



Alliant Energy Corporate Services, Inc.
Legal Department
319-786-4686 – Phone
319-786-4533 – Fax

Benjamin M. Clark
Attorney - Regulatory

February 26, 2015

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

RE: Interstate Power and Light Company
Docket No. EPB-2014-0150
Attachment A to Second Supplement to Additional Information

Dear Secretary Conrad:

Enclosed please find Interstate Power and Light Company's (IPL) Attachment A to its Second Supplement to Additional Information filed on February 25, 2015. This Attachment A was inadvertently omitted from yesterday's supplemental filing.

Please do not hesitate to contact the undersigned if you have any additional questions. Thank you in advance for your assistance.

Very truly yours,

/s/ Benjamin M. Clark
Benjamin M. Clark
Attorney - Regulatory

BMC/tab
Enclosures

Interstate Power and Light Co.
An Alliant Energy Company

Alliant Tower
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

Office: 1.800.822.4348
www.alliantenergy.com

**FILED WITH
Executive Secretary
February 26, 2015
IOWA UTILITIES BOARD**



Interstate Power and Light Co.
An Alliant Energy Company

Corporate Headquarters
4902 North Biltmore Lane
Suite 1000
Madison, WI 53718-2148

Office: 1-800-ALLIANT (800-255-4268)
www.alliantenergy.com

February 23, 2015

Ward Burns
U.S. Environmental Protection Agency
Region 7
11201 Renner Blvd.
Lenexa, KS 66219

FILED WITH
Executive Secretary
February 26, 2015
IOWA UTILITIES BOARD

Subject: Compliance Extension Request for M.L. Kapp Generating Station Unit 2 for the Utility Mercury and Air Toxics Standards

Dear Mr. Burns:

Interstate Power and Light Company ("IPL") hereby submits a compliance extension request for M.L. Kapp Generating Station ("Kapp") Unit 2 (Facility ID: 23-01-014, ORIS 1048) for all requirements contained within 40 CFR Part 63, Subpart UUUUU - National Emission Standards for Hazardous Air Pollutants (NESHAP): Coal- and Oil-Fired Electric Utility Steam Generating Units. These requirements are more commonly referred to as the Utility Mercury & Air Toxics Standards ("MATS") and the rule has an effective compliance date of April 16, 2015.

The MATS rule allows for an owner or operator of a generating unit to seek an extension of the compliance date. An extension request pursuant to (40 C.F.R. § 63.6(i)(4)(i)(B)) must be submitted 120 days prior to the compliance date. However, an extension request may be submitted within 120 days prior to the compliance date under certain circumstances (40 C.F.R. § 63.6(i)(4)(i)(C)). Section 63.6(i)(4)(i)(C) provides, in part:

An owner or operator may submit a compliance extension request after the date specified in paragraph (i)(4)(i)(B) of this section provided the need for the compliance extension arose after that date, and before the otherwise applicable compliance date and the need arose due to circumstances beyond reasonable control of the owner or operator. This request must include, in addition to the information required in paragraph (i)(6)(i) of this section, a statement of the reasons additional time is needed and the date when the owner or operator first learned of the problems.

With this letter, IPL requests that USEPA grant IPL a compliance extension for Kapp Unit 2 pursuant to 40 C.F.R. § 63.6(i)(4)(i)(C).

Original Compliance Date: April 16, 2015

Requested Compliance Date: April 16, 2016

Requested Compliance Extension Duration: 1 Year

As described below, IPL is making this request because, on January 23, 2015, IPL became aware that Midcontinent Independent System Operator, Inc. (“MISO”) could require Kapp Unit 2 to continue operating as a coal-fired unit after the April 16, 2015 MATS compliance date to support the reliable operation of the electric system. In the absence of any such MISO requirement, IPL’s plan is to operate Kapp Unit 2 solely using natural gas as fuel after April 16, 2015. However, at this time, IPL cannot predict and has no control over the outcome of MISO’s review and, therefore, requests this extension to avoid any risk of MATS non-compliance. Accordingly, the following information is provided in support of this MATS compliance extension request for Kapp Unit 2.

Need for the Compliance Extension Request

Kapp Unit 2, which is located in Clinton, Iowa, currently operates on coal and natural gas with a 218.5 Megawatt (MW) nameplate capacity and 210 MW installed capacity (“ICAP”). While Kapp Unit 2 can operate on both coal and natural gas, coal has been the predominant fuel used. Based upon a review of options to comply with MATS at Kapp Unit 2, IPL concluded that operating Kapp Unit 2 on only natural gas was the most-prudent compliance option. When the unit becomes exclusively natural-gas fired, IPL plans to operate the unit in a manner such that it will not meet the definition of a “coal fired EGU” subject to the MATS rule pursuant to 40 C.F.R. § 63.9981. IPL has been planning an outage for Kapp Unit 2, which will start on April 11, 2015 and will bring the Unit back on line on June 1, 2015 as a natural gas fired EGU.

IPL has determined, based on current design, that solely fueling Kapp Unit 2 on natural gas will significantly reduce the Unit’s capacity to approximately 110 MW ICAP. IPL notified MISO of its intent to cease utilizing coal at Kapp Unit 2 and the expected decrease in ICAP for the Unit in January and in April, 2014.¹ At that time, MISO did not inform IPL of any potential additional filing requirements for the Kapp Unit 2 fuel-switch project, and IPL had reasonably concluded that additional filing were not required.

On January 23, 2015, MISO advised IPL that it was required to file an Attachment Y notice due to the expected change in capacity at Kapp Unit 2. On January 30, 2015, IPL submitted the enclosed Attachment Y notice to MISO requesting expedited review to allow IPL to bring Kapp Unit 2 on line on June 1, 2015 with a decreased ICAP due to natural gas as its only fuel. IPL is

¹ IPL notified MISO of the proposed fuel switch in its quarterly EPA survey questionnaire in January 2014. Refer to <https://www.misoenergy.org/WHATWEDO/EPAREGULATIONS/Pages/EPASTudies.aspx> for more information on MISO studies of the impact of EPA rules on generation capacity. IPL again notified MISO of the pending fuel switch and change in ICAP for Kapp Unit 2 in its April 2014 response to a MISO Resource Adequacy Survey.

currently waiting for MISO to complete its Attachment Y reliability studies; however, it is likely that MISO will not complete its review before the April 16, 2015 MATS compliance date. One potential outcome of MISO's review is that MISO could require IPL to continue operating Kapp Unit 2 at its 210 MW ICAP beyond the April 16, 2015 MATS compliance date. This would require IPL to continue to use coal at the Unit.

Justification for Extension Request

In accordance with § 63.6(i)(4)(i)(A), the owner or operator of an existing source who is unable to comply with a relevant standard established under Part 63 may request that the USEPA Administrator grant an extension allowing the source up to one additional year to comply with the standard, if such additional period is necessary for the installation of controls.

The U.S. EPA described the following three cases that may provide reasonable justification for granting up to a one year compliance extension on page 9,410 of the final Utility MATS rule (77 Fed. Reg. 9,304, 9,410 (Feb. 16, 2012)):

(1) generation from the retiring unit is needed to maintain reliability while other units install emission controls; (2) new off-site generation was being built to replace the retiring unit, but the new generation was not scheduled to be operational within the 3-year time-frame and any gap between the time the existing unit retires and the new unit comes on line would cause reliability problems; and (3) transmission upgrades were needed in order to maintain electric reliability after the unit retired but could not be completed within 3 years.

For the reasons outlined in this letter, depending on a determination by MISO, Kapp Unit 2 may fall under the third example described by the U.S. EPA.

When IPL determined that it would solely fuel Kapp Unit 2 on natural gas, its conclusion that an Attachment Y notice was not necessary for the changes planned for Kapp Unit 2 was reasonable. Under Section 38.2.7a of the FERC-approved MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (the "Tariff"), MISO requires that any Market Participant that has definitively decided to Retire or Suspend, all or a portion of, a Generation Resource to notify MISO of such events by submitting an "Attachment Y" notice at least 26 weeks prior to taking such action.²

It is not clear that the reduction in capacity of a unit due to solely fueling it on natural gas constitutes a suspension or retirement (of all or a portion) of a unit. First, the Tariff's standard Attachment Y notice does not account for a reduction in a unit's capacity reduction, let alone the reduction of capacity resulting from the unit no longer utilizing a particular fuel as is contemplated for Kapp Unit 2. Second, IPL is also not aware of a prior situation when MISO has requested an Attachment Y notice to evaluate the reliability impacts for a reduction in the capacity of a unit due to fuel switching. Third, MISO did not indicate any such requirement when IPL communicated its intent to convert Kapp Unit 2 and the resulting reduction in ICAP to

² MISO Tariff, Section 38.2.7a. MISO would then conduct an "Attachment Y" study within the 26 week period to determine if the unit is needed for reliability and should be designated as a System Support Resource which would allow MISO to require the Market Participant delay the planned retirement or suspension if necessary.

MISO on January 2014, and again in April 2014. In fact, it was not until January 23, 2015, when MISO clarified to IPL that its interpretation of the Tariff would require IPL to file an Attachment Y notice to solely fuel Kapp Unit 2 on natural gas. For these reasons, IPL could not have reasonably anticipated MISO's requirement for IPL to file an Attachment Y notice related to solely fueling Kapp Unit 2 on natural gas.

IPL cannot predict and has no control over the outcome of MISO's review nor can IPL predict when MISO will complete its review. Therefore, this represents circumstances beyond the company's reasonable control that could result in IPL's inability to meet the compliance date for MATS at Kapp Unit 2 and thus, qualifies this Unit for a compliance extension.

Extension Request

The reason for the extension is to allow for any additional time required by MISO to complete its Attachment Y reliability study and implement any potential system upgrades needed that require Kapp Unit 2 to remain in its current configuration beyond the MATS compliance date. IPL requests that EPA grant a one-year extension until April 16, 2016 to accommodate any uncertainty on the timing and outcome of MISO's reliability study.

IPL submitted its Attachment Y notice to MISO on January 30, 2015, requesting expedited review to allow the unit to operate at the reduced capacity starting on June 1. However, MISO has indicated that it may require the full 26-weeks to complete its reliability study. Therefore, whether MISO will require the continued operation of Kapp Unit 2 at full capacity and if so for how long, may not be known until July 31, 2015.

IPL will continue its plans to only burn natural gas at Kapp Unit 2 following the planned outage that begins on April 11 on the assumption that MISO will be able to complete its reliability studies on a timeline that will allow IPL to make this plan permanent. However, should MISO be unable to complete its studies before June 1, 2015 when IPL plans to bring Kapp back online, or should MISO's conclusion be that Kapp Unit 2 should be designated as a System Support Resource, then IPL could be in the untenable position of being subject to conflicting requirements from MISO and USEPA. For that reason, IPL requests USEPA grant IPL a compliance extension for Kapp Unit 2 pursuant to 40 C.F.R. § 63.6(i)(4)(i)(C).

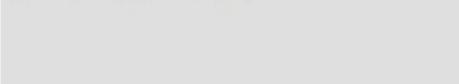
Anticipated Compliance Schedule

IPL will notify EPA Region 7 when the results of MISO's study are available, including updated information on when Kapp Unit 2 will be authorized to convert and become fully operational on natural gas. At that time, IPL will provide EPA Region 7 with an updated schedule, including the expected timing to complete any remaining on-site activities to implement the fuel-switch project.

In order to mitigate any adverse effect of an extension, IPL proposes to operate Kapp Unit 2 in a manner which minimizes emissions by co-firing the maximum amount of natural gas possible during the extension period. However, IPL does not expect that doing so would allow Kapp Unit 2 to qualify for and exemption from the MATS rule pursuant to 40 CFR §63.9983. In addition, IPL will continue to operate all existing pollution control equipment on Kapp Unit 2 including the electrostatic precipitator.

Thank you for your consideration of this compliance extension for Kapp Unit 2. Please do not hesitate to contact Jeff Hanson at (608) 458-0419 or JeffreyHanson@alliantenergy.com if additional information is needed or if there are further questions.

Sincerely,



John Watts, Plant Manager

M.L. Kapp Generating Station

cc: Brian Hutchins - IDNR

Enclosures (1)