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April 3, 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. WRU-2015-0005-0150  
Additional Information in Support of Waiver Request  
Application and Affidavit for Confidentiality

Dear Ms. Conrad:

Enclosed please find Interstate Power and Light Company's (IPL) Additional Information in Support of Waiver Request (Additional Information) and supporting exhibits, as filed today on EFS.

Also enclosed is a copy of IPL's Application for Confidential Treatment and Affidavit in support of IPL's request for confidentiality to certain documents contained herein.

Finally, please note that one of the supporting documents to Confidential Exhibit D to the Additional Information is comprised of technical EGEAS modeling runs that IPL is unable to electronically file on EFS. IPL will make this information available in another format to the Board upon request.

Very truly yours,

/s/ Benjamin M. Clark  
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BMC/tab  
Enclosure

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**FILED WITH  
Executive Secretary  
April 03, 2015  
IOWA UTILITIES BOARD**

**April 03, 2015**

**IOWA UTILITIES BOARD**

**STATE OF IOWA**

**BEFORE THE IOWA UTILITIES BOARD**

<b>RE:</b>  <b>INTERSTATE POWER AND LIGHT COMPANY</b>	<b>DOCKET NO. WRU-2015-0005-0150 ADDITIONAL INFORMATION</b>
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**ADDITIONAL INFORMATION IN SUPPORT OF WAIVER REQUEST**

On February 20, 2015, Interstate Power and Light Company (IPL) filed with the Iowa Utilities Board (Board) its Petition for Waiver of Chapter 24 of the Iowa Utilities Board's Rules and Request for Expedited Treatment (Petition) with respect to converting the fuel source of three combustion turbine units ("CTs" or "the Facility") located in Marshalltown, Iowa, including waiver of its notice requirements. IPL sought expedited treatment for the relief sought in the Waiver. On March 2, 2015, the Office of Consumer Advocate (OCA) filed an Objection to IPL's Petition for Waiver and Request for Expedited Treatment. On March 18, 2015, the Board issued its Order Docketing Generation Siting Waiver Request and Granting Waiver of Notice Requirements ("March 18, 2015 Order").

Pursuant to Iowa Code § 476A.15 and 199 Iowa Administrative Code §§ 1.3 and 24.15, IPL reasserts its petition for a waiver of Chapter 24 of the Board's electric power generating certificate rules. IPL continues to respectfully request swift treatment of this docket pursuant to 199 IAC § 7.4(10) (d), as this is consistent with the public interest as described below.

## ARGUMENT

IPL has previously described the project at hand, wherein IPL seeks to convert existing CTs in Marshalltown, Iowa from No. 2 Fuel Oil (“fuel oil”) to natural gas. The fuel conversion of a facility is defined as a “significant alteration” under Iowa Code § 476A, which generally subjects the utility to certain siting and construction requirements of Board Chapter 24. IPL seeks Board waiver of the Chapter 24 requirements.

Previously, IPL has demonstrated that the conversion is consistent with the factors listed in 199 IAC 24.15.<sup>1</sup> As described in IPL’s February 20, 2015 waiver petition, the statutory decision criteria for issuing a generating certificate must also be examined in determining whether a waiver is “not adverse to the public interest.” IOWA CODE § 476A.15 (2013). This indicates that the Board shall issue a certificate to the applicant if the Board finds all of the following:

- a) The services and operations resulting from the construction of the facility are consistent with legislative intent as expressed in section 476.53 and the economic development policy of the state as expressed in Title I, subtitle 5, and not be detrimental to the provision of adequate and reliable electric service;
- b) The applicant is willing to construct, maintain, and operate the facility pursuant to the provisions of the certificate and this subchapter; and
- c) The construction, maintenance, and operation of the facility will be consistent with reasonable land use and environmental policies and consonant with reasonable utilization of air, land, and water resources, considering available technology and the economics of available alternatives.

IOWA CODE § 476A.6 (2013).

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<sup>1</sup> See Petition, pp. 9-18.

At this point, IPL asserts that there is no further information necessary to satisfy the second two criteria.<sup>2</sup> The remaining criterion to be evaluated is whether or not the fuel conversion is consistent with legislative intent as expressed in section 476.53 and the economic development policy of the state as expressed in Title I, subtitle 5, and not be detrimental to the provision of adequate and reliable electric service.

IPL summarizes the facts that demonstrate that this criterion is satisfied below.<sup>3</sup> In preparation to build its Marshalltown Generation Station (MGS),<sup>4</sup> IPL obtained the necessary air permits from the Iowa Department of Natural Resources (IDNR). As a condition to the operating air permits for MGS, the IDNR required that all generation at the Site be fueled by natural gas before commercial operation begins at MGS.<sup>5</sup> This means that the CTs must be: 1) converted to run on natural gas by Q2 of 2017; or 2) retired. Therefore, to demonstrate that the fuel conversion of the CTs is consistent with the public interest, IPL must show that the conversion is a reasonable option compared to the retirement scenario.

The fuel conversion of the CTs is reasonable, based on a number of considerations. IPL hired two external contractors to evaluate the CTs. Based on this review, IPL believes that with the specific investments recommended by the contractors, the useful lives of the CTs should reasonably be expected to last another 20 years.<sup>6</sup>

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<sup>2</sup> See Petition, pp. 21-22.

<sup>3</sup> IPL repeats some information previously provided to ensure a complete description is included within this document.

<sup>4</sup> MGS is located adjacent to the CTs. See Petition, pp. 2, 4-6.

<sup>5</sup> Commercial operation of MGS expected in Q2 of 2017.

<sup>6</sup> See IPL Response to OCA Data Request 3 hereto attached as Confidential Exhibit A.

The cost of the Facility fuel conversion and associated overhaul work is estimated at approximately \$39 million, including contingency.<sup>78</sup> IPL used this cost figure and an assumed remaining life of 20 years to evaluate the proposed fuel conversion against the retirement scenario. This analysis took several forms.

First, IPL used its EGEAS modeling system to compare the CT fuel conversion and life extension to early retirement. In the early retirement scenario, IPL would need to purchase additional market capacity, and such purchases would need to occur sooner. This is illustrated in Table 4 on page 5 of Confidential Attachment A to IPL's Response to OCA data request number 6 attached hereto as Confidential Exhibit D. The EGEAS modeling indicated that the conversion was the least expensive alternative for customers, even if the potential value for future capacity sales is ignored. IPL's Confidential Exhibit D summarizes this analysis. Based on 2014 Integrated Resource Planning information, the fuel conversion and life extension of the CTs is less expensive than the retirement scenario, based on the resulting present value of revenue requirements. Table 3 on page 5 of Confidential Attachment A to Confidential Exhibit B shows the results, wherein, the fuel conversion and life extension of the CTs, which includes the \$39 million to convert, reduces present value costs by \$10 million as compared to retirement, assuming a 20 year life. Any capacity sales could be an additional benefit.

Second, the CTs provide peaking power to MISO [REDACTED]

[REDACTED]

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<sup>7</sup> See IPL Response to OCA 1 hereto attached as Exhibit B.

<sup>8</sup> IPL intends to use an RFP process to identify the needed vendor(s), thereby establishing a framework to obtain competitive prices and quality work.

[REDACTED]

Third, the Marshalltown CTs will also continue to provide quick start and low load flexibility<sup>10</sup> that supports current and future renewable energy generation for a predicted remaining life of more than 20 years.<sup>11</sup>

Finally, converting these units to natural gas, along with the associated overhaul work, will reduce air emissions (principally nitrogen dioxide, particulate matter, and sulfur dioxide) while maintaining current reliability and capacity. Removal of fuel oil-related infrastructure from the Facility and cessation of fuel oil handling processes will also result in other positive environmental impacts.

#### **EXPEDITED TREATMENT REQUEST RENEWED**

MGS is scheduled to begin commercial operations on or before April 1, 2017 and IPL intends to complete the CT fuel conversion and associated overhaul work on one unit at a time in an effort to minimize system disruptions. Consequently, to continue to meet peaking power, [REDACTED] and existing capacity positions; and to comply with IDNR air permit requirements,<sup>12</sup> commencing the Marshalltown CT fuel conversion and associated life extension efforts in the spring of 2015 and proceeding in an expedited fashion gives IPL more flexibility to cost-effectively manage the project, since only natural gas can be burned in the units by the scheduled MGS commercial operation spring 2017.

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<sup>9</sup> See IPL Response to OCA 5 hereto attached as Exhibit C.

[REDACTED]

<sup>11</sup> See IPL Response to OCA 6 hereto attached as Confidential Exhibit D.

<sup>12</sup> Only natural gas can be burned in the units by the scheduled MGS commercial operation spring 2017.

Without expedited approval, IPL will be in jeopardy of missing key milestone dates which could result in additional project costs.

### **CONCLUSION**

Pursuant to 199 IAC 24.15, IPL petitions for a waiver of Chapter 24 of the Iowa Utilities Board's rules 199 IAC 24.1 et seq. and renews its request for expedited treatment of the same pursuant to the Board rule 7.4(10) "d".

**WHEREFORE**, Interstate Power and Light Company respectfully requests that the Iowa Utilities Board grant the relief outlined above.

Dated this 3<sup>rd</sup> day of April, 2015.

Respectfully submitted,

INTERSTATE POWER AND LIGHT  
COMPANY

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