

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye Chair
Marshall Johnson Commissioner
Phyllis Reha Commissioner
Ken Nickolai Commissioner

In the Matter of Alliant Energy - ISSUE DATE: JULY 9, 2004
Interstate Power and Light Company's DOCKET NO. E,G001/D-04-501
Certification of Depreciation ORDER CERTIFYING DEPRECIATION
Rates for 2004 RATES AND METHODS

PROCEDURAL HISTORY

On April 1, 2004, Alliant Energy _ Interstate Power and Light Company (Interstate or the Company) filed its annual remaining life (RL) depreciation study for 2004 for all of its Minnesota property under Minnesota Rules, part 7825.0700. The Energy Division of the Department of Commerce (the Department) examined the depreciation study, including the Company's RLs and net salvage value estimates, and recommended approval.

No party opposed approval.

FINDINGS AND CONCLUSIONS

The depreciation study submitted by the Company used the remaining life technique of straight- line depreciation to calculate depreciation accruals, as required by Minnesota Rules, part 7825.0800. The study also used accepted methods to determine the remaining lives and salvage values for the Company's plant accounts. The Commission finds the resulting depreciation rates reasonable, proper, and adequate under Minnesota Statute section 216B.11 (1986) and Minnesota Rules, part 7825.0600.

Based upon its evaluation, the Company proposes to adjust the remaining lives of its facilities to reflect the one-year passage of time, and the various plant investments and retirements that have occurred during the period. Based on the Department's review, the changes to the remaining lives appear reasonable. The Company's records support the proposed adjustments. Therefore, the proposed remaining lives will be approved.

The Company did not propose any changes to the salvage values as determined in the last five- year depreciation study review. As a result, the proposed salvage values appear reasonable and will be approved.

The Commission will require Interstate to include a table comparing the resource planning lives and the depreciable remaining lives and explain any differences in future depreciation filings.

The effect on depreciation expense for plant located in Minnesota (excluding Common Minnesota plant) is a decrease of approximately \$164,000 and \$10,000 for electric and gas plant, respectively. The effect on the Minnesota Common Plant depreciation expense is an increase of approximately \$11,000. The result is a net decrease in depreciation expense of \$163,000 for electric and gas plant located in Minnesota. The decrease will be recognized by the Company as a reduction in depreciation expense for financial statement purposes but will not impact current rates.

The Company's proposed service lives, net salvage values, and resulting depreciation rates are certified as recommended by the Department, effective January 1, 2004. The Commission makes no finding modifying its historical practice of allowing the recovery of reasonable asset retirement costs through the use of straight-line depreciation over the useful lives of the assets.

Companies are required by law to review their depreciation rates annually to ensure that are still generally appropriate. Remaining life studies have been required by the Commission on an annual basis. Also, depreciation certification studies must be made so that all primary accounts shall have been analyzed at least every five years. Minnesota Rules pt. 7825.0600, subparts 2 and 3. The Commission will require the Company to file an annual depreciation petition by April 1, 2005 and a five-year filing by April 1, 2006. The Commission will require Interstate to address in its next review, the Exposure Draft of a Proposed Statement of Position: Accounting for Certain Costs and Activities related to Property, Plant and Equipment as issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants.

The depreciation rates and methods certified in this Order are binding on all future rate proceedings and remain in effect until the next depreciation certification or until otherwise changed by the Commission (Minnesota Rules, part 7825.0900). Specific dollar amounts of gross plant, depreciation reserve, annual accrual, and dollars to be allowed as additional depreciation are subject to audit, however, and the inclusion of items in this Order for depreciation purposes does not guarantee their inclusion in rate base for ratemaking purposes.

ORDER

1. The Commission certifies the following remaining lives and salvage values on the basis of the depreciation petition submitted by Alliant Energy _ Interstate Power Company.

Account No.	Remaining Lives	Salvage Value
Electric Property _ Minnesota		

Production Plant:

Steam Plant-Fox Lake Units 1&2

311 0 -20.0%

312 0 -10.0%

314 3.4 -40.0%

315 0 0.0%

316 0 0.0%

Steam Plant-Fox Lake Unit 3

311 9.5 -20.0%

312 9.5 -10.0%

314 9.3 -40.0%

315 9.5 0.0%

316 9.5 0.0%

Internal Combustion-Hills

342 3.5 -5.0%

343 3.4 0.0%

344 3.3 0.0%

345 3.2 0.0%

346 3.5 0.0%

Combustion Turbines-Montgomery

341 6.0 0.0%

342 6.3 -5.0%

343 5.9 0.0%

344 6.4 0.0%

345 4.9 0.0%

346 5.7 0.0%

Combustion Turbines-Fox Lake

341 5.9 0.0%

342 6.2 -5.0%

343 5.8 0.0%

344 6.4 0.0%

345 6.2 0.0%

346 5.7 0.0%

Transmission Plant:

352 27.2 0.0%

353 29.3 -5.0%

354 32.8 -50.0%

355 29.1 -40.0%

356 24.3 -10.0%

358 26.2 0.0%

Distribution Plant:

361 35.8 0.0%

362 10.5 -5.0%

364 30.9 -75.0%
 365 28.3 -25.0%
 366 23.6 40.0%
 367 29.5 -15.0%
 368 21.3 -5.0%
 369 30.1 -40.0%
 370 24.4 0.0%
 373 17.3 -20.0%

General Plant:

390 26.6 -5.0%
 390.1 9.8 0.0%
 391 Except Computer 5.8 0.0%
 391 Computers 1.7 0.0%
 392 5.8 20.0%
 393 16.7 0.0%
 394 20.3 0.0%
 395 5.0 0.0%

396 4.8 20.0%
 397 10.4 0.0%
 398 1.5 0.0%

Gas Property - Minnesota

Production Plant:

305 0 0.0%
 311 15.2 0.0%

Distribution Plant:

375 2.0 0.0%
 376 29.7 -30.0%
 378 16.5 -10.0%
 379 14.8 -10.0%
 380.1 29.0 -40.0%
 381 14.9 -35.0%
 383 15.2 -15.0%
 385 10.5 5.0%

General Plant:

390 26.5 0.0%
 391 0 0.0%
 392 6.5 20.0%
 394 14.8 0.0%
 395 6.2 0.0%
 396 5.8 25.0%

397 5.5 0.0%
 398 0 0.0%

Electric Property - Iowa

Production Plant:

Steam Plant-Dubuque Unit 2

311 0 -15.0%
 312 1.5 -20.0%
 314 1.4 -15.0%
 315 0 -5.0%
 316 0 0%

Steam Plant-Dubuque Units 3&4

311 1.5 -15.0%
 0312 1.5 -20.0%
 314 1.5 -15.0%
 315 1.5 -5.0%
 316 1.5 0.0%

Steam Plant-Clinton Unit 1

311 4.4 -15.0%
 312 4.4 -20.0%
 314 4.2 -15.0%
 315 4.5 -5.0%
 316 0 0%

Steam Plant-Clinton Unit 2

311 6.4 -15.0%
 312 6.4 -20.0%
 314 6.3 -15.0%
 315 6.4 -5.0%
 316 6.5 0.0%

Steam Plant-Lansing Units 1&2

311 1.5 -15.0%
 312 1.5 -20.0%
 314 1.5 -15.0%
 315 0 -5.0%

316 1.5 0.0%

Steam Plant-Lansing Unit 3

311 4.5 -15.0%
 312 4.5 -20.0%
 314 4.5 -15.0%
 315 4.5 -5.0%
 316 0 0%

Steam Plant-Lansing Unit 4

311	14.1	-15.0%
312	14.1	-20.0%
314	13.6	-15.0%
315	13.9	-5.0%
316	14.2	0.0%

Steam Plant-Neal Unit 4

311	16.0	-15.0%
312	16.0	-20.0%
314	15.6	-15.0%
315	15.9	-5.0%
316	15.8	0.0%

Steam Plant-Louisa Unit 1

311	15.1	-15.0%
312	15.1	-20.0%
314	14.8	-15.0%
315	15.1	-5.0%
316	14.7	0.0%

Steam Plant-Burlington Station

311	15.3	-10.0%
312	14.7	-15.0%
314	14.6	-15.0%
315	15.0	0.0%
316	14.5	0.0%

Steam Plant-6th St. Station

311	10.5	-10.0%
312	10.3	-15.0%
314	10.5	-15.0%
315	10.4	0.0%
316	10.1	0.0%

Steam Plant-Neal Unit 3

311	17.2	-10.0%
312	16.1	-15.0%
314	16.1	-15.0%
315	16.9	0.0%
316	15.9	0.0%

Steam Plant-Ottumwa

311	27.7	-10.0%
312	24.2	-15.0%
314	24.8	-15.0%
315	26.7	0.0%
316	24.7	0.0%

Steam Plant-Prairie Creek Unit 4

311	15.3	-10.0%
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312 14.7 -15.0%
 314 14.8 -15.0%
 315 15.2 0.0%
 316 14.5 0.0%

Steam Plant-Prairie Creek Units 1,2&3

311 36.5 -10.0%
 312 31.8 -15.0%
 314 32.9 -15.0%
 315 35.4 0.0%
 316 31.3 0.0%

Steam Plant-Sutherland

311 6.5 -10.0%
 312 6.4 -15.0%
 314 6.5 -15.0%
 315 6.4 0.0%
 316 6.3 0.0%

Hydraulic-Iowa Falls

331 1.0 -10.0%
 332 1.0 -10.0%
 333 1.0 -15.0%
 334 1.0 0.0%
 335 1.0 0.0%

Hydraulic-Lakehurst-Maquoketa

331 1.0 -10.0%
 332 1.0 -10.0%
 333 1.0 -15.0%
 334 1.0 0.0%
 335 1.0 0.0%

Hydraulic-Anamosa

331 31.5 -10.0%
 332 35.0 -10.0%
 333 16.0 -15.0%
 334 17.9 0.0%
 335 11.1 0.0%

Internal Combustion-Dubuque

341 3.5 0.0%
 342 3.5 0.0%
 343 3.5 0.0%
 344 3.5 0.0%
 345 3.5 0.0%
 346 3.5 0.0%

Internal Combustion-Lansing

341 2.5 0.0%

342 2.5 0.0%
 343 2.5 0.0%
 344 2.5 0.0%
 345 2.5 0.0%

Internal Combustion-New Albin

341 2.5 0.0%
 342 2.5 0.0%
 343 2.5 0.0%
 344 2.5 0.0%
 345 2.5 0.0%

Ames

341 2.5 0.0%
 342 2.5 -5.0%
 343 0.0 0.0%
 345 2.5 0.0%
 346 0.0 0.0%

Burlington Terra Comfort

341 15.0 0.0%
 342 14.7 -5.0%
 343 15.5 0.0%
 344 14.6 0.0%
 345 13.8 0.0%
 346 14.3 0.0%

Burlington Combustion Turbine

341 15.3 0.0%
 342 14.9 -5.0%
 343 15.5 0.0%
 344 14.9 0.0%
 345 14.9 0.0%
 346 15.1 0.0%

Combustion Turbines-Lime Creek

341 13.5 0.0%
 342 13.5 0.0%
 343 13.5 0.0%
 344 13.5 0.0%
 345 13.5 0.0%
 346 13.5 0.0%

Centerville Terra Comfort

341 2.5 0.0%
 342 0.0 -5.0%
 344 2.5 0.0%
 345 0.0 0.0%
 346 0.0 0.0%

Centerville Combustion Turbine

342 0.0 -5.0%

343 2.5 0.0%

Grinnell Combustion Turbine

341 12.2 0.0%

342 12.0 -5.0%

343 12.5 0.0%

344 12.0 0.0%

345 11.8 0.0%

346 12.2 0.0%

Marshalltown Combustion Turbine

341 12.5 0.0%

342 13.6 -5.0%

344 12.6 0.0%

345 14.0 0.0%

Marshalltown Station

341 0.0 0.0%

342 0.0 -5.0%

343 0.0 0.0%

345 0.0 0.0%

346 0.0 0.0%

Red Cedar Cogeneration Station

341 23.0 0.0%

344 21.9 0.0%

346 22.7 0.0%

Transmission Plant:

352 45.6 -5.0%

353 25.3 -5.0%

354 43.8 -60.0%

355 31.9 -45.0%

356 27.2 -10.0%

357 30.8 0.0%

358 31.4 0.0%

Distribution Plant:

361 32.5 -5.0%

362 27.4 -5.0%

362.1 2.1 0.0%

364 26.4 -75.0%

365 27.8 -30.0%

366 50.8 -5.0%

367 31.9 -10.0%

368 22.8 -15.0%

369 26.7 -70.0%

370	22.2	0.0%
373	18.5	-20.0%

General Plant:

390	35.7	-5.0%
390.1	14.0	0.0%
391.0	10.4	0.0%
391.4	1.6	0.0%
392	4.8	20.0%
393	14.6	0.0%
394	18.1	0.0%
395	4.0	0.0%
396	4.9	25.0%
397	9.7	0.0%
398	1.5	0.0%

Gas Property - Iowa

Production Plant:

405	29.1	-10.0%
411	31.9	-15.0%
420	27.2	0%

Transmission Plant:

466	53.4	0.0%
467	48.9	-20.0%
469	34.6	-5.0%

Distribution Plant:

475	38.0	-5.0%
476	42.0	-30.0%
478	22.9	-5.0%
479	21.9	-5.0%
480	33.0	-50.0%
481	18.4	-10.0%
483	33.5	0.0%
485	12.3	0.0%
487	9.4	0.0%

General Plant:

491	34.5	-5.0%
491	11.1	0.0%
491.4	1.4	0.0%
492	3.5	20.0%
494	16.4	0.0%
495	3.7	0.0%
496	6.9	25.0%

497	11.4	0.0%
498	3.5	0.0%

Electric Property - Illinois

Transmission Plant:

352	22.9	0.0%
353	23.7	5.0%
354	48.7	0.0%
355	24.0	-50.0%
356	21.6	-25.0%
358	25.2	0.0%

Distribution Plant:

361	29.4	0.0%
362	19.3	40.0%
364	31.5	-75.0%
365	19.7	-25.0%
366	25.1	25.0%
367	21.1	10.0%
368	23.4	-15.0%
369	28.6	-60.0%
370	24.1	0.0%
373	20.1	-15.0%

General Plant:

390	19.7	0.0%
391.1	13.3	0.0%
391.2	1.5	0.0%
392.2	7.1	20.0%
394	13.8	0.0%
395	1.5	0.0%
396	3.5	20.0%
397	9.1	0.0%

Gas Property - Illinois

Distribution Plant:

376	40.4	-40.0%
378	8.2	-10.0%
379	33.6	0.0%
380	25.6	-80.0%
381	15.4	-20.0%
383	18.2	-60.0%

385 26.6 0.0%

General Plant:

395 3.5 0.0%

COMMON PLANT

Minnesota Common Plant:

391 Except Computer 17.9 0.0%

391 Computer 3.7 0.0%

392.2 7.8 20.0%

394 21.1 0.0%

396 12.5 25.0%

397 14.5 0.0%

Iowa Common Plant:

790 40.2 -5.0%

791 18.2 0.0%

791.4 2.8 0.0%

792 8.4 20.0%

793 0.0 0.0%

794 22.1 0.0%

795 0.0 0.0%

796 11.5 20.0%

797 12.2 0.0%

798 0.0 0.0%

Illinois Common Plant:

392.2 9.5 20.0%

2. Accruals to the depreciation reserve for each account shall be calculated by taking the original cost of depreciable property in the account, subtracting its estimated future net salvage and its associated depreciation reserves, and dividing the difference by the estimated RL of the surviving plant in the account.

3 3. In the event any class of plant shall become fully depreciated by the use of these rates, then no further depreciation accrual for such class of plant shall be made.

4. By April 1, 2005, the Company shall file an annual depreciation report based on its annual review of RLs and salvage percentages. The next five-year depreciation study is due by April 1, 2006.

5. The remaining lives and salvage values certified by this Order are effective
6 6 January 1, 2004.

6. The Company shall include a table in its next depreciation filing comparing remaining lives used for depreciation purposes and the lives used for resource planning purposes and explain any differences between the lives.

7. The Company shall address in its next review, the Exposure Draft of a Proposed Statement of Position: Accounting for Certain Costs and Activities related to Property, Plant and Equipment as issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants.

8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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