

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

---

<p>IN RE:</p> <p>MIDWEST RENEWABLE ENERGY PROJECTS LLC,</p> <p style="text-align:center">Petitioner,</p> <p style="text-align:center">v.</p> <p>INTERSTATE POWER AND LIGHT COMPANY,</p> <p style="text-align:center">Respondent.</p>	<p style="text-align:center">DOCKET NO. AEP-05-1</p>
--	--

---

**ORDER GRANTING, IN PART, AND DENYING, IN PART,  
MOTION TO UPDATE EGEAS ANALYSIS**

(Issued August 25, 2006)

On June 12, 2006, the Utilities Board (Board) issued an "Order on Rehearing" (Rehearing Order) in Docket No. AEP-05-1. Among other things, the Rehearing Order required Interstate Power and Light Company (IPL) to update its Electric Generation Expansion Analysis System (EGEAS) analysis "based on the same data input and assumptions used to generate its 2006 PURPA [Public Utility Regulatory Policies Act of 1978] avoided cost report." IPL was also required to file all data inputs and assumptions. (Rehearing Order, p. 17).

IPL filed additional evidence on July 11, 2006, which it described as its updated EGEAS analysis, with all data inputs and assumptions. On July 21, 2006, Midwest Renewable Energy Projects LLC (Midwest Renewable) filed a motion to

require submission of a more current EGEAS analysis. An amendment to the motion was filed on July 26, 2006. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response on August 1, 2006. IPL filed a response on August 3, 2006. Midwest Renewable filed a reply to IPL's resistance on August 18, 2006.

### **Midwest Renewable's Motion**

Midwest Renewable argued that IPL's EGEAS analysis was not based on current data inputs and assumptions. For example, Midwest Renewable said that some production costs were inappropriately included and that the updated analysis provided by IPL uses 2004 fuel cost data, which understates IPL's avoided costs given the magnitude of fuel price increases since 2004. Midwest Renewable pointed out that the supply-side analysis relies on estimates of change rates for key economic variables that clearly pre-date 2005 and already have proven to be inaccurate, such as a projected decline in natural gas prices in 2006.

Midwest Renewable acknowledged that the Rehearing Order directed IPL to file an updated EGEAS analysis using the same data inputs and assumptions used to generate its 2006 PURPA avoided cost report and that IPL appears to have done this. However, Midwest Renewable argued that it believed the Board assumed IPL's 2006 PURPA avoided cost report would be based on current assumptions and data inputs, not outdated assumptions and inputs utilized in the Minnesota Electric Resource Plan. Midwest Renewable said the Minnesota Electric Resource Plan is the basis for the 2006 PURPA avoided cost report, but it utilizes pre-2005 data.

Midwest Renewable also pointed out IPL's updated EGEAS analysis filed pursuant to the Rehearing Order derived IPL's avoided cost over a 13-year period. Midwest Renewable asked that the EGEAS analysis reflect levelized avoided costs over the 20-year term of Midwest Renewable's proposed project, consistent with the Board's final order.

### **Consumer Advocate's Response**

Consumer Advocate said that the Board's Rehearing Order appeared to contemplate that IPL file its EGEAS model based on the data inputs and assumptions used in its 2006 PURPA filing, which IPL has done. Consumer Advocate noted that it has the ability to review the impact of updated data inputs and assumptions on the EGEAS avoided cost model and, therefore, can use updated inputs independent of IPL's analysis. Consumer Advocate said that its substantive filing pursuant to the procedural schedule on rehearing may address some of the updated data inputs and assumptions identified by Midwest Renewable, but that Consumer Advocate's filing will not necessarily incorporate the particular data and assumptions sought by Midwest Renewable. Consumer Advocate stated that if the Board wanted to see any particular adjustments in EGEAS data inputs or assumptions, it might want to provide that guidance in this order.

### **IPL's Response**

IPL maintained it used the best information available for its 2006 PURPA avoided cost report and that its updated EGEAS analysis submitted in this docket is based on the same data inputs and assumptions, in compliance with the Board's

Rehearing Order. To answer Midwest Renewable's complaints, IPL said it would be forced to accelerate a nearly year-long process to update, on a comprehensive basis, its recently filed 2005-2020 Electric Resource Plan or change only select assumptions. In addition, IPL argued that Midwest Renewable could address the issues it raised in prefiled testimony, rather than asking IPL to modify its filing. IPL maintained Midwest Renewable is seeking to circumvent the procedural schedule by forcing IPL to modify its filing to incorporate selected additional information, something which IPL does not believe produces an accurate result. In other words, IPL argued that it had no responsibility to prepare Midwest Renewable's case.

IPL stated that in its updated EGEAS analysis the 2004 fuel and operations and maintenance costs, which Midwest Renewable claims were not currently updated, are projected to current year dollars. IPL stated its 2005-2020 Electric Resource Plan represents the most up-to-date, comprehensive information available to use in an EGEAS analysis. IPL noted that its gas used for electric generation had a lower average cost than the numbers used by Midwest Renewable and that short-term aberrations should not be used to invalidate 15-year projections. While IPL acknowledged it would be better to update its Electric Resource Plan than to update only select data inputs and assumptions, the update to the plan is not slated to be completed until December 2007.

With respect to use of a 13-year rather than 20-year analysis, IPL said it used 13 years because it did not have solid information to extend the analysis beyond 2020. Also, the Board required IPL to update its EGEAS analysis and inputs that it

had previously used; the prior analysis was based on a 13-year term. Finally, IPL noted the difference between the 13-year and 20-year analysis is insubstantial.

### **Midwest Renewable's Reply**

Midwest Renewable said it was not expecting IPL to update its entire Electric Resource Plan, which IPL said would require "nearly a year of careful study and analysis," but rather update a discrete portion of the EGEAS analysis using current information about key inputs such as fuel costs, capacity factors, and heat rates associated with IPL's generating units. Midwest Renewable also reiterated its arguments for use of a 20-year rather than a 13-year analysis and accused IPL of using various tactics to delay the proceeding.

### **Discussion**

From the pleadings and arguments submitted, it appears that IPL's updated EGEAS analysis complied with the Board's Rehearing Order. Midwest Renewable is not satisfied with the analysis because at least some of the data inputs and assumptions are not as current as Midwest Renewable would like. However, rather than performing its own analysis using whatever assumptions and data inputs it believes appropriate, Midwest Renewable is asking the Board to order IPL to revise its filing by performing an EGEAS analysis using what Midwest Renewable believes to be more appropriate current data inputs and assumptions.

What is not apparent from Midwest Renewable's pleadings is whether it would ever be satisfied with any EGEAS analysis unless and until it produced a result that was satisfactory to Midwest Renewable. Data inputs and assumptions that are

updated today could be deemed outdated the next day, the next week, the next month, or the next year. As the Board noted in its Rehearing Order, Midwest Renewable only asked for additional evidence and discovery on the issue of IPL's EGEAS analysis and the underlying data inputs and assumptions used in that analysis when the Board's decision reached a result with which Midwest Renewable disagreed. The Board also said that an EGEAS analysis can always be updated with more recent data but there must be some conclusion to this docket. (Rehearing Order, p. 12).

The Board understands that an issue at hearing is likely to be whether an EGEAS analysis with many underlying assumptions can be accurately updated by only updating select inputs or assumptions. IPL argued that it should not be forced to make selective updates because it does not believe such an analysis would produce accurate or meaningful results.

Consumer Advocate is doing for itself what Midwest Renewable apparently wants IPL to do for it. Consumer Advocate stated that in its case preparation it is reviewing the impact of changing various data and assumptions used by IPL by performing various EGEAS runs itself. Although it is not stated in the pleadings, it is possible that Midwest Renewable is asking that the Board order IPL to update some of its data inputs and assumptions because Midwest Renewable does not have direct access to the EGEAS program.

Even if the Board were to order IPL to use current data and assumptions to perform another EGEAS analysis, the Board is not sure what Midwest Renewable

means when it uses the phrase "current data inputs and assumptions." Does it mean the selected information contained in Midwest Renewable's motion or the information in the motion plus additional unknown updates? Does it mean some information must be updated on a daily or monthly basis? Constant updating of information appears to be of little value when dealing with levelized avoided costs over a multi-year time frame. While IPL's updated Electric Resource Plan, which will not be available until December 2007, will undoubtedly contain more current information than that used in the 2006 PURPA report, the Board does not intend to wait until the update is finished to conclude this docket. In any event, some or all of the information used could be considered outdated by the time that update is filed.

The Board will not order IPL to perform innumerable EGEAS runs for Midwest Renewable based on various and changing assumptions and data inputs provided by Midwest Renewable. At the same time, the Board is interested to see what the EGEAS results would be using Midwest Renewable's position on appropriate inputs and assumptions. Therefore, the Board will require IPL to perform one EGEAS analysis or run using the inputs and assumptions that represent Midwest Renewable's position. Midwest Renewable is to provide IPL with its proposed changes to inputs and assumptions within seven days of the date of this order. If Midwest Renewable wants any additional EGEAS analysis performed, Midwest Renewable will have to do the analysis itself; IPL will not be required to perform any additional EGEAS runs for Midwest Renewable. In addition, if Midwest Renewable submits changes such that they require IPL to perform original work other than to

simply change inputs or assumptions, the Board may reconsider its order and require Midwest Renewable to perform any EGEAS updates itself.

**IT IS THEREFORE ORDERED:**

The "Motion to Require Submission of Current EGEAS Analysis" filed by Midwest Renewable Energy Projects LLC on July 21, 2006, is granted to the extent discussed in this order and denied in all other respects.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 25<sup>th</sup> day of August, 2006.