

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INQUIRY INTO FOSSIL FUEL GENERATION EFFICIENCY	DOCKET NO. NOI-07-1
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**ORDER ADOPTING PURPA STANDARD 12 AND INITIATING INQUIRY  
INTO PURPA STANDARD 13, FOSSIL FUEL GENERATION EFFICIENCY**

(Issued May 1, 2007)

**I. INTRODUCTION**

On August 8, 2005, the Energy Policy Act of 2005 (EPACT 2005) was signed into law. Among the many provisions of this federal legislation are five new federal standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA). The two new standards that are the subject of this order are entitled "Fuel Sources," commonly referred to as PURPA Standard 12,<sup>1</sup> and "Fossil Fuel Generation Efficiency," commonly referred to as PURPA Standard 13.<sup>2</sup> For each of the two new standards, all state utility commissions and utilities must consider and make a determination whether to adopt the standard.<sup>3</sup>

Pursuant to EPACT 2005, the Utilities Board (Board) must commence a proceeding on or before August 8, 2007, to consider adopting PURPA Standard 12 and on or before August 8, 2008, to consider adopting PURPA Standard 13. The Board may decline to adopt or implement a standard, but must state in writing the

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<sup>1</sup> PURPA section 111(d)(12)

<sup>2</sup> PURPA section 111(d)(13)

<sup>3</sup> 16 U.S.C. 2621(a)-(c)

reasons for its decision. The Board may also determine that it has previously adopted a standard by prior state actions.<sup>4</sup>

The Board will first address PURPA Standard 12. The Board will then address PURPA Standard 13 and will open an inquiry to further consider that standard.

## **II. PURPA STANDARD 12**

PURPA Standard 12, which deals with fuel sources, provides that "[e]ach electric utility shall develop a plan to minimize dependence on one fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies." While Iowa Code chapter 476 does not explicitly authorize the Board to require rate-regulated utilities to develop a plan to use multiple fuels in their generation mix, several code sections and administrative rules promote fuel diversity and encourage the use of alternate and renewable energy sources.

Subrule 199 IAC 15.17(5) provides that each rate-regulated utility is required to report each year to all its Iowa customers its percentage mix of fuel and energy inputs used to produce electricity. The report includes percentages of electricity produced by coal, nuclear energy, natural gas, alternate energy, and other renewables. The percentages for alternate energy and other renewables are further broken down to specify percentages of electricity produced by wind, solar, hydropower, biomass, and other technologies. Also, 199 IAC 20.13 provides that the Board will conduct a contested case proceeding, as necessary, for the purpose of

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<sup>4</sup> 16 U.S.C. 2622(b)(3)(a)

evaluating the reasonableness and prudence of a rate-regulated electric utility's fuel procurement and contracting practices.

Iowa Code § 476.47 requires each electric utility to offer an alternate energy purchase program that allows customers to contribute voluntarily to the development of alternate energy production facilities in Iowa. Plans for these purchase programs must be filed with the Board.

The Board has the authority pursuant to Iowa Code § 476.53 to approve, in advance, the ratemaking principles that will apply when the costs of an electric power generating facility, alternate energy production facility, cogeneration pilot project facility, or energy sales agreement are included in regulated retail electric rates. In determining applicable ratemaking principles that will be applied, one of the findings the Board must make is that the electric utility has considered other sources for long-term electric supply and that the facility, lease, or cogeneration pilot project facility is reasonable when compared to other feasible alternative sources of supply. Before any ratemaking principles can be awarded, the Board must find that the electric utility has a Board-approved energy efficiency plan.

Generating facilities that are 25MW or greater in size are subject to the siting criteria of Iowa Code chapter 476A. A certificate is issued when the Board finds, among other things, that the services and operations of the proposed facility are consistent with the legislative intent expressed in section 476.53 and the economic development policies of the state, that the proposed facility will not be detrimental to adequate and reliable service, and that the "construction, maintenance, and operation of the facility is consistent with reasonable land use and environmental

policies and consonant with reasonable utilization of air, land, and water resources considering available technology and economics of available alternatives." Iowa Code §§ 476A.6(1) and (3).

The contested case proceedings, waiver requests, declaratory rulings, and review of annual and periodic findings conducted pursuant to these statutes and rules have provided and will continue to provide the Board with adequate forums to consider fuel diversity. In addition, the Board requires rate-regulated electric utilities to periodically file resource plans for Board review. A properly developed resource plan will contain a diverse mix of resources and technologies. Taken together, these proceedings and filings provide adequate forums to address cost-effective fuel diversity and allow changing circumstances to be readily considered. If a hard and fast rule regarding fuel diversity were established, it would be more difficult for the Board to consider changed circumstances and updated needs of individual utilities.

The Board in prior state actions, for each rate-regulated electric utility, has considered and adopted PURPA Standard 12. These determinations were made in numerous proceedings with opportunity for public comment and participation. Rate-regulated utilities in Iowa have a generation and purchase power mix that does not rely on a single source and incorporates ever-increasing amounts of renewable energy.

### **III. PURPA STANDARD 13—INITIATING INQUIRY**

PURPA Standard 13 relates to fossil fuel generation efficiency. Improving the efficiency of existing generation within the confines of initial unit design may be a

complex process and require substantial investment. The existence of a Midwest energy market provides some incentive for efficient operation of generation units and consideration of cost-effective and technologically feasible efficiency improvements; it is unclear what additional steps could and should be taken to improve generation efficiency. In order to obtain information on whether to adopt PURPA Standard 13, the Board will open an inquiry into fossil fuel generation efficiency, identified as Docket No. NOI-07-1. Copies of this order will be mailed to Interstate Power and Light Company, MidAmerican Energy Company, the Consumer Advocate Division of the Department of Justice, and the applicable trade associations. The order will also be posted on the Board's website and other interested persons are invited to participate.

All persons interested in participating in this notice of inquiry shall send an e-mail or written confirmation of their intent to participate to the inquiry manager by June 1, 2007. Notice of participation shall include the following, if available: name of the participant/organization, contact person, mailing address, phone number, facsimile number, and e-mail address. If more than one person from any entity is planning to participate, the written confirmation shall include the names of all participants, but designate a single contact person. As soon as possible after June 1, 2007, the service list will be available on the Board's Web site, <http://www.state.ia.us/iub>, or by contacting the Board's Records Center or inquiry manager.

On or before July 2, 2007, all participants may file responses to some or all of the questions set forth in Section IV below. Participants may also comment on

additional issues they believe are relevant to the inquiry. MidAmerican and IPL shall respond to all of the questions. All responses shall be filed as follows: 1) an original and ten written copies filed with the Board's Executive Secretary, 2) one copy, via e-mail, to the inquiry manager, and 3) one copy, via e-mail, to each participant on the service list. If a participant does not have an e-mail address, a copy is to be provided by mail or facsimile. All other communications regarding this inquiry are to be directed to the inquiry manager:

Parveen Baig  
Iowa Utilities Board  
350 Maple Street  
Des Moines, Iowa 50319-0069  
Telephone: (515) 281-8644  
Facsimile: (515) 281-5329  
E-mail: parveen.baig@iub.state.ia.us

After receipt and review of the comments, the Board will determine what additional procedures are necessary to complete the inquiry. Work sessions may be scheduled or additional comments on specific questions may be solicited. An oral presentation to solicit additional comments and argument may also be scheduled. Participants will be notified of any subsequent procedures established.

Comments are solicited on the inquiry questions. The list is not exclusive and participants are invited to submit comments on any other issues or questions that they believe are relevant to this inquiry. The comments may also include recommendations to the Board.

#### **IV. INQUIRY QUESTIONS**

1. Should the Board adopt PURPA Standard 13? Why or why not?

2. Should the Board adopt different or modified standards other than PURPA Standard 13? Explain the reasons for any proposed modifications.
3. Should any standard establish specific goals for increases in fossil fuel generation efficiency?
4. Should any generation efficiency goals be set on a unit specific basis or on an overall generation fleet basis?
5. Should any generation efficiency goals be different for installed fossil fuel units versus proposed units?
6. Should any generation efficiency goals be different for different types of units?
7. What should be used as measures for generation efficiency (e.g., average heat rate)?
8. What proven technologies are available for increasing the efficiency of installed fossil fuel generation? What are the costs and benefits (to ratepayers and others) associated with these technologies?
9. What is a reasonable goal for efficiency increases over a ten-year planning horizon, both for individual generating units and for a fleet of generating units?
10. What criteria should be used to establish any generation efficiency goals?

**V. ORDERING CLAUSES**

**IT IS THEREFORE ORDERED:**

1. The Utilities Board has considered and adopted, in prior state actions, a fuel diversity standard for Iowa's rate-regulated utilities consistent with the fuel diversity standard contained in PURPA Standard 12 and declares that its consideration of PURPA Standard 12 is complete and in compliance with the procedural requirements and deadlines established in EPACT 2005.

2. An inquiry, identified as Docket No. NOI-07-1, is initiated concerning fossil fuel generation efficiency as set forth in PURPA Standard 13.

3. Interested person wishing to participate in this inquiry shall file the notice described in this order by June 1, 2007, and any comments on or before July 2, 2007. Filing instructions are contained in the body of this order.

4. The records and information center shall send copies of this order to Interstate Power and Light Company, MidAmerican Energy Company, the Consumer Advocate Division of the Department of Justice, and the applicable trade associations.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Curtis W. Stamp

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Krista K. Tanner

Dated at Des Moines, Iowa, this 1<sup>st</sup> day of May, 2007.