

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-08-1
---	---------------------

**ORDER REQUIRING ADDITIONAL INFORMATION**

(Issued August 26, 2008)

On March 31, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) an application for determination of ratemaking principles for up to 432.5 MW of the proposed Sutherland Generating Station Unit 4 (SGS Unit 4), a coal-fired generating facility located at IPL's Sutherland Generating Station in Marshalltown, Iowa. IPL has asked for five ratemaking principles pursuant to Iowa Code § 476.53, including a return on equity of 12.55 percent.

The Board is continuing its review of the application, but its review to date has generated several questions. Because most of these questions may require some research or calculations, the Board will ask them in advance of the hearing scheduled for September 15, 2008, so that the Board and other parties will have an opportunity to review the responses prior to hearing. Some of the questions relate to the impact on the ratemaking principles docket of the Board's August 25, 2008, final decision in Docket No. GCU-07-1, the generation siting proceeding involving SGS Unit 4.

In responding to the Board's requests for additional information, IPL is to provide the name of the witness or witnesses providing the response in the event the Board has follow-up questions at the hearing. IPL will be required to provide the following information within seven days of the date of this order:

1. If the KBV Sutherland Power Contractors (KBV) contract referred to by IPL witness Beer has been finalized, provide a copy.
2. IPL witness Ott's testimony indicates that KBV will be responsible for procuring all contracts to build SGS Unit 4. Describe in detail the process which will be used by KVB to award these contracts.
3. Provide a summary of costs, on a kW basis, for all coal-fired plants that KBV has been involved with beginning in 2002. Also indicate which of the plants are similar to SGS Unit 4 and, for each plant, indicate the type of contract, such as EPC, turnkey, or other type.
4. IPL witness Ott's testimony indicates that KBV currently has four plants under construction, all utilizing an EPC type of contract. Provide a summary of those contracts and identify major difference from the contract with IPL.
5. Explain in detail whether IPL will need to revise its air permit application for SGS Unit 4 with the Iowa Department of Natural Resources to accommodate burning up to 10 percent biomass, consistent with the conditions imposed by the Board in its decision in Docket No. GCU-07-1.

6. What is the status of the biomass market to fuel SGS Unit 4 and what actions, if any, does IPL plan to take for developing vendors and purchasing biomass fuel for SGS Unit 4?

7. Are all of the costs associated with burning biomass, including, but not limited to, equipment, buildings, and controls, included in IPL's proposed cost cap? Does IPL intend to propose recovery of any costs associated with the biomass portion of the project through one of its emissions plan and budget (EPB) filings?

8. For each year since the adoption of Iowa Code § 476.53, provide the percentage of IPL's regulated rate base, net of depreciation, that is subject to advance ratemaking principles. In addition, provide this percentage number, assuming the requested ratemaking principles for SGS Unit 4 are approved and accepted by IPL.

9. The Board has noted in prior ratemaking principles orders (for example, the July 27, 2007, order in Docket No. RPU-07-2) that "[i]n future ratemaking principles applications, the parties should address the various risks that the utility faces in generation investment, including how increasingly large proportions of a utility's rate base being granted advance regulatory assurances may affect risk and the associated return." Identify the portions of IPL's application and prefiled testimony and exhibits that are responsive to the Board's statement.

10. Provide copies of any rating agency reports for IPL, Alliant Energy Corporation, or Wisconsin Power and Light Company in the last three years.

11. Describe the financing for SGS Unit 4 during both the construction and operative phase, with details on the likely source and cost of various financial components. If any of this information is provided in prefiled testimony or exhibits, provide the page numbers where the information can be found.

12 In IPL's July 2008 Base Case Electric Generation Expansion Analysis System (EGEAS) run (Ex. BRK-2, Sch. C):

a. What is the estimated per-kW capital cost assumed for PC350J?

b. Assuming that EGEAS is allowed to select the joint-owned 300 MW coal-fired unit (PC300J) instead of PC350J and assuming the capital cost of PC300J is adjustable, what is the maximum per-kW capital cost for PC300J at which EGEAS will select PC300J instead of PC350J?

13. Provide the results from an additional EGEAS run based on IPL's July 2008 Base Case Scenario (Ex. BRK-2, Sch. C), using an updated peak load forecast that includes IPL's 2007 firm peak load and other updated 2007 data.

a. Provide results for the additional EGEAS run described above based on IPL's Low CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. D).

b. Provide results for the additional EGEAS run described above based on IPL's High CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. E).

14. Provide the results for an additional EGEAS run based on IPL's July 2008 Base Case Scenario (Ex. BRK-2, Sch. C), in which EGEAS allows no coal plant additions, but allows the selection of any other resources.

a. Provide results for the additional EGEAS run described above based on IPL's Low CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. D).

b. Provide results for the additional EGEAS run described above based on IPL's High CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. E).

15. Provide the results for an additional EGEAS run based on IPL's July 2008 Base Case Scenario (Ex. BRK-2, Sch. C), in which IPL adds its proposed 350 MW coal plant in 2013 and includes the biomass burn requirements and additional renewable capacity conditions described in page 77 of the Board's order in Docket No. GCU-07-1 issued August 25, 2008.

a. Provide results for the additional EGEAS run described above based on IPL's Low CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. D).

b. Provide results for the additional EGEAS run described above based on IPL's High CO<sub>2</sub> Price Scenario (Ex. BRK-2, Sch. E).

**IT IS THEREFORE ORDERED:**

Interstate Power and Light Company shall provide the information identified in this order within seven days of the date of the order.

**UTILITIES BOARD**

\_\_\_\_\_

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 26<sup>th</sup> day of August, 2008.