
IOWA UTILITIES BOARD
Energy Section

Docket No.: EPB-2014-0150
Utility: Interstate Power and Light
Company
File Date/Due Date: April 1, 2014 / N/A
Memo Date: November 17, 2014

TO: The Board

FROM: Ellen Shaw, Kerri Johannsen

SUBJECT: Recommendation to Require Additional Information Regarding the Emissions Plan and Budget

I. Background

On April 1, 2014, Interstate Power and Light Company (IPL) filed an updated Emissions Plan and Budget (2014 Plan Update). Iowa Code § 476.6(21) requires Iowa's rate-regulated utilities to develop a multi-year emissions plan and associated budget for managing regulated emissions from their coal-fired facilities in a cost-effective manner, with updates filed at least every two years.

On August 19, 2014,¹ the Iowa Department of Natural Resources, Air Quality Bureau (IDNR) filed a letter stating the IDNR believed IPL's filing, in conjunction with continued compliance with all permitting requirements and permit conditions, meets applicable state environmental requirements. On September 17, 2014, IPL filed information that was inadvertently omitted from its initial filing.

IPL's 2014 Plan Update describes emission reduction projects that will occur beginning in 2015 through 2019. However, IPL requests approval specifically for activities and associated budgets for 2015-2016. IPL also provides a status report on activities and budgets associated with its 2012 Plan Update (for 2013-2014).

¹ IDNR's August 19, 2014, direct testimony was a revision of its August 7, 2014, testimony.

II. Legal Standards

Iowa Code § 476.6(21)(a) and (c) state:

21. *Electric Power generating facility emissions.*

a. It is the intent of the general assembly that the state, through a collaborative effort involving state agencies and affected generation owners, provide for compatible statewide environmental and electric energy policies with respect to regulated emissions from rate-regulated electric power generating facilities in the state that are fueled by coal. Each rate-regulated public utility that is an owner of one or more electric power generating facilities fueled by coal and located in this state on July 1, 2001, shall develop a multiyear plan and budget for managing regulated emissions from its facilities in a cost-effective manner.

c. The board shall review the plan or update and the associated budget, and shall approve the plan or update and the associated budget if the plan or update and associated budget are reasonably expected to achieve cost-effective compliance with applicable state environmental requirements and federal ambient air quality standards. In reaching its decision, the board shall consider whether the plan or update and the associated budget reasonable balance costs, environmental requirements, economic development potential, and the reliability of the electric generation and transmission system.

III. Analysis

Board staff has drafted questions to clarify the filing and assist in its evaluation of the 2014 Plan Update:

1. Provide a synopsis of the reasons for any variances in IPL's budget for 2013-2014 (Docket No. EPB-2012-0150) and actual expenditures reported for 2013-2014 (Docket No. EPB-2014-0150).
2. Provide an update on the status of the Activated Carbon Injection System (ACI) and baghouse at the Lansing Generating Station.
3. In Section II, page 51, IPL states that it is not seeking approval for Operation and Maintenance (O&M) expenses related to compliance with effluent limitation guidelines and on page 58 that the company is only seeking approval for O&M expenses related to interim landfill closure at the Ottumwa-Midland Landfill (OML) and not other expenses related to compliance with the coal combustion residue (CCR) rule. In

both cases, IPL states that it cannot reasonably estimate these costs at this time.

In confidential Revised Appendix C, under O&M costs on page 2, IPL projected costs for the seventh unnumbered line-item; and under O&M costs on page 3, for the seventh and the eighth unnumbered line-items.

- a. Explain the activities involved in IPL's projected O&M costs for the three line-items.
 - b. Provide an explanation of the purpose of these projected expenditures and specify the environmental regulations that are driving these costs if it is not the pending effluent limitation guidelines or the CCR rule.
4. In confidential Revised Appendix C, pages 2 through 7, explain why the first unnumbered line-item under projected O&M costs varies among generating stations and varies year to year for the same generating station.
 5. Provide a summary of the analysis that IPL relied upon to conclude that fuel switching to natural gas is the most cost-effective path for the M.L. Kapp Generating Station to achieve Utility MATS compliance.
 6. IPL indicated that the M.L. Kapp Generating Station's current capacity with coal as its fuel source is 200 MW, and the switch to natural gas would limit the unit's capacity to approximately 95 MW because of limited fuel availability.
 - a. Was the decreased capacity a part of IPL's cost-effectiveness evaluation in its decision to switch fuels at M.L. Kapp? Explain.
 - b. Is the limited fuel availability a long-term constraint? Will IPL pursue options to increase fuel availability? Explain.
 - c. How will the decrease in capacity affect grid reliability? How will the decreased capacity affect IPL's power costs?
 - d. Will IPL need to address the decreased capacity in another venue, such as another proceeding before the Board or in another state or with the Midcontinent Independent System Operator?
 7. IPL indicated that the Selective Catalytic Reduction (SCR) project at the Lansing Generating Station went into service in 2010 and that the original SCR installation consisted of two layers of catalyst. Plans are to add a third layer of catalyst in 2014 and replace an existing layer in 2015. After evaluating SCR performance / nitrogen oxide reduction, IPL may replace additional catalyst layers between 2016 and 2019.

Elaborate on why the original two layers of catalyst and the third may need to be replaced within 10 years of installation.

8. Describe the process that IPL uses to solicit and acquire the services of contractors for environmental emissions projects.
9. Court decisions affecting coal plant emissions were issued subsequent to the April 1, 2014, filing. The potential impact of the cooling water intake rule making was addressed by the IDNR in its testimony. Specify whether and how the following decisions impact IPL's environmental plan and budget.
 - a. The June 23, 2014, U.S. Supreme Court ruling partially invalidating the Tailoring Rule.
 - b. The April 29, 2014, U.S. Supreme Court reversal of the D.C. Circuit Court's decision vacating the Cross State Air Pollution Rule (CSAPR) and the D.C. Circuit Court's October 23, 2014, decision that lifted the stay on CSAPR.

IV. Recommendation

Board staff recommends that the Board direct General Counsel to draft for Board review an order requiring IPL to provide responses to the questions contained in this memo.

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

IOWA UTILITIES BOARD

/es

<u>/s/ Elizabeth S. Jacobs</u>	<u>11-20-14</u>
	Date
<u>/s/ Nick Wagner</u>	<u>11/20/14</u>
	Date
<u>/s/ Sheila K. Tipton</u>	<u>11/24//2014</u>
	Date