

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  UTILITY COAL PLANT PLANNING	DOCKET NO. NOI-2011-0003
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**ORDER CLOSING DOCKET**

(Issued February 26, 2013)

Iowa Code § 476.53, which deals with advance ratemaking principles for generating plants, states:

1. It is the intent of the general assembly to attract the development of electric power generating and transmission facilities within the state in sufficient quantity to ensure reliable electric service to Iowa consumers and provide economic benefits to the state.
  
2. The general assembly's intent with regard to the development of electric power generating and transmission facilities, as provided in subsection 1, shall be implemented in a manner that is cost-effective and compatible with the environmental policies of the state, as expressed in Title XI.

In addition, Iowa Code § 476.4 requires rate-regulated utilities to have rates that are reasonable. Utilities must also comply with applicable federal laws, including environmental statutes and regulations. In setting utility rates, the Utilities Board (Board) must address a number of competing concerns; while rates must be reasonable, rates must also be at a sufficient level to ensure that there is sufficient investment in utility infrastructure, such as generation and transmission, to ensure reliable service and compliance with applicable environmental standards.

Because of the potential rate impact from adopted or pending federal regulations emanating from the United States Environmental Protection Agency (EPA), the Board issued a notice of inquiry on September 2, 2011, to assess the impact on Iowa's electric utilities. The EPA has proposed or adopted various regulations that address such diverse subjects as discharges into water, coal fly ash, and air regulations concerning emissions of ozone (O<sub>3</sub>), sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), mercury (HG), and carbon dioxide (CO<sub>2</sub>) and other greenhouse gasses (GHG). While there may be uncertainty concerning the implementation schedule or even the initial adoption of particular regulations, it appears that the anticipated regulations, when viewed as a whole, are likely to require significant investment in or retirement of existing coal generating plants, depending upon the cost of new equipment; some of this generation may be replaced by other forms of generation or increased energy efficiency. Some older coal plants have already been (or soon will be) retired or retrofitted to burn natural gas.

On November 8, 2011, the Board extended the inquiry to include reciprocal internal combustion engines (RICE) standards. RICE engines are sometimes used by utilities to generate electricity in an emergency. The Board also invited non-utility coal generation owners to respond to some questions about their coal generation. Comments were received from 19 entities, including investor-owned utilities, electric cooperatives, municipal utilities, the Consumer Advocate Division of the Department of Justice, industry groups, large industrials, environmental groups, the Midwest Independent Transmission System Operator, Inc., public policy advocacy groups,

and non-utility owners of coal generation. A detailed summary of the comments to the inquiry questions is part of a memorandum to the Board from its staff dated February 12, 2013. A public copy of this memorandum is available through the Board's electronic filing system, <https://efs.iowa.gov/efs/>.

The inquiry demonstrated the uncertainty that currently exists regarding potential environmental regulations and their impacts on utilities and their customers. For example, during the pendency of the NOI, the federal Cross-State Air Pollution Rule, commonly referred to as CSAPR, was stayed by a federal court and the proposed RICE rules were amended. This uncertainty makes it difficult to project the timing and impact of proposed environmental rules with any degree of confidence.

Nevertheless, the NOI was successful in fostering a dialogue and providing participants with a snapshot of the environmental challenges facing Iowa's electric utilities. The comments also gave the Board and the utilities insight into issues and concerns of various other constituent and public policy groups. It is clear that there will be much more discussion as regulations are finalized and plans developed to meet future generation needs, whether by adding more utility generation, distributed generation, or demand-side resources. Future Board dockets will provide participants an opportunity to engage in the dialogue to shape Iowa's energy future. The current NOI has served its purpose and the docket will be closed.

The Board wishes to thank all participants for their thoughtful and detailed comments, particularly the groups that do not on a regular basis participate in the Board's proceedings. Whatever energy choices lie ahead as a result of ongoing

environmental regulation, the Board believes that continued discussion and exchange of information will allow decision-makers to make informed decisions that benefit Iowa.

**IT IS THEREFORE ORDERED:**

1. A detailed summary of the comments filed in response to the Board's questions in this inquiry is part of a memorandum to the Board from its staff dated February 12, 2013; a public copy of this memorandum is available through the Board's electronic filing system, <https://efs.iowa.gov/efs/>.
2. Docket No. NOI-2011-0003 is closed.

**UTILITIES BOARD**

/s/ Elizabeth S. Jacobs

/s/ Darrell Hanson

ATTEST:

/s/ Joan Conrad  
Executive Secretary

/s/ Swati A. Dandekar

Dated at Des Moines, Iowa, this 26<sup>th</sup> day of February 2013.