

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EPB-06-150
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**ORDER ADDRESSING COMPLETENESS OF EMISSIONS FILING
AND APPROVING SETTLEMENT**

(Issued October 10, 2006)

On March 31, 2006, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) an updated multi-year plan and budget (2006 Plan Update) for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal. The 2006 Plan Update generally covers the period from 2007 through 2008. Pursuant to Iowa Code § 476.6(25) (2005), updates to the plan and budget are to be filed at least every 24 months. The 2006 Plan Update supercedes IPL's prior plan update filed on December 30, 2003, and amended on November 19, 2004, that was approved by the Board in an order issued on July 11, 2005, in Docket No. EPB-04-150.

On August 23, 2006, IPL and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a proposed settlement agreement between IPL and Consumer Advocate. The settlement stipulates that the 2006 Plan Update, as amended, complies with Iowa Code § 476.6(25) and should be approved. Included in the settlement is IPL's commitment to file periodic reports with the Board

and Consumer Advocate every 12 months. These reports are to include information on project implementation to date and actions taken to minimize costs. IPL submitted supplemental direct testimony consistent with the settlement agreement on August 24, 2006.

The Iowa Department of Natural Resources (IDNR) has an important role in the plan review process. Iowa Code § 476.6(25)"a"(4) provides, in part, that the IDNR "shall state whether the plan or update meets applicable state environmental requirements for regulated emissions." If the answer is no, IDNR shall recommend amendments that outline actions to bring the plan in compliance. The Board cannot approve a plan that does not meet applicable standards. Iowa Code § 476.6(25)"b."

While not a party to the settlement, the IDNR filed testimony on September 5, 2006, commenting on the 2006 Plan Update. The IDNR's testimony concludes that, based on knowledge available to it at the time its testimony was filed, the 2006 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements for regulated emissions. The IDNR in a cover letter to its filing stated that it did not believe it was necessary to hold an evidentiary hearing in this docket. The IDNR in a prior letter filed August 29, 2006, waived any rights it had to a settlement conference pursuant to the Board's rules.

No other party requested a hearing. Because the IDNR has answered the question posed by the statute in the affirmative, the Board may decide whether to approve the 2006 Plan Update and settlement.

Iowa Code § 476.6(25)"d" requires the Board to issue an order approving or rejecting the 2006 Plan Update within 180 days after the filing has been deemed complete. The Board finds the filing is complete and that additional information is not required to rule on the proposed settlement. The Board did not make this finding earlier because of the settlement negotiations between IPL and Consumer Advocate and IDNR's review process.

In reviewing a proposed settlement, the Board examines all settlements by the criteria found in 199 IAC 7.2(11). This rule provides that "[t]he board will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest."

IPL's 2006 Plan Update discusses IPL's plans to meet new regulations that deal with SO₂, NO_X, mercury, and water emissions. IPL assesses future emissions requirements and the potential impacts on IPL's coal-fired plants (in other words, IPL's plan for meeting these emissions requirements). The IDNR's testimony indicates that the technologies proposed by IPL in its 2006 Plan Update appear reasonable, but that IPL will be required to obtain specific construction permit applications for the equipment IPL contemplates using. In addition, the IDNR states, based on its knowledge to date, that the 2006 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements for regulated emissions.

IPL's 2006 Plan Update adequately addresses costs, economic development, and reliability as provided in Iowa Code § 476.6(25)"c." The primary driver in the

2006 Plan Update is the adoption of rules by the IDNR to implement the federal Clean Air Interstate (SO₂ and NO_X emissions) and Clean Air Mercury (mercury emissions) rules, both of which have a cap and trade program. IPL's 2006 Plan Update reasonably balances costs, environmental requirements, economic development potential, and reliability of the generation and transmission system.

The Board will approve the settlement. The settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

IT IS THEREFORE ORDERED:

1. Interstate Power and Light Company's updated multi-year plan and budget for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal filed on March 31, 2006, is deemed complete pursuant to Iowa Code § 476.6(25)"d."

2. The settlement filed by IPL and Consumer Advocate on August 23, 2006, is approved.

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 10th day of October, 2006.