

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: CITY OF PELLA, PELLA MUNICIPAL ELECTRIC UTILITY	DOCKET NO. WRU-01-25-736
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ORDER GRANTING WAIVER

(Issued June 21, 2001)

On May 25, 2001, the City of Pella, Pella Municipal Electric Utility (Pella), filed with the Utilities Board (Board) a request for waiver of the generating certificate requirements of Iowa Code chapter 476A. Pella currently owns 34.8 MW of electric generating capacity, of which 25.4 MW is coal and 13 MW is natural gas. Pella's historical peak is 43.5 MW. Pella proposes to construct a new 28 MW facility consisting of 14 new 2 MW diesel high-speed engine/generator units. The design will allow for the future addition of two additional units, for a total nameplate capacity of 32 MW. On June 7, 2001, the Consumer Advocate Division of the Department of Justice filed a response stating it did not object to the Board granting the waiver request.

Pella states the proposed new units will raise its total nameplate generating capacity to 66.4 MW. The additions will allow Pella to meet capacity and reserve obligations through the year 2010 and provide price stabilization by capping energy costs when market prices rise. In the short-term, Pella will have some capacity for

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sale on the wholesale market. Pella intends to have the new facilities installed by

these criteria have little or no impact on the Board's decision whether or not to grant a certificate. Consideration of long-term supply, examination of alternatives, and the ultimate impact on rates are matters for consideration by Pella's governing body. The Board notes that Pella has in fact examined alternatives and concluded the combustion turbine is the least-cost alternative.

The remaining three decision criteria are 1) whether the facility is required, 2) whether the applicant will construct, maintain, and operate the facility pursuant to the provisions of the certificate, and 3) whether the construction, maintenance, and operation of the facility will cause minimum adverse land use, environmental, and aesthetic impact. Pella in its waiver request has provided sufficient information to establish the need for the facility, the first remaining criteria. With respect to the second criteria, Chapter 476A provides that if there is a significant alteration to the facility, Board approval is required. Because this requirement is statutory, it does not need to be restated in a certificate.

The final decision criterion relates primarily to environmental factors. Environmental permits are within the purview of the Department of Natural Resources (DNR) and the Board has traditionally deferred to DNR's expertise in these areas and has found this criterion satisfied if DNR issues the appropriate permits. The Board finds that the waiver request adequately addresses the decision criteria for a generating certificate and will therefore waive the requirements of Chapter 476A. The waiver will not detrimentally affect the public interest. However, the Board reminds Pella that it must obtain any applicable environmental permits and

comply with any other state and local regulations, such as zoning or land use restrictions.

IT IS THEREFORE ORDERED:

The request for waiver filed by the City of Pella, Pella Municipal Electric Utility, on May 25, 2001, is granted.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 21st day of June, 2001.