility has made only minor changes to its manual to reflect new accounts or new affiliates or has modified language, the utility may file only the pages affected together with a cover letter explaining the pages being filed. A utility excused from filing a cost allocation manual for any of the foregoing reasons will comply with the other requirements of this rule.

**33.5(1) Contents of manuals.** Each cost allocation manual contains the following information:

- a. *Nonutility services.* A list, the location, and description of all nonutility services.
- b. *Incidental activities.* A summary of incidental activities conducted by the utility.
- c. *Resource identification.* An identification of the assets and expenses involved directly or indirectly, in whole or in part, in the provision of nonutility services as identified in subrules 33.4(1) and 33.4(2).
- d. *Allocation methodology.* A description of the cost allocation methodology, including an overview, explanation, and justification of the details provided in response to paragraphs 33.5(1) “e” through “h” below.
- e. *Allocation rationale.* A statement identifying, for each asset and expense account and subaccount identified in compliance with subrules 33.4(1) and 33.4(2), the basis for allocating costs in the account or subaccount to utility and nonutility operations, including any allocation factor used by the utility for this purpose.
- f. *Accounts and records.* A description of each account and record used by the utility for financial recordkeeping for nonutility services, including all subaccounts.
- g. *Allocation factors.* A paragraph containing, for each allocation factor identified in compliance with paragraph 33.5(1) “e,” an explanation of how the allocation factor is calculated, a description of each study and analysis used in developing the allocation factor, and the frequency with which each allocation factor is recalculated.
- h. *Time reporting methods.* A paragraph indicating the type of time reporting (positive, exception, or study) used for each reporting organization (e.g., executive, residential sales, and external affairs) and providing a description of how the identified type of time reporting is performed in that reporting organization.
- i. *Training.* A description of the training programs used by the utility to implement and maintain its cost allocation process.
- j. *Update process.* A description of the procedures used by the utility to: (1) determine when an update is needed; (2) develop the update; and (3) provide the update to the board.

**33.5(2) Annual filing and acceptance of manuals.** The following procedure is used for the annual filing and acceptance of manuals.

- a. *Filing.* A utility meeting the filing threshold will file a manual on or before September 1 of each year following a year during which the utility met the threshold.



## Regulatory Analysis

*b. Notice.* At the time of the initial filing and whenever a manual is updated, each utility mails or delivers a written notice to consumer advocate, local trade associations, and customers who have notified the utility in writing of their interest in the cost allocation manual. Notice to customers may be provided by means agreed to between the public utility and the customer. The notice will state that an objection may be filed with the board within 60 days of the filing of the manual with the board. The utility shall promptly provide copies of the manual upon request.

*c. Objections.* Any interested person may file with the board an objection to a cost allocation manual within 60 days of the filing date.

*d. Docketing.* If the board finds that reasonable grounds exist to investigate the manual, the board may docket the filing for investigation. At the time of docketing, the board will set a procedural schedule that includes a date for an oral presentation and an opportunity to file comments. If the board finds that there is no reason to investigate, the board will issue an order stating the reasons for the board's decision within 90 days of the date of filing.

*e. Acceptance of manuals.* The board may accept, reject, or modify a utility's manual. However, any board decision is for accounting purposes only and is not binding in any other proceeding.

**33.5(3) Updating of manuals.** All affected sections and pages of a utility's manual are updated and filed with the board within 60 days of any of the following conditions:

*a.* A new nonutility business is commenced or acquired, or an existing nonutility business is eliminated or divested;

*b.* An affiliate relationship changes;

*c.* Operations affecting nonutility businesses change sufficiently to warrant a new allocation method; or

*d.* Accounting practices change.

**33.5(4) Reporting requirements—accounting tables.** Companies filing cost allocation manuals should include in their annual reports, tables showing for each account identified in compliance with subrules 33.4(1) and 33.4(2) the following: (a) the account total; (b) the amount allocated to nonutility services; (c) the amount allocated to utility services; and (d) the value of the allocation factors used to allocate costs to utility and nonutility services. Such tables are to be accompanied by a signed statement by an officer of the utility and an independent auditor certifying that, for the year covered by the report, the utility has complied with its cost allocation manual and that the data reported fairly reflect the actual operations of the utility.

### **199—33.6(476) Standards for costing service transfers within a regulated subsidiary or utility.**

**33.6(1) Nonutility service provided to regulated subsidiary or utility.** The utility or its regulated subsidiary shall pay for a nonutility service provided to it by an affiliate at the price actually charged to nonaffiliates. If no such price is available, the service is priced at the lower of fully distributed cost, the price actually charged to affiliates, or the market price for comparable services.

**33.6(2) Service provided by the utility to nonutility operations.** A utility that provides utility service to a nonutility affiliate charges such affiliate the tariffed price or, if a tariffed price is not available, charges the fully distributed cost of the service.

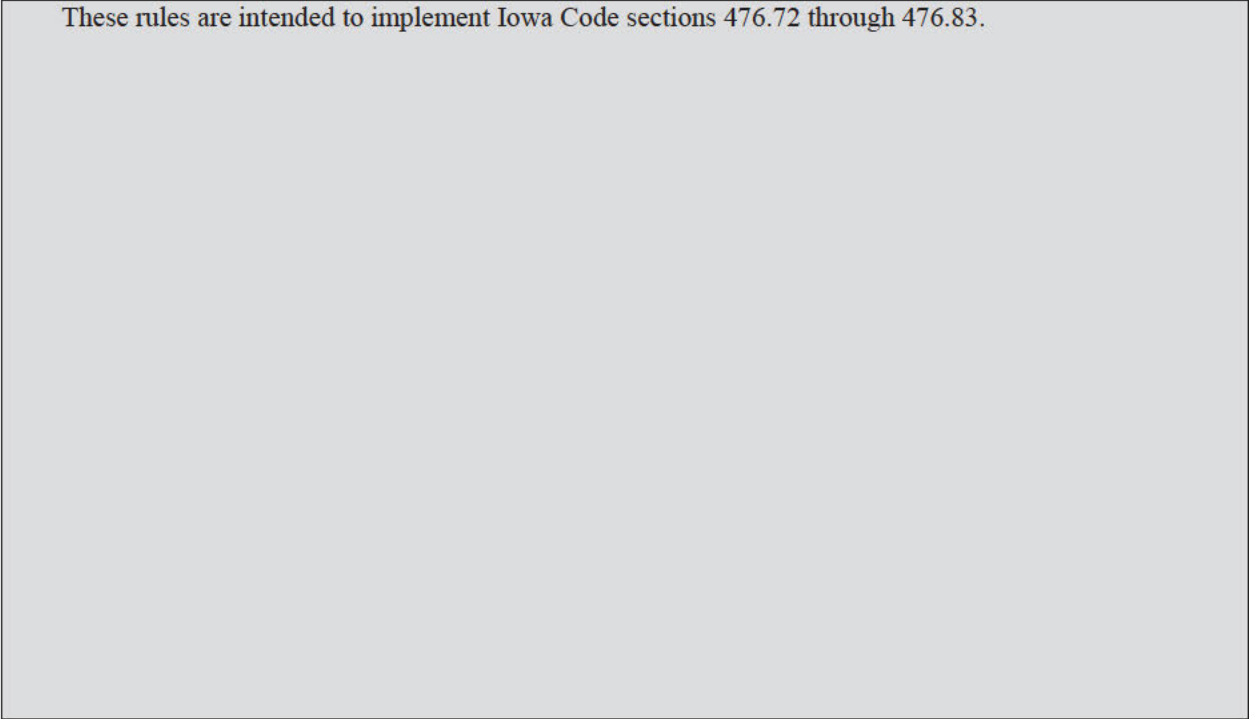
### **199—33.7(476) Standards for costing asset transfers within a regulated subsidiary or utility.**

**33.7(1)** If an asset that is a direct cost of nonutility operations becomes a cost of utility operations, the asset is transferred or allocated to utility operations at the lesser of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

**33.7(2)** If an asset that is a direct cost of utility operations becomes a cost of nonutility operations, the asset is transferred or allocated to the nonutility operations at the greater of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

**Regulatory Analysis**

These rules are intended to implement Iowa Code sections 476.72 through 476.83.





## ATTACHMENT C

CHAPTER 33  
NONUTILITY SERVICES—RECORDKEEPING  
AND COST ALLOCATIONS

**199—33.1(476) Applicability.** This chapter applies to all rate-regulated public utilities.

**199—33.2(476) Definitions.** All terms used in this chapter are defined in Iowa Code section 476.72 unless further defined in this chapter.

*“Exception time reporting”* is when an employee works predominantly in either utility or nonutility operations and only reports time worked in the less predominant area.

*“Filing threshold”* means that the summation of an electric or gas utility’s revenues recorded in FERC accounts 415 and 417 equals 3 percent of a utility’s operating revenues recorded in FERC account 400, or the summation of a water utility’s revenues from nonutility service equals 3 percent of the utility’s operating revenues. The revenues in these accounts will be as recorded in the annual FERC Form 1 for electric and combination utilities, FERC Form 2 for gas utilities, and similar National Association of Regulatory Utility Commissioners (NARUC) accounts for water, sanitary sewage, or storm water drainage service utilities.

*“Fully distributed cost”* is a costing approach that fully allocates all current and embedded costs to determine the revenue contribution of utility and nonutility services.

*“Incidental activities”* are activities that are so closely related to the provision of utility services and limited in scale that it is impracticable to identify separately the costs of such activities.

*“Net book value”* means the original purchase price net of depreciation.

*“Nonproductive work time”* is time for which an employee is paid but which is not specifically attributable either to utility or to nonutility operations.

*“Positive time reporting”* is when productive work time is accounted for and allocated to utility operations or nonutility operations.

*“Study time reporting”* is when periodic studies are done to determine the amount of productive work time being spent on utility versus nonutility operations.

*“Utility operating revenues”* are the dollar amounts recorded in FERC account 400, or similar NARUC account for water, sanitary sewage, or storm water drainage service utilities.

**199—33.3(476) Availability of records.**

**33.3(1) *Separate records.*** A rate-regulated public utility receiving revenues for providing nonutility service shall keep and render to the board separate records on the nonutility service.

**33.3(2) *Records to be maintained.*** The records maintained for each nonutility service and made available for inspection include the following: documents depicting accounts payable and vouchers; purchase orders; time sheets; journal entries; source and supporting documents for all transactions; a description of methods used to allocate revenues, expenses, and investments between utility and nonutility operations, including supporting detail; and copies of all filings required by other state and federal agencies.

**33.3(3) *Method of inspection.*** The records for each nonutility service will be made available to the board at the principal place of business of the public utility. Notwithstanding rule 199—18.3(476), upon receipt of a formal request in writing from the board for information, the public utility shall produce the requested information within seven days. Upon a showing of good cause, the board may approve additional time for response.

**199—33.4(476) Costing methodology.** Costs will be allocated between utility and nonutility

operations using fully distributed cost.

**33.4(1) *Cost causation for utility assets.*** Each utility identifies for each asset utilized directly or indirectly, in whole or in part, in the provision of nonutility services: (a) the type of asset; (b) the use of the asset; (c) the proportional utilization of the asset between utility operations and nonutility operations; and (d) the characteristics of the asset that allow proper allocation.

**33.4(2) *Cost causation for utility expenses.*** Each utility identifies for each expense account wherein any expense related, directly or indirectly, to the provision of nonutility services is recorded: (a) the function causing the expense to be incurred; (b) the procedure used in performing the function; (c) the proportional utilization of the function between utility operations and nonutility operations; and (d) the characteristics of the cost that allow proper allocation.

**33.4(3) *Time reporting.*** Positive time reporting will be used whenever possible, if not possible exception time reporting or study time reporting may be used. Nonproductive work time will be allocated between utility and nonutility operations in proportion to the allocation of productive work time.

**199—33.5(476) Cost allocation manuals.** Every rate-regulated public utility equaling or exceeding the filing threshold in any calendar year shall file with the board a cost allocation manual on or before September 1 of the following year. If the utility has not changed its cost allocation manual since the last filing, the utility files a letter with the board to that effect. In the event the utility has made only minor changes to its manual to reflect new accounts or new affiliates or has modified language, the utility may file only the pages affected together with a cover letter explaining the pages being filed. A utility excused from filing a cost allocation manual for any of the foregoing reasons will comply with the other requirements of this rule.

**33.5(1) *Contents of manuals.*** Each cost allocation manual contains the following information:

- a. Nonutility services.* A list, the location, and description of all nonutility services.
- b. Incidental activities.* A summary of incidental activities conducted by the utility.
- c. Resource identification.* An identification of the assets and expenses involved directly or indirectly, in whole or in part, in the provision of nonutility services as identified in subrules 33.4(1) and 33.4(2).

- d. Allocation methodology.* A description of the cost allocation methodology, including an overview, explanation, and justification of the details provided in response to paragraphs 33.5(1) “e” through “h” below.

- e. Allocation rationale.* A statement identifying, for each asset and expense account and subaccount identified in compliance with subrules 33.4(1) and 33.4(2), the basis for allocating costs in the account or subaccount to utility and nonutility operations, including any allocation factor used by the utility for this purpose.

- f. Accounts and records.* A description of each account and record used by the utility for financial recordkeeping for nonutility services, including all subaccounts.

- g. Allocation factors.* A paragraph containing, for each allocation factor identified in compliance with paragraph 33.5(1) “e,” an explanation of how the allocation factor is calculated, a description of each study and analysis used in developing the allocation factor, and the frequency with which each allocation factor is recalculated.

- h. Time reporting methods.* A paragraph indicating the type of time reporting (positive, exception, or study) used for each reporting organization (e.g., executive, residential sales, and external affairs) and providing a description of how the identified type of time reporting is performed in that reporting organization.

- i. Training.* A description of the training programs used by the utility to implement and



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maintain its cost allocation process.

*j. Update process.* A description of the procedures used by the utility to: (1) determine when an update is needed; (2) develop the update; and (3) provide the update to the board.

**33.5(2) Annual filing and acceptance of manuals.** The following procedure is used for the annual filing and acceptance of manuals.

*a. Filing.* A utility meeting the filing threshold will file a manual on or before September 1 of each year following a year during which the utility met the threshold.

*b. Notice.* At the time of the initial filing and whenever a manual is updated, each utility mails or delivers a written notice to consumer advocate, local trade associations, and customers who have notified the utility in writing of their interest in the cost allocation manual. Notice to customers may be provided by means agreed to between the public utility and the customer. The notice will state that an objection may be filed with the board within 60 days of the filing of the manual with the board. The utility shall promptly provide copies of the manual upon request.

*c. Objections.* Any interested person may file with the board an objection to a cost allocation manual within 60 days of the filing date.

*d. Docketing.* If the board finds that reasonable grounds exist to investigate the manual, the board may docket the filing for investigation. At the time of docketing, the board will set a procedural schedule that includes a date for an oral presentation and an opportunity to file comments. If the board finds that there is no reason to investigate, the board will issue an order stating the reasons for the board's decision within 90 days of the date of filing.

*e. Acceptance of manuals.* The board may accept, reject, or modify a utility's manual. However, any board decision is for accounting purposes only and is not binding in any other proceeding.

**33.5(3) Updating of manuals.** All affected sections and pages of a utility's manual are updated and filed with the board within 60 days of any of the following conditions:

*a.* A new nonutility business is commenced or acquired, or an existing nonutility business is eliminated or divested;

*b.* An affiliate relationship changes;

*c.* Operations affecting nonutility businesses change sufficiently to warrant a new allocation method; or

*d.* Accounting practices change.

**33.5(4) Reporting requirements—accounting tables.** Companies filing cost allocation manuals should include in their annual reports, tables showing for each account identified in compliance with subrules 33.4(1) and 33.4(2) the following: (a) the account total; (b) the amount allocated to nonutility services; (c) the amount allocated to utility services; and (d) the value of the allocation factors used to allocate costs to utility and nonutility services. Such tables are to be accompanied by a signed statement by an officer of the utility and an independent auditor certifying that, for the year covered by the report, the utility has complied with its cost allocation manual and that the data reported fairly reflect the actual operations of the utility.

**199—33.6(476) Standards for costing service transfers within a regulated subsidiary or utility.**

**33.6(1) Nonutility service provided to regulated subsidiary or utility.** The utility or its regulated subsidiary shall pay for a nonutility service provided to it by an affiliate at the price actually charged to nonaffiliates. If no such price is available, the service is priced at the lower of fully distributed cost, the price actually charged to affiliates, or the market price for comparable services.

**33.6(2) Service provided by the utility to nonutility operations.** A utility that provides utility

service to a nonutility affiliate charges such affiliate the tariffed price or, if a tariffed price is not available, charges the fully distributed cost of the service.

**199—33.7(476) Standards for costing asset transfers within a regulated subsidiary or utility.**

**33.7(1)** If an asset that is a direct cost of nonutility operations becomes a cost of utility operations, the asset is transferred or allocated to utility operations at the lesser of net book value, the price actually charged to affiliates or nonaffiliates, or the market price of comparable assets.

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