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January 16, 2015

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

**FILED WITH
Executive Secretary
January 16, 2015
IOWA UTILITIES BOARD**

RE: Interstate Power and Light Company
Docket No. EPB-2014-0150
Joint Motion and Settlement Agreement

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's Joint Motion and Settlement Agreement in the above-referenced docket, as filed today on EFS.

Very truly yours,

/s/ Benjamin M. Clark
Benjamin M. Clark
Attorney

BMC/kjf
Enclosure

**STATE OF IOWA
BEFORE THE IOWA UTILITIES BOARD**

IN RE:	
INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. EPB-2014-0150

**JOINT MOTION
AND SETTLEMENT AGREEMENT**

The Office of the Consumer Advocate (OCA), the Environmental Law & Policy Center (ELPC), the Iowa Environmental Council (IEC) (ELPC and IEC collectively referred to herein as "Environmental Intervenors") and Interstate Power and Light Company (IPL) for their Joint Motion and Settlement Agreement state:

On this 16th day of January, 2015, the OCA, Environmental Intervenors and IPL, collectively referred to as "Parties", agree to the terms and conditions of this Settlement Agreement and jointly move the Iowa Utilities Board (Board) for its approval of the same.

ARTICLE I

INTRODUCTION

On April 1, 2014, IPL filed with the Board its Emissions Plan and Budget for the period 2015 through 2016. After discovery concerning the reasonableness and prudence of IPL's Emissions Plan and Budget, the Parties have negotiated this Settlement Agreement.

ARTICLE II

PURPOSE

The Parties have entered into this Settlement Agreement to resolve all outstanding issues between the Parties in IPL's 2015 through 2016 Emissions Plan and Budget and as a fair and reasonable resolution of all the matters and issues raised, without resolving specific issues of law or fact other than those explicitly set out in this Settlement Agreement. Except as described in Article V herein, this Settlement Agreement does not affect the effectiveness of the November 5, 2012, Settlement Agreement between the Parties in Docket No. EPB-2012-0150 that the Board approved in its February 26, 2013, Order in that Docket.

ARTICLE III

JOINT MOTION

The Parties jointly move the Board to immediately issue an order approving this Settlement Agreement in its entirety without condition or modification.

ARTICLE IV

EMISSIONS PLAN AND BUDGET

The Parties agree and stipulate that IPL's proposed 2015 through 2016 Emissions Plan and Budget, as amended, complies with Iowa Code § 476.6(21).

The role of the Iowa Department of Natural Resources (IDNR) is discussed in Article VII.

The Parties acknowledge that IPL's 2015 through 2016 Emissions Plan and Budget includes information regarding projected expenditures that will occur in 2015 and 2016 that are applicable to IPL's emission compliance strategies for the post-2016 period. Additionally, the Parties acknowledge that IPL's 2015 through

2016 Emissions Plan and Budget includes information regarding projected expenditures that will occur after December 31, 2016. The Parties agree that, unless applicable to a multi-year project, this Settlement Agreement is only applicable to expenditures for the years 2015 and 2016 in IPL's 2015 through 2016 Emissions Plan and Budget, and does not bind any Parties regarding post-2016 expenditures in any future Emissions Plan Updates. This Settlement Agreement shall be applicable to the entire length of the project for multi-year projects subsequently re-addressed in IPL's April 1, 2016 application, subject to update and Board approval of any changes in the next Emissions Plan and Budget proceeding.

ARTICLE V

SUBSTANTIAL COMPLIANCE COMMITMENTS; PERIODIC REPORTS AND MEETINGS

The Parties have agreed upon a series of actions that are intended to ensure that there is effective interaction between IPL, the OCA, and Environmental Intervenors regarding IPL's ongoing and future management of regulated emissions. Those actions are described below.

Periodic Reports

In order that IPL takes all reasonable actions to minimize cost incurrence under its approved Emissions Plan and Budget, IPL agrees to file periodic reports every 12 months with the Board, the OCA, and Environmental Intervenors (Periodic Reports), with the first report filed within 12-months of IPL filing its proposed 2015 through 2016 Emissions Plan and Budget. The Periodic Reports will summarize the actions taken by IPL to implement its approved Emissions Plan and Budget

since the filing of its proposed 2015 through 2016 Emissions Plan and Budget. The Periodic Reports will explain how IPL's actions are reasonable and prudent, and minimize cost incurrence, under IPL's approved Emissions Plan and Budget. The format for the Periodic Reports is set forth in Exhibit 1. The reporting process described in this Article shall supersede the reporting processes outlined in Article V of the April 13, 2005, Settlement Agreement between the parties in Docket No. EPB-03-150, in Article V of the August 22, 2006, Settlement Agreement between IPL and OCA in Docket No. EPB-06-150, in Article V of the September 22, 2008, Settlement Agreement between IPL and OCA in Docket No. EPB-08-150, Article V of the August 10, 2010, Settlement Agreement between IPL and OCA in Docket No. EPB-2010-0150, and Article V of the November 5, 2012 Settlement Agreement between IPL and OCA in Docket No. EPB-2012-0150. To the extent that the Parties have any issues or disputes regarding IPL's implementation of its Emissions Plan and Budget based on IPL's Periodic Reports, the Parties will attempt to resolve any such implementation issues or disputes among themselves before seeking relief from the Board.

Notwithstanding the above, IPL will not be required to file a Periodic Report in 2016, so long as IPL includes an update of the 2015 through 2016 Emissions Plan and Budget in its application for approval of the subsequent 2017 through 2018 Emissions Plan and Budget, filed in 2016.

Periodic Meetings

The parties recognize that, while each Periodic Report is required to include information on expected actions contemplated during the next calendar year, an

annual report cannot provide complete information given that expected actions are subject to changes in environmental regulations, the decisions of permitting authorities, and IPL's internal evaluations. Among other actions that can affect IPL's Emissions Plan and Budget, the parties recognize the important implications of the rules proposed by the U.S. Environmental Protection Agency (EPA) on June 18, 2014 regarding Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units pursuant to Section 111(d) of the Clean Air Act. The Parties agree to continue to meet at least twice a year to exchange information on potential changes in state and federal environmental regulations, including the EPA's proposed and finalized 111(d) rules, relevant regulatory processes, emissions control of coal plants in service in 2001, and proposed and potential emissions control measures. The discussion of EPA's proposed and finalized 111(d) rules will include but not be limited to analysis that IPL may have conducted regarding compliance options within the term of this current Emissions Plan and Budget period that may be considered for inclusion in Emissions Plan and Budget updates, as well as the underlying analysis and modeling that informs the carbon dioxide emission reduction strategies and compliance options discussed. In addition, IPL agrees to use its reasonable efforts to inform the Parties of regulatory changes, should they arise during the time between semi-annual meetings, which IPL reasonably anticipates would have material effect on IPL's strategy for controlling emissions, including measures related to carbon dioxide. The Parties agree that routine operations and maintenance expenses unrelated to emissions control shall not be eligible for inclusion in any Emissions Plan and Budget or any

update thereto. The Parties recognize that IPL is entitled under Iowa Code § 476.6(21) to file an update to its Emissions Plan and Budget at any time and that the topics discussed at any meetings conducted between the Parties and any information exchanged pursuant to this provision are for the purposes of evaluation only and not determinative in any way of improvements that IPL may choose to make as part of its Emissions Plan and Budget updates. The Parties may make reasonable requests for information related to emissions control of coal plants in service in 2001 to be discussed at the periodic meetings, but this does not entitle Environmental Intervenors to ongoing discovery.

Other Items – SO₂ Emission Allowances

On pages 41 and 42 of Volume II of IPL's initial filing, IPL made reference to the possible short-term selling of SO₂ emission allowances. IPL has since held discussions with the OCA, and IPL agrees that it will not sell the allowances in the near term for the purpose of accelerating recovery of the costs from customers. Rather, SO₂ emission allowance costs resulting from the normal course of operations will flow through the Energy Adjustment Clause via routine accounting. IPL may elect to raise the issue of any remaining unrecovered balance in the anticipated 2017 IPL retail electric base rate case.

IPL will undertake appropriate cost mitigation actions and report on these efforts in both the Periodic Reports and Periodic Meetings described above. Specifically, IPL will: 1) monitor regulatory changes and the relationship between any such changes and its obligations to counterparties under the SO₂ futures allowances, 2) inform the OCA of any such changes and IPL's interpretation of their

relevance to its obligations under the SO₂ allowances, and 3) report on its efforts taken to minimize or eliminate its SO₂ allowance obligations through negotiation with the relevant counterparty or counterparties.

Other Items – Environmental Settlements

IPL referenced a potential environmental settlement (Kouba Direct Testimony, p. 17), but did not include the terms of an actual or potential settlement agreement in its Emissions Plan and Budget. This Settlement Agreement does not extend to or reach any conclusion with respect to terms or conditions of an actual or potential environmental settlement that occurs outside of Iowa's Emissions Plan and Budget process concerning IPL's coal-fired electric power generating facilities. This Settlement Agreement also does not extend to or reach any conclusion regarding the potential of IPL entering into a voluntary environmental settlement with terms that may differ from IPL's approved Emission Plan and Budget. Nothing in this Settlement Agreement shall preclude IPL or the OCA from supporting or disputing the reasonableness of any environmental settlement in an appropriate proceeding before the IUB.

ARTICLE VI

TERM

The term of this Settlement Agreement commences from the date of its approval by the Board through and including December 31, 2016.

ARTICLE VII

IDNR

Nothing contained in this Settlement Agreement is intended in any manner or to any extent to interfere with the IDNR carrying out its responsibilities under

Iowa Code §476.6(21) in this proceeding. In addition to the prepared direct testimony filed on August 7, 2014 and on August 19, 2014 in this proceeding, IDNR is free to file testimony, exhibits, conduct cross examination and fully participate in all aspects of this proceeding as IDNR deems appropriate.

ARTICLE VIII

CONDITION PRECEDENT

The Settlement Agreement shall not become effective for the purposes of resolving all issues between the Parties unless and until the Board approves the same in its entirety, without condition or modification.

ARTICLE IX

PRIVILEGE AND LIMITATION

This Settlement Agreement is made pursuant to Iowa Code § 17A.10 and 199 IAC 7.2(11). The Settlement Agreement shall become binding upon the Parties upon its execution; provided, however, that if this Settlement Agreement does not become effective in accordance with Article VIII above, it shall be null, void, and privileged. This Settlement Agreement is intended to relate only to the specific matters referred to herein; the Parties do not waive any claims or rights which they may otherwise have with respect to any matter not expressly provided for herein.

OFFICE OF CONSUMER ADVOCATE

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**INTERSTATE POWER AND
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INTERVENORS (ELPC & IEC)

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EXHIBIT 1¹

- I. Emissions Plan and Budget Line Item (reference to Appendix C, page 1):
 - A. **Implementation to Date:** (Narrative Description of actions/progress to date – future filings would describe incremental activity since last report.)
 - B. **Affirmative Actions Taken by Interstate Power and Light Company (IPL) to Minimize Cost Incurrence:** (Information to be included should address competitive bidding process for key components and services purchased from outside vendors (or explanation as to why item is sole-sourced) and reconciliation of budget amounts to actuals (including an explanation of any material deviations).)
 - C. **Affirmative Actions Contemplated by IPL During Next 12 Months:** (Narrative description of actions and anticipated progress during next 12 months.)
- II. [Next Line Item (reference to Appendix C, page 1).]

¹ To be filed on a "Confidential" basis.