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Michael S. Greiveldinger
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April 7, 2014

Dr. Burl Haar, Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: Interstate Power and Light Company
Docket No. E,G999/CI-13-626
Comments

Dear Dr. Haar:

Enclosed for e-Filing with the Minnesota Public Utilities Commission, please find Interstate Power and Light Company's Comments in the above-referenced docket.

Copies of this filing have been served on the Minnesota Department of Commerce, Division of Energy Resources, the Minnesota Office of Attorney General - Residential and Small Business Utilities Division and the attached service list.

Respectfully submitted,

/s/ Michael S. Greiveldinger

Michael S. Greiveldinger
Senior Attorney

MSG/tao
Enclosures

cc: Service List

Interstate Power and Light Co.
An Alliant Energy Company

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STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

IN THE MATTER OF A COMMISSION
INQUIRY INTO DECOMMISSIONING
POLICIES RELATED TO DEPRECIATION

DOCKET NO. E,G999/CI-13-626

AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Tonya A. O'Rourke, being first duly sworn on oath, deposes and states:

That on the 7^h day of April, 2014, copies of the foregoing Affidavit of Service, together with Interstate Power and Light Company's Comments, were served upon the parties on the attached service list, by e-filing, overnight delivery, electronic mail, and/or first-class mail, proper postage prepaid from Cedar Rapids, Iowa.

 /s/ Tonya A. O'Rourke
Tonya A. O'Rourke

Subscribed and Sworn to Before Me
this 7th day of April, 2014.

 /s/ Kathleen J. Faine
Kathleen J. Faine
Notary Public
My Commission Expires on February 20, 2015

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STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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IN THE MATTER OF A COMMISSION
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INTERSTATE POWER AND LIGHT COMPANY'S
INITIAL COMMENTS

COMES NOW, Interstate Power and Light Company (IPL), and hereby submits to the Minnesota Public Utilities Commission (Commission) its *Initial Comments* in the above-referenced docket.

I. INTRODUCTION

On March 6, 2014, the Commission issued a *Notice of Comment Period on Decommissioning Cost Investigation* (Notice) seeking comments on decommissioning policies related to depreciation. Specifically, the Commission requested that utility companies provide the following information:

1. An explanation of your company's plant decommissioning policies including the relationship of the policy to your company's depreciation expense and the calculation of the salvage portion of the depreciation expense.
2. A detailed explanation of how your company's decommissioning probabilities are determined.

3. An explanation of the relationship between the decommissioning probability and the established life for the plant.
4. Does your company use decommissioning probability in any other jurisdiction in which we operate?
5. Any documentation on depreciation practices that provides support for the use of decommissioning probabilities.

Additionally, the Commission *Notice* included the following additional topics that are open for comment:

1. Minnesota Rule 7825.0800 prescribes the straight-line method for calculating depreciation. Is the practice of a utility periodically adjusting its decommissioning cost accruals based on the probability of decommissioning occurring at the end of projected life consistent with this rule?
2. Is there a dichotomy between setting a proposed life for plant and then determining there is only some percentage (such as 50%) chance of the plant being retired at the end of that life?
3. Is it appropriate to adjust the amortization of decommissioning costs to reflect this uncertainty in remaining life calculations?
4. If so, is the frequency or size of the adjustment relevant to the determination of whether the adjustments are appropriate?
5. Are the reasons for using a probability of decommissioning still valid today?

IPL provides its response to the Commission's *Notice* below.

II. IPL'S INITIAL COMMENTS

Requests for Information. IPL provides the following information in response to the Commission's specific questions and requests for information included in its *Notice*.

1. Provide an explanation of your company's plant decommissioning policies including the relationship of the policy to your company's depreciation expense and the calculation of the salvage portion of the depreciation expense.

Total decommissioning costs represent the costs to remove assets at an electric generating facility at the end of its useful life and costs to return the site to a brownfield status. The decommissioning cost estimate for each facility is based on the expected costs to remove the assets at each facility. The overall net salvage for each facility combines the interim net salvage amount with the decommissioning costs. These decommissioning cost estimates are compared to decommissioning cost estimates for generating facilities operated by other electric utilities to help corroborate the estimates are reasonable.

These estimates are included with each depreciation study filed by IPL with the Minnesota Public Utilities Commission. The decommissioning cost estimates and estimated retirement dates are updated as needed and the periodic depreciation studies incorporate any adjustments that are necessary to reflect such updates.

Incorporating decommissioning costs in current depreciation rates ensures that the cost of dismantling and decommissioning of electric generating facilities is borne by the ratepayers that are deriving the benefit of the electric generating facilities.

When an electric generating facility is retired, the decommissioning schedule for that facility will depend on numerous factors such as environmental issues, legal obligations and safety concerns. All decommissioning costs that have been collected

from ratepayers are held in accumulated provision for depreciation for that facility and will remain there until expenditures are made to decommission the facility. Any decommissioning cost amounts that are either over-collected or under-collected are addressed in future depreciation studies or rate proceedings.

2. Provide a detailed explanation of how your company's decommissioning probabilities are determined.

As stated above, decommissioning cost estimates are calculated based on the expected costs to remove the assets at each facility taking into consideration decommissioning cost estimates of other electric utilities. Probabilities are not assigned to future decommissioning cost estimates. According to IPL's consultant, Gannett Fleming, who helps prepare IPL's depreciation studies, a probability factor associated with decommissioning costs is not commonly utilized by other utilities across the United States.

3. Explain the relationship between the decommissioning probability and the established life for the plant.

IPL does not utilize a probability in establishing decommissioning cost estimates.

4. Does your company use decommissioning probability in any other jurisdiction in which you operate?

IPL does not use decommissioning probability in any other jurisdiction in which it operates.

5. Provide any documentation on depreciation practices that provides support for the use of decommissioning probabilities.

IPL does not use decommissioning probability and, therefore, has no depreciation practices which support the use of a decommissioning probability.

Topics Open for Comment. IPL provides the following information in response to certain of the Commission's topics that are open for comment.

1. Minnesota Rule 7825.0800 prescribes the straight-line method for calculating depreciation. Is the practice of a utility periodically adjusting its decommissioning cost accruals based on the probability of decommissioning occurring at the end of the projected life consistent with this rule?

IPL believes the use of decommissioning probabilities may result in depreciation expense amounts that are not consistent with the straight-line method.

2. Is there a dichotomy between setting a proposed life for plant and then determining there is only some percentage (such as 50%) chance of the plant being retired at the end of that life?

IPL believes there is a dichotomy between setting a proposed life for a plant and then applying a probability to the decommissioning activities occurring at the end of such plant's proposed life.

3. Is it appropriate to adjust the amortization of decommissioning costs to reflect this uncertainty in remaining life calculations?

IPL does not use a probability factor to adjust decommissioning costs since we do not believe it is appropriate to do so.

4. If so, is the frequency or size of the adjustment relevant to the determination of whether the adjustments are appropriate?

Since IPL does not use or advocated the use of decommissioning probabilities, we are unable to determine if adjusting for them is appropriate.

5. Are the reasons for using a probability of decommissioning still valid today?

IPL does not believe it is appropriate to use decommissioning probabilities.

III. CONCLUSION

IPL respectfully requests the Commission give IPL's *Initial Comments* due consideration.

DATED this 7th day of April 2014.

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

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