

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EPB-08-150
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**ORDER ADDRESSING COMPLETENESS OF
EMISSIONS FILING AND APPROVING SETTLEMENT**

(Issued October 29, 2008)

On March 28, 2008, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) an updated multiyear plan and budget (2008 Plan Update) for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal. IPL supplemented its filing on March 31, 2008. The 2008 Plan Update generally covers the period from 2009 through 2010. Pursuant to Iowa Code § 476.6(25) (2007), updates to the plan and budget are to be filed at least every 24 months. The 2008 Plan Update supercedes for 2009 and 2010 IPL's prior plan update filed on March 31, 2006, that was approved by the Board in an order issued on October 10, 2006, in Docket No. EPB-06-150.

On September 22, 2008, 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 2008 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.

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 11, 2008, commenting on the 2008 Plan Update. The IDNR's testimony concludes that, based on information available to it at the time its testimony was filed, the 2008 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements for regulated emissions. The IDNR stated in a cover letter to its filing that it did not believe it was necessary to hold an evidentiary hearing in this docket.

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 2008 Plan Update and settlement.

Iowa Code § 476.6(25)"d" requires the Board to issue an order approving or rejecting the 2008 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 2008 Plan Update discusses IPL's plans to meet the federal Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). IPL assesses future emissions requirements and the potential impacts of those requirements on IPL's coal-fired plants (in other words, IPL's plan for meeting these emissions requirements). The IDNR states in its testimony, based on its information to date, that the 2008 Plan Update, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements for regulated emissions.

IPL's 2008 Plan Update adequately addresses costs, economic development, and reliability as provided in Iowa Code § 476.6(25)"c." The primary driver in the 2008 Plan Update is the adoption of rules by the IDNR to implement the federal CAIR and CAMR rules, both of which have a cap and trade program.

One change that occurred since IPL filed its 2008 Plan Update is that on July 11, 2008, in State of North Carolina v. Environmental Protection Agency, Case

No. 05-1244, the United States Court of Appeals for the District of Columbia vacated the CAIR rules promulgated by the Environmental Protection Agency. In response to an order requesting additional information issued by the Board on September 25, 2008, IPL filed responses stating that the decision would not impact its near-term strategy but that it would continue to monitor developments to determine if a plan amendment was required. IPL noted that any regulations that would replace the CAIR rules would likely be at least as restrictive as the rules that were vacated. IPL stated this analysis also generally applied to the CAMR rules, which were vacated by a court decision prior to the filing of IPL's 2008 Plan Update.

IPL's 2008 Plan Update reasonably balances costs, environmental requirements, economic development potential, and reliability of the generation and transmission system. The Board will therefore 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 multiyear plan and budget for managing regulated emissions from its electric power generating facilities located in Iowa that are fueled by coal filed on March 28, 2008, is deemed complete pursuant to Iowa Code § 476.6(25)"d."

2. The settlement filed by IPL and Consumer Advocate on September 22, 2008, is approved.

UTILITIES BOARD

/s/ John R. Norris

/s/ Krista K. Tanner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Darrell Hanson

Dated at Des Moines, Iowa, this 29th day of October, 2008.