

October 6, 2014

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Sue 350  
St. Paul, Minnesota 55101-2147

RE: **Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E001, E140, E105, E139, E124, E126, E145, E132, E114, E6521, E-142,  
E-135/PA-14-322

Dear Dr. Haar:

Attached are the Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A Request for Approval of the Assets Purchase and Sale Agreement between Interstate Power and Light Company and Southern Minnesota Electric Cooperative.

The petition was filed on April 15, 2014 by:

Erik C. Madsen  
Director, Regulatory Affairs  
Interstate Power and Light Company  
PO Box 351  
Cedar Rapids, IA 52406

Brian Krambeer  
President  
Southern Minnesota Electric Cooperative  
c/o Tri County Electric Cooperative  
PO Box 626  
Rushford, MN 55971-0626

The Department recommends several modifications to the petition and requests that the Applicants provide additional information in supplemental responsive comments. The Department will make its final recommendations in its supplemental reply comments. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ John Kundert  
Financial Analyst

JK/ja  
Attachment

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**BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

**REPLY COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES**

**DOCKET No. DOCKET No. E001, E115, E140, E105, E139, E124, E126,  
E145, E132, E114, E6521, E142, E135/PA-14-322**

**I. SUMMARY OF INTERSTATE POWER AND LIGHT COMPANY'S AND SOUTHERN  
MINNESOTA ELECTRIC COOPERATIVE'S PETITION**

**A. FILED DOCUMENTS**

On April 15, 2014 Interstate Power and Light Company (IPL) and Southern Minnesota Electric Cooperative (SMEC) (the Companies or Applicants) filed a petition with the Minnesota Public Utilities Commission (Commission) for approval of the sale of IPL's Minnesota electric distribution system and assets, and transfer of IPL's service rights and obligations in Minnesota to SMEC (Petition). The Companies also filed Attachments A through U in support of their petition. In particular, Attachment D of the petition is the Asset Purchase and Sale Agreement (APA) and Schedules. Attachment D also contains the Wholesale Power Supply Agreement (WPSA) and Schedules. Attachment T provides a list of outstanding Commission dockets and upcoming Commission regulatory filings involving IPL. According to the petition, IPL will also be required to make a filing with the Iowa Utilities Board (IUB) regarding the proposed asset transfer.

At present, IPL serves a relatively small number of Minnesota retail customers (about 42,500). SMEC is made up of the following distribution cooperatives: Benco Electric Cooperative, Brown County Rural Electrical Association, Federated Rural Electric Association, Freeborn-Mower Cooperative Services, The Minnesota Valley Electric Cooperative, Nobles Cooperative Electric, People's Energy Cooperative, Redwood Electric Cooperative, South Central Electric Association, Sioux Valley Energy/Sioux Valley Southwestern Electric Cooperative Inc., Steele-Waseca Cooperative Electric, and Tri-County Electric Cooperative. The Applicants propose that these customers be served by SMEC, and eventually SMEC's Member Cooperatives, by means of SMEC taking wholesale electric generation and transmission service from IPL under the WPSA. This service would be provided by IPL under its Federal Energy Regulatory Commission (FERC) tariff.

The Minnesota Department of Commerce, the Division of Energy Resources (DOC or the Department) files its Comments on the Petition herein.

*B. SUMMARY OF THE PETITION AND REQUESTED APPROVAL*

Under the proposed APA, IPL would sell all of its electric distribution assets located in Minnesota to SMEC. If the Commission approves the proposed APA, IPL would not own any electric distribution assets in Minnesota. The proposed APA portion of the transaction is a cash-only transaction; i.e., IPL would receive no securities from SMEC in return for selling its electric distribution assets. SMEC would borrow the entire amount of the purchase price from the National Rural Utilities Cooperative Finance Cooperation (CFC).

Under the APA IPL would transfer its assets at book value. At present, the Applicants estimate the book value of the assets to be transferred at \$121 million.

The Petition indicates that the proposed APA portion of the transaction would also require IUB approval as the APA portion of the transaction represents more than three percent of IPL's Iowa jurisdictional revenue.

Under the WPSA, IPL proposes to supply SMEC with generation and transmission services to customers located in its current Minnesota service territories for 10 years. Transmission service would continue to be provided by ITC Midwest as is currently the case. Generation service would be provided by IPL facilities under IPL's FERC RES-5 rate.

The Companies seek to close the proposed transaction before December 31, 2014.

*C. STATED JUSTIFICATION FOR THE PROPOSED PURCHASE AND SALE AGREEMENT*

The Companies state that the standard under which the proposed APA must be reviewed is Minn. Stat. §216B.50 – Restrictions on Property Transfer and Merger. In particular, Minn. Stat. §216B.50 states, among other things,

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility or transmission company operating in this state, without first being authorized so to do by the commission. ... If the Commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing.

The Companies state that to justify the proposed APA and the combined APA and WPSA (Agreements) they do not have to show that it would provide public benefits. Instead, they argue that it is sufficient to show that the proposed Agreements are compatible with the public interest. To support this position, the Companies cite earlier Commission Orders in Docket Nos. G008/PA-90-604, G002/PA-99-1268, and G007,011/M-05-1676. The Companies state that the proposed Agreements are consistent with the public interest due to the following provisions of the proposal:

- SMEC and the SMEC Member Cooperatives would provide significant rate protections for a period of up to five years.
- SMEC Member Cooperatives would provide service to customers located in the current IPL service territories at uniform rates established by SMEC. These rates would maintain the current IPL levels of monthly customer charges. However, these rates would also reflect increases in the Power Supply and Transmission costs included in IPL's FERC rates.
- SMEC and its Member Cooperatives would provide ongoing cost advantages that would provide benefits to the current IPL customers.
- Rates are likely to be higher for the current IPL customers if IPL retains ownership of the distribution function than they would be if ownership and operation of the distribution function were transferred to SMEC and the SMEC Member Cooperatives.
- Service quality would be maintained and there are factors that may facilitate some improvement in service quality.

## II. DEPARTMENT ANALYSIS

### A. INTRODUCTION

#### 1. *Required Approval for Acquiring Properties*

The Companies request Commission approval of the Gas Asset Purchase and Sale Agreement between IPL and SMEC under Minn. §216B.50 and Minnesota Rules 7825.1600–1800.

#### 2. *Criteria for Assessing the Agreement*

Minnesota Stat. §216B.50 governs acquisitions and sales of utility properties for total values exceeding \$100,000. To approve a sale or an acquisition under that statute, the Commission must find that the sale or acquisition “is consistent with the public interest.” The statute further requires that:

In reaching its determination, the Commission shall take into consideration the reasonable value of the property, plant or securities to be acquired or disposed of.

The Commission has historically used a balancing test to determine if a sale or an acquisition is “consistent with the public interest,” weighing detriments against benefits. Among the factors considered have been: effects on rates, effects on service quality, effects on reliability, effects on the Commission’s authority to regulate the company, effects on corporation financing, potential for possible cross-subsidization and economies of scale.

If the Commission chooses to approve a transaction, the Commission may condition its approval if it finds that conditions are necessary to preserve the public interest. Such conditions can include periodic filings of information, rate freezes, rate reductions or service-quality requirements.

In determining whether the proposed transaction is consistent with the public interest, the Department focused on the following three issues:

- What effect would the Agreements likely have on costs to IPL's existing Minnesota electric ratepayers who would become SMEC Member Cooperative ratepayers as a result of the APA?
- Would the resulting operational changes affect reliability and quality of service for IPL's existing electric ratepayers who would become customers of the SMEC Member Cooperatives as a result of the APA?
- What effects would the Agreements have on the regulatory authority of Minnesota agencies and on the ability to ensure that the interests of IPL's ratepayers are appropriately met?

Below is the Department's discussion of each of the above issues.

#### *B. ORGANIZATION OF COMMENTS*

The Department's comments consist of the following sections:

- Legal and Procedural Issues;
- Electric Operational Issues;
- Effects of the Agreements on IPL's and SMEC Member Cooperatives' Ratepayers and Consistency with the Public Interest;
- Summary and Conclusions; and
- Recommendations.

#### *C. LEGAL AND PROCEDURAL ISSUES*

1. *Have the Companies Requested the Appropriate Approvals and Provided the Required Information?*

The Applicants appear to have requested approval of the APA under the appropriate Minnesota Statutes and Rules, although that interpretation requires some additional explanation.

A transfer of property from one rate-regulated public utility to another rate-regulated public utility is clearly subject to Commission approval under Minn. Stat. §216B.50. Moreover, a sale of assets by a rate-regulated utility to any entity is subject to Commission approval under that same statute.

SMEC is not a rate-regulated public utility as defined in Minn. Stat. §216.02, subd. 4. Further, the distribution cooperatives that are members of SMEC do not have transmission or generation resources to allow them currently to serve IPL's ratepayers. However, Minn. Stat. §216B.01 does not require that a utility must own generation or transmission resources:

## 216B.01 LEGISLATIVE FINDINGS.

It is hereby declared to be in the public interest that public utilities be regulated as hereinafter provided in order to provide the retail consumers of natural gas and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities and their need *to construct facilities to provide such services or to otherwise obtain energy supplies*, to avoid unnecessary duplication of facilities which increase the cost of service to the consumer and to minimize disputes between public utilities which may result in inconvenience or diminish efficiency in service to the consumers. Because municipal utilities are presently effectively regulated by the residents of the municipalities which own and operate them, and cooperative electric associations are presently effectively regulated and controlled by the membership under the provisions of chapter 308A, it is deemed unnecessary to subject such utilities to regulation under this chapter except as specifically provided herein. (Emphasis added)

Under the proposed Agreements, SMEC is required to obtain sufficient energy supplies to serve IPL's former customers. Specifically, Part 1 of the Wholesale Power Supply Agreement states:<sup>1</sup>

IPL agrees to furnish and sell, and [SMEC] agrees to purchase, subject to the provisions of this Agreement, all of the electricity required by [SMEC] for service to its Members in connection with the operation of the electrical distribution system ("SYSTEM") acquired by [SMEC] from IPL on \_\_\_\_\_, 2013 (a current map of the SYSTEM is detailed on Exhibit A), and constituting all of the retail load of the SYSTEM existing at such date as provided under the individual delivery and interconnection points set forth on Exhibit B (the "Old Load").

Thereafter and for the duration of this Agreement, [SMEC], through its Members, may displace no more than 5% of [SMEC's] monthly capacity, power and energy needs for the Old Load, adjusted as necessary to reflect behind the meter distributed generation that reduces [SMEC] requirements service from IPL. Such behind the meter generation shall not be considered a reduction in [SMEC's] purchase obligation under this Agreement. This displaced reduction in monthly capacity, power and energy needs in Old Load shall only be used if, in the reasonable judgment of [SMEC], it would (a) provide increased reliability, (b) eliminate duplicate electric facilities, (c) increase efficiency, or (d) address casualty loss or

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<sup>1</sup> Attachment D of Initial Filing, pages 639-640 of 660.

the retirement of electric facilities in a more cost-effective manner ((a) through (d) collectively referred to as “Improved Services”).

Thus, SMEC incorporates a sufficient level of characteristics of a generation and transmission cooperative as this term is defined in Minn. State 216B.2422, subd. 1(b). Consequently, the Department concludes that the Applicants appropriately filed their petition pursuant to Minnesota Statute in that it provides for Commission review of the proposed transaction.

Additionally, a transfer of property as proposed by the Applicants must satisfy the requirements of Minn. Rules 7825.1700 and 7825.1800. Minn. Rule 7825.1700 requires two things:

- The petition must be approved by formal written order from the Commission; and
- If consideration for such a transaction (transfer of property) is a security or securities, then the Applicants must file for approval of capital structure concurrently with their petition for transfer of property.

The Applicants filed for approval of their petition under Minn. Stat. §216B.50 and the proposed transaction involves no securities in consideration of the proposed transfer of property. Therefore, the Department concludes that the Petition satisfies all the requirements of Minn. Rule 7825.1700.

Minn. Rule 7825.1800 lists the filing requirements for a petition to acquire property. It consists of four parts A through D, of which only parts B-D are applicable to a transfer of property. The Department reviewed the petition and concludes that the information provided in the petition includes all the required information in parts B through D of Minn. Rule 7825.1800.

As noted above, IPL will need to request that the IUB approve the sale to SMEC. The Department is not aware that IPL has yet made that filing as of the date of these comments; IPL stated that it planned to make this request in the second quarter of 2014. As a result, the Department requests, on an ongoing basis, that IPL submit a notification in this docket whenever IPL files a petition with the IUB regarding this proposed sale.

In addition, while not pre-judging the outcome of the Commission’s proceeding or the IUB proceeding, the Department requests that the Applicants indicate in reply comments what SMEC’s plans are if authorization does not occur, or does not occur in a timely manner.

Based on its review of the Applicants’ petition and its discussion above, the Department concludes that the Applicants’ petition satisfies all the legal content and procedural requirements.

#### *D. ELECTRIC OPERATIONAL ISSUES*

The proposed Agreement would require SMEC’s Member Cooperatives to integrate IPL’s electric distribution services in Minnesota into their own respective electric distribution systems in Minnesota. To be consistent with the public interest, such integration must be seamless and may not result in operational issues for the SMEC Member Cooperative’s



post-transaction integrated electric distribution systems. The operational issues consist of two parts:

- operation of the distribution system and;
- electric supply.

Regarding operation of IPL's current distribution system and its integration into the twelve SMEC Member Cooperatives' distribution systems respectively, the Applicants state:<sup>2</sup>

IPL and SMEC will cooperate to ensure a seamless and orderly transition of customers from IPL to SMEC Member Cooperatives. IPL and SMEC call-centers, customer service billing and information technology departments will have transferred all of the necessary data and customer information to enable effective resolution of customer concerns. At the close of the Transaction, the SMEC Member Cooperative customer service departments will field calls from the acquired customers. IPL, SMEC, and the SMEC Member Cooperatives will work together to complete a final meter read to ensure accurate customer usage information is transferred for the transition to SMEC Member Cooperative billing. IPL, SMEC and the SMEC Member Cooperatives will continue to work together after the Transaction closes to resolve all issues that have not yet been resolved.

Based on the Applicants' explanation and their responses to select DOC information requests included in Attachment A, the Department does not anticipate any operational issues associated with the proposed sale of the electric distribution assets from IPL to SMEC.

Regarding power supply for IPL's customers, the Applicants state, in addition to the quote above from the Wholesale Power Supply Agreement:<sup>3</sup>

The Wholesale Power Agreement is a full requirements agreement between IPL and SMEC for electric supply to customers in the areas acquired from IPL with an initial term of ten (10) years and a five- (5) year prior written notice of termination, which notice may not be given until the fifth anniversary of the effective date of the Wholesale Power Agreement. The pricing terms for the energy and capacity under the Wholesale Power Agreement shall be the same as provided in IPL's applicable tariff, currently FERC Rate Schedule RES-5 tariff, which is included in Attachment F.

Based on the Applicants' explanation, the Department does not anticipate any operational issues associated with the power supply from IPL to SMEC's Member Cooperatives.

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<sup>2</sup> Petition, at pages 55-56.

<sup>3</sup> Petition, at page 20.

Regarding transmission service, the Applicants state:<sup>4</sup>

Power and energy will be delivered to SMEC distribution substations through the same transmission facilities that provide delivery prior to the sale by the same transmission providers (including [Dairyland Power Cooperative, Independent Transmission Company and Northern States Power Company]). IPL will have authority to act on SMEC's behalf to procure appropriate transmission services from [the Midwest Independent System Operator (MISO)], receiving and paying bills from MISO and passing the associated charges through to SMEC.

Based on the Applicants' explanation, the Department does not anticipate any operational issues associated with the transmission of power and energy from IPL to SMEC's Member Cooperatives.

*E. EFFECTS OF THE PROPOSED ASSETS' SALE AND PURCHASE ON IPL'S RATEPAYERS AND CONSISTENCY WITH THE PUBLIC INTEREST*

*1. Introduction*

As noted above, Minn. Stat. §216B.50 states:

If the Commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by Order in writing.

To be consistent with the public interest, the proposed transaction must not result in a significant rate increase for IPL's existing ratepayers. If SMEC or the SMEC Member Cooperatives' were rate regulated by the Commission, the Commission would apply this same criterion to the SMEC Member Cooperative's rates. Given that the SMEC Member Cooperatives' are self-regulating, the concern relative to rate increases for SMEC Member Cooperative's customers falls beyond the Commission's purview. Any concerns about rate impacts on SMEC Member Cooperatives rest entirely with each of the SMEC Member Cooperatives' Board of Directors.

As noted above, the Applicants indicate the following benefits of the proposal:<sup>5</sup>

- SMEC and the SMEC Member Cooperatives would provide significant rate protections for a period up to five years.
- SMEC Member Cooperatives would provide service to customers located in the current IPL service territories at uniform rates established by SMEC. These rates would maintain the current IPL levels of monthly customer charges. These rates would reflect increases in Power Supply and Transmission costs included in IPL's FERC rates.

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<sup>4</sup> Petition, at pages 20-21.

<sup>5</sup> The following bullets paraphrase section V, part B. *Summary of Customer Benefits and Customer Protections* of the Petition.

- SMEC and its Member Cooperatives would provide ongoing cost advantages that would provide benefits to the current IPL customers.
- Rates are likely to be higher for the current IPL customers if IPL retains ownership of the distribution function than they would be if ownership and operation of the distribution function were transferred to SMEC and the SMEC Member Cooperatives.
- Service quality would be maintained and there are factors that may facilitate some improvement in service quality.

2. *Department's Discussion of the Rate Impacts*

For the transaction to be consistent with the public interest, IPL's ratepayers must not be worse off as a result of paying SMEC's rates instead of paying IPL's rates. Therefore, the Department compares the rates that would have been charged to IPL's ratepayers, absent the proposed transaction, with the rates that would be charged to IPL's ratepayers under the proposed transaction. This exercise is complicated by the fact that SMEC does not provide electric service to any retail ratepayers. As a result, the Department developed a set of weighted average rates using SMEC Member Cooperatives' rates and compared those rates to IPL's current rates for those same customer classes/rate codes. Based on Attachment K of the filing, the Department compares IPL's 2014 rates to the weighted average of SMEC Member Cooperatives' rates in Table No. 1 below.

**Table 1: Rates Comparison for 2014, Assuming Current IPL Rates**

<u>Customer Class</u>	<u>Percentage Change if Transferred to SMEC Members at Current Rates</u>
Residential	20.60%
Farm	7.21%
Small Commercial	34.37%
Large Commercial	17.90%

The comparison is based on average annual bills for each customer class. Positive numbers indicate the percentage by which the weighted average SMEC Member Cooperatives' rates exceed IPL's rates.

The Applicants did not include the base rate comparison made in Table 1, stating that such a comparison is not "very meaningful."<sup>6</sup> The Applicants appear to take the position that SMEC Member Cooperatives' rates are based on the revenue requirements and characteristics of rural, low load density electric distribution systems, in contrast with IPL's rates which are based on a predominantly urban system.<sup>7</sup>

Based on this comparison alone, it would appear that IPL's ratepayers would be worse off under the proposed transaction, assuming that the rates paid by IPL's current ratepayers will ultimately converge with the SMEC Member Cooperative's rates. However, there are two factors that affect the information in Table 1 and any conclusion to be drawn from that

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<sup>6</sup> Petition at page 51.

<sup>7</sup> Ibid.

information. First, IPL’s current rates may not reasonably represent IPL’s current cost of providing electric service to its Minnesota customers. Since IPL’s last electric rate case in Minnesota was in 2010, it is likely that IPL’s current cost of service is higher than is reflected in IPL’s rates.

The Applicants also discuss the topic of IPL’s current rates in the Petition. For example, the Applicants provided IPL’s alleged actual and weather-normalized annual returns on equity (ROE) since 2009 in the Petition. IPL’s weather-normalized annual returns, on equity for 2010 through 2013 were -3.29% 0.99%, 0.53% and 0.43%, respectively,<sup>8</sup> compared to the authorized ROE of 10.35%.<sup>9</sup> In addition, the Department notes that, as indicated in Table 2 below, IPL reported the overall rates of return (ROR) in its annual jurisdictional reports for these years, compared to the authorized ROR of 8.105%<sup>10</sup> (IPL states in its jurisdictional reports that the Company does not consider its expenses to be weather-sensitive). These results, which are not audited, suggest that IPL’s rates were significantly lower than IPL’s cost-of-service for that same time period:

**Table 2: IPL’s Reported RORs in Annual Jurisdictional Reports**

Year	Docket	ROE (normalized)	ROR (unnormalized)
2010	11-4	(3.29%)	2.08%
2011	12-4	0.99%	4.15%
2012	13-4	0.53%	3.74%
2013	14-4	0.43%	3.66%

Second, the influx of current IPL customers into the different SMEC Member Cooperatives could result in the creation of new service options or rate classes for certain SMEC Member Cooperatives due to the number and cost characteristics of those customers. For example, the introduction of 12,200 residential customers from IPL’s Albert Lea service territory into Freeborn-Mower Electric Cooperative’s current customer population of 6,000 total customers would have a significant impact on Freeborn-Mower’s cost structure, customer classes and rates.

While the potential for rate shock appears significant given the information in Table 1, SMEC does offer the equivalent of a three-year rate freeze on the distribution portion of its would-be rates in the Petition. It also provides certain rate protections in the Petition that it believes will help to mitigate rate shock for IPL’s current customers if the transaction is approved.

SMEC’s most recent estimate included in Attachment E of its Responsive Comments filed September 4, 2014, stated that typical bills would increase by 5-7 percent in 2015, 3-4 percent in 2016 and 7-8 percent in 2017.

The Department estimated that IPL’s average revenue requirement increases for that same time period, if IPL continued to serve its Minnesota customers, would be 6.2 percent in 2015, 8.3 percent in 2016 and 6.6 percent in 2017.

<sup>8</sup> Petition at page 46.

<sup>9</sup> Commission’s August 12, 2011 Findings of Fact, Conclusions of Law and Order, page 10, Docket No. E001/GR-10-276.

<sup>10</sup> Id. at 45.

### 3. Cost Benefit Analysis of Transaction from IPL Ratepayer Perspective

The Applicants provided a summary table in Attachment I of the filing that included a cost/benefit analysis for IPL's customers during the initial three-year period. The Applicants estimated a cumulative nominal benefit associated with the transaction of \$28.3 million by the end of 2017. This benefit was based on a comparison of projected revenue increases for the period from 2013 through 2017 by IPL if it continued to own and operate its electric distribution system, and increases SMEC expects if the transaction is approved. The analysis assumed that IPL would file rate cases in early 2014 and in 2017 and would be awarded these proposed increases. For comparison, in IPL's most recent electric rate cases, that the Commission granted IPL an increase in revenue requirement of \$7.8 million in its 2010 rate case (E001/GR-10-276), and \$1.2 million in its 2005 rate case (E001/GR-05-748).

Table 3 below mirrors the information included in Table 1 in Attachment I of the filing. The Department also attempted to quantify the benefits associated with IPL's analysis by discounting the estimated benefits through 2017 back to current dollars. This calculation resulted in an estimated benefit of \$21.67 million using IPL's assumptions.

**Table 3: IPL Comparison of Projected Revenue Increases – Total System (\$ millions)**

	Description	2013	2014	2015	2016	2017
1	Base = 2013 Customer Cost	\$77.00				
2	IPL Revenue Requirement		\$80.5	\$88.2	\$92.4	\$100.2
3	\$ Change from Prior Year		\$3.50	\$7.70	\$4.20	\$7.80
4	% Change from Prior Year		4.5%	9.6%	4.8%	8.5%
5	SMEC Revenue Requirement		\$77.0	\$81.4	\$85.1	\$89.5
6	\$ Change from Prior Year		\$0	\$4.40	\$3.70	\$4.40
7	% Change			5.7%	4.5%	5.2%
8 (2-5)	Annual Nominal Benefit		\$ 3.5	\$ 6.8	\$ 7.3	\$10.7
9	% Benefit		4.5%	8.8%	9.5%	13.9%
10	Cumulative Nominal Benefit		\$ 3.5	\$10.3	\$17.6	\$28.3
11	Present Value of Annual Benefit in Current \$ for 2015 through 2017*		\$21.67			

\* Discounted at IPL's weighted average cost of capital.

IPL's analysis overstates the potential benefits resulting from the transaction in that it assumes that IPL would have filed a rate case in early 2014. That filing would have begun the process of bringing IPL's annual revenue more in line with the Company's stated cost of service. In light of this overly favorable assumption, the Department developed its own estimate of the costs and benefits of the transaction given a more realistic timeframe.

The Department's analysis is summarized in Table 4 below. The assumptions that form the basis for Department's cost/benefit differs from IPL's as follows:

- The analysis assumes the transaction is completed by December 31, 2014. Consequently cost and benefits associated with the transaction begin on January 1, 2015.
- If the transaction is not approved, IPL will file rate cases annually from 2015 through 2017.
- The analysis is extended through 2018 so as to capture the full extent of the hypothetical 2017 IPL rate case.
- IPL's revenues are set equal to its revenue requirements.
- SMEC's annual revenues are identical to those provided in IPL's analysis for the period from 2015 through 2017.
- SMEC's annual revenue is increased by 4 percent in 2018. This increase in SMEC's annual revenue would be consistent with that of IPL's revenue requirement.

The Department believes its second assumption – that IPL will file annual rate cases beginning in 2015, is a very favorable assumption from IPL's perspective. A third assumption, that IPL would be awarded 100 percent of its requested increases is also very favorable to the Company.

**Table 4: Department Comparison of Projected Base Rate Revenue Increases – Total System (\$ millions)**

Description	2014	2015	2016	2017	2018
IPL Revenues	\$78.5				
IPL Revenue Requirement		\$83.35	\$90.30	\$96.3	\$100.2
% Change from Prior Year		6.2%	8.3%	6.6%	4.0%
SMEC Revenue Requirement		\$81.40	\$85.1	\$89.50	\$93.08
% Change		3.7%	4.5%	5.2%	4.0%
Annual Nominal Benefit		\$ 1.95	\$ 5.20	\$ 6.80	\$ 7.12
% Benefit		2.3%	5.8%	7.1%	7.1%
Cumulative Nominal Benefit		\$ 1.95	\$ 7.15	\$12.65	\$21.07
Present Value of Annual Benefit in Current \$ 2015 through 2017*		\$11.80			

\*Discounted at IPL's weighted average cost of capital

The Department's analysis suggests that the benefits associated with the transaction would accrue more slowly than IPL estimates. More importantly, the Department's analysis indicates that the nominal and net present value of the estimated benefits would be significantly lower than IPL estimates for the time period 2015 through 2017. The Department estimates the benefits to ratepayers in nominal terms would be \$12.65 million versus IPL's estimate of \$28.30 million. This estimate is roughly 24 percent lower in nominal terms. The difference between the estimates in current dollars is even larger. The Department estimates the transaction benefits at \$11.80 million which is \$9.87 million lower (46%) than the Department's estimate of the benefits based on IPL's analysis of \$21.67 million.

Unfortunately, this lack of rigor in IPL's cost benefit analysis in this docket is concerning, given the Company's history of representing that customers would receive net benefits of a transaction when in practice there were net costs, such as in Docket No. E001/PA-07-540,

when IPL sold its transmission assets to ITC Midwest.<sup>11</sup> In that proceeding, IPL estimated that ratepayers would see a rate reduction of 20 cents per month for the average residential ratepayer; however, in practice, IPL proposed a rate increase of approximately \$5.17 per month for such customers.<sup>12</sup>

Given that history, the Department asked several information requests and performed additional research to assess the extent to which the Commission can rely on the estimates that IPL and SMEC have provided in IPL's cost benefit analysis. This information is included in the following section.

### Scenarios

There are at least three risks that could affect the costs and benefits that IPL and SMEC have identified:

- SMEC Member Cooperatives' forecasted income not being sufficient to cover the debt service requirements to its lenders. This insufficiency could be due to revenues being lower than forecasted or expenses being higher than forecasted, among other things;
- IPL's forecast of its generation costs being incorrect; and/or
- IPL's forecasts of ITC Midwest's transmission costs being incorrect.

The Department was particularly interested in the financial analysis that supported SMEC's offer to purchase IPL's distribution assets due to the novelty of the filing. To the Department's knowledge, this is the first instance in which an incumbent investor-owned utility (IOU) is proposing to voluntarily sell its distribution function to a third party in Minnesota. It is also the first instance in which the Department has had an opportunity to review the process by which a group of distribution cooperatives formed a cooperative of cooperatives to secure third-party financing to achieve a common goal. The sensitivity in this instance would be the potential variability of the line in Tables 3 and 4 above entitled "SMEC Revenue Requirement" for the period from 2015 through 2017.

Nationally, several transactions similar to the proposed IPL/SMEC transaction have been proposed and approved during the past twelve years. These include:

- Docket No. 02-0060 before the Hawaiian Public Utilities Commission;
- Docket Nos. 04-WSEE-180-CCS, 04-KG&E-192-CCS, 04-WSEE-203-CCS, and 03-KG&E-384-CCS before the Kansas Corporation Commission;
- Docket Nos. 6850 and 6853 before the Vermont Public Service Board (2004), and
- Case No. U-16035 before the Michigan Public Service Commission (2010).

In each of these proceedings, an investor-owned utility sold its assets to one or more electric cooperatives. This transaction required each of these cooperatives to forecast its respective income from the acquired property to determine if it was sufficient to secure financing and

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<sup>11</sup> *In the Matter of the Joint Petition for Approval of the Transfer of Transmission Assets of Interstate Power and Light Company and ITC Midwest LLC.*

<sup>12</sup> Commission's August 12, 2011 Findings of Fact, Conclusions of Law and Order, page 13, Docket No. E001/GR-10-276.

to provide adequate service. The Department contacted staff in at these different state commissions to determine if the cooperatives had been successful in this effort. The responses the Department received found that none of the cooperatives had incorrectly forecasted the income they would receive from the different properties. This result suggests that in order to secure third-party financing, these cooperatives, and by extension SMEC, needed to develop detailed financial analyses of their expected incomes.

The Department also asked SMEC to provide its financial justification for the transaction in Department Information Request No. 66. While SMEC objected to the request, SMEC provided the information, which appears to be sufficient to determine that its financial modeling is adequate. The fact that the National Cooperative Finance Corporation is willing to lend SMEC \$140 million on the basis of this modeling also indicates that SMEC's proposal to purchase the distribution assets is complete and accurate.

That said, SMEC is only really concerned with the distribution function. This component represents roughly 30 percent of the total revenue requirement. The remaining 70 percent falls under the transmission and generation functions. Under the Wholesale Power Supply Agreement with IPL, SMEC would simply pass through the transmission and generation-related costs it is billed by IPL.

As to the potential variability in IPL's forecasted revenue requirements from 2015 through 2017, the Department asked IPL to provide an explanation of the cost drivers influencing its revenue requirement during the 2015-2017 timeframe in DOC information Request No. 12. IPL provided a summary of its incremental revenue requirements for the 2013 through 2017 time period. The information in this response appears to be consistent with the information in the Company's 2014 Integrated Resource Plan (Docket No. E017/RP-14-77). Consequently, the Department concludes that there is a reasonable probability that IPL's projected revenue requirements are likely to occur. The Department did not attempt an in-depth investigation of those estimated revenue requirements. A contested case proceeding would be necessary to accomplish that task.

Given that SMEC's modeling was adequate to secure financing and that IPL's estimated revenue requirements are at least consistent with information provided in its most recent IRP, the Department believes that the likelihood of IPL/SMEC's forecasts containing significant errors is minimal.

#### *4. Department's Discussion of Non-Price Factors*

##### *a. Service Reliability, Quality and Safety*

Minn. Stat. §216B.029 delineates service reliability and service quality standards for electric distribution utilities regulated by the Commission (*i.e.* IOUs or Dakota Electric Cooperative). The statute also states that "Standards for cooperative electric associations . . . should be as consistent as possible with the commission standards." In addition, the Commission developed Minn. Rule 7826, Electric Utility Standards to provide additional information regarding the reporting requirements associated with the statute.



## Reliability

The Department asked SMEC a series of information requests to compare the SMEC Member Cooperatives' existing level of service reliability with that of IPL. The basis for these information requests was the annual information required to be filed with the Commission under Minn. Rule 7826.05 through 7826.07, Electric Utility Standards - Reliability.

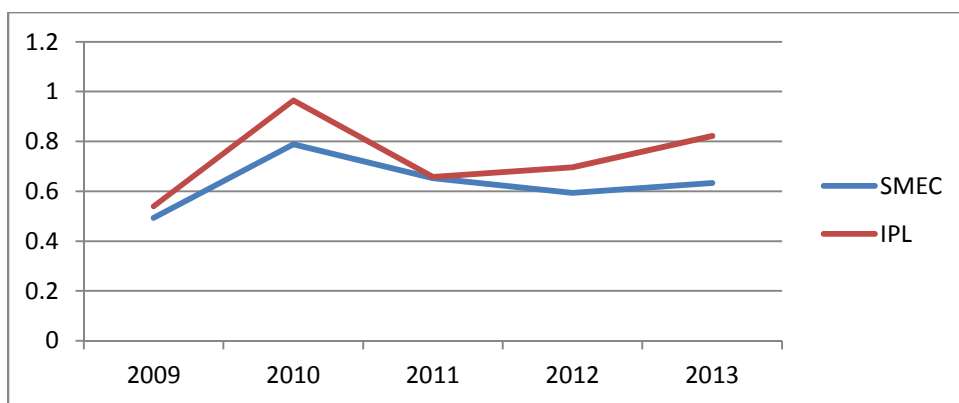
Charts 1-1 through 1-3 compare the three reliability measures required under Minn. Rules 7826.06, subpart 1. These include:

- System Average Interruption Duration Index (SAIDI), which measures the average outage duration for each customer served.
- System Average Interruption Frequency Index (SAIFI), which measures the average number of interruptions that a customer would experience, and
- Customer Average Interruption Duration Index (CAIDI), which provides an estimate of the average outage duration any given customer would experience.

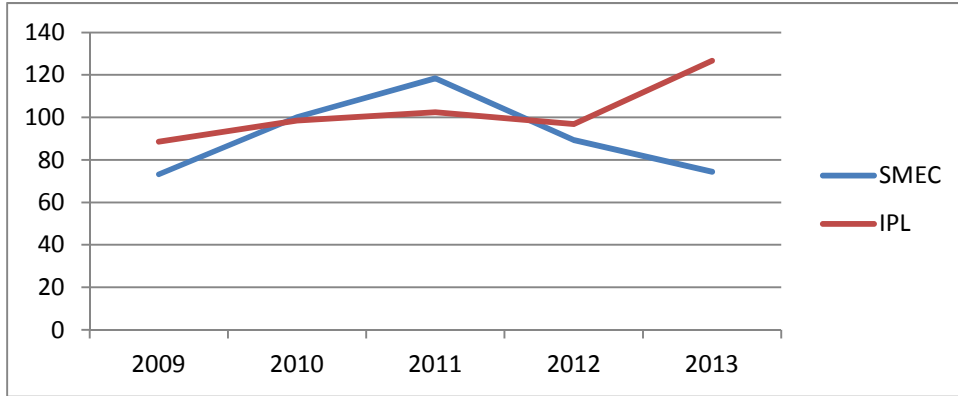
The information in Charts 1-1 through 1-3 is consistent with SMEC's response to DOC Information Request #21 in which SMEC stated: "Over the past five years, the SMEC Member Cooperatives have achieved better reliability metrics than IPL, in spite of the fact that SMEC Member Cooperatives have 4 times the miles of line exposure per customer than IPL."

The information in Charts 1-1 through 1-3 suggests that the SMEC Member Cooperatives' service reliability is comparable to, if not better than, IPL's. This information suggests that IPL's current ratepayers would not likely suffer a decline in reliability, and could experience improvement, if the transaction is approved.

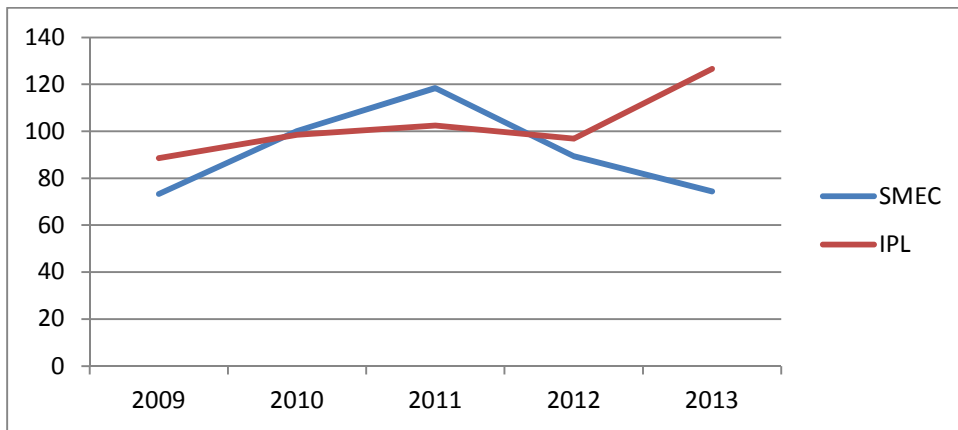
**Chart 1-1: Comparison of IPL and SMEC Member Coops' SAIDI for 2009 through 2013**



**Chart 1-2: Comparison of IPL and SMEC Member Coops' SAIFI for 2009 through 2013**



**Chart 1-3: Comparison of IPL and SMEC Member Coops' CAIDI for 2009 through 2013**



Minn. Rule 7826.07 requires an investor-owned utility to report major service interruptions to the Commission contemporaneously (subpart 1) and also to provide a written report to the Commission within 30 days if certain outage-related criteria are met. DOC Information Request #24 asked the SMEC Member Cooperatives to describe their processes for reporting major service interruptions to their respective Board of Directors (BODs). This question assumed that the BODs provide an oversight function similar to that of the Commission regarding customer outages.

It appears that the different cooperative BODs have adequate controls in place to stay informed regarding significant customer outages similar to those contained in Minn. Rule 7826.07 that pertain to the Commission. In addition, the SMEC Member Cooperatives are required by the Rural Utilities Service (RUS) to provide reliability information to that entity on an annual basis. The fact that the respective cooperatives' board members are elected suggests that sufficient requirements or incentives are in place to ensure that the SMEC Member Cooperatives maintain a focus on system reliability.

**Table 5: Summary of SMEC Member Cooperative Outage Reporting**

<b>SMEC Member Coop</b>	<b>Contemporaneous Reporting</b>	<b>Outage Report</b>
BENCO	Yes	Yes
Brown County	Yes	Yes
Federated	Not specifically identified	Not specifically identified
Freeborn Mower	Yes	Yes
Minnesota Valley	Yes	Yes
Nobles	Not specifically identified	Not specifically identified
People's	Not specifically identified	Yes, monthly
Redwood	Yes	Yes
Sioux Valley	Yes	Yes
South Central	Yes	Not specifically identified
Steele Waseca	Yes	Yes
Tri-County	Yes	Yes

Service Quality

Minn. Rule 7826.08 through 7826.12 covers customer service-related requirements for IOUs operating in Minnesota. The Department asked SMEC a series of information requests to collect the information to compare the SMEC Member Cooperatives' existing level of service quality to that of IPL. A summary of the information is provided by topic as listed in the Rules in Table 6. The Department's analysis is included in Attachment B.

The intent of the Department's analysis was to ascertain the general level of service quality the different SMEC Member Cooperatives currently provide and to compare that level with that provided by IPL. In general it appears that the SMEC Member Cooperatives' service quality, as defined in Minn. Rules 7826.08 through 7823.12 is comparable to that provided by IPL one notable exception. SMEC Member Cooperative's service quality may even be superior in some instances. The only notable exception to this trend was meter reading for two of the SMEC Member Cooperatives – Redwood Electric Cooperative and South Central Electric Cooperative. These two cooperatives ask their residential and small commercial members to read their own meters. This policy skews the meter reading data in that it is inconsistent with that followed by the IPL.

During the course of its review, the Department became aware of an issue related to the lack of standard definitions for many of the terms included in the SMEC Member Cooperatives' responses to the Department's questions regarding sections 7826.11 through 7826.20. Given that the SMEC Member Cooperatives had no experience reporting this information, the cooperatives defined certain terms differently from one another. This fact resulted in an analysis that was of little value.

**Table 6 – Comparison of SMEC Member Cooperatives and IPL's Service Quality**

Topic	Minn. Rule Citation(s)	Comment
Customer Notice of Planned Service Interruptions	7826.08	SMEC Member Cooperatives equal to or better than IPL.
Meter Reading Frequency/Performance	7826.09 & 7826.14	SMEC Member Cooperatives equal to IPL in the near term and likely better in the long-term.
Malfunctioning Meters	7826.10	SMEC Member Cooperatives equal to or better than IPL.
Service Call Appointments	7826.11	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Call Center Response Times	7826.12 & 7826.17	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Involuntary Disconnections	7826.15	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Service Extension Request Response Times	7826.16	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Emergency Medical Accounts	7826.18	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Customer Deposits	7826.19	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.
Customer Complaints	7826.20	Not clear – the variety of SMEC Member Cooperative responses make it difficult to determine.

That said, the Department concludes that the cooperatives' long-standing affinity for local control, and to some extent local accountability, is a factor in their favor in this discussion.

Safety

Minn. Rule 7826.03 and 7824.04 delineate the safety requirements for electric distribution utilities. Minn. Rule 7826.04 requires each IOU to file an annual safety report that includes summaries of all reports filed with the United States Occupational Safety and Health Administration (OSHA) and the Occupational Safety and Health Division of the Minnesota Department of Labor and Industry as well as a description of all incidents during the year in which an injury requiring medical attention or property damage resulting in compensation occurred and all remedial action taken as a result of any injuries or property damage described.

Department Information Request No. 44 asked for this information. Based on the cooperatives' responses, the Department could not identify a discernable difference in the level of safety provided by IPL or the SMEC Member Cooperatives. As a result, the Department believes that the current level of safety provided by IPL to its electric ratepayers will remain constant if the transaction is approved and the SMEC Member Cooperatives begin to provide electric distribution service to IPL's current ratepayers.

*b. Miscellaneous Topics*

The Department includes three topics in this section.

- Conservation Improvement Program (CIP),
- Renewable Energy, and
- Distributed Generation.

## Conservation Improvement Program

IPL/SMEC is proposing to transfer the CIP function to SMEC or its Member Cooperatives. The cost-recovery mechanism would not change, nor would the percentage of revenue required to be invested. There would be some changes in the types of programs offered to the SMEC Member Cooperatives' customer/owners if the transaction is approved. The Department is still reviewing the impact of these potential changes as well as IPL and SMEC's transition plan. The Department will file brief supplemental comments on this issue as soon as this information is available.

## Renewable Energy

As discussed in the Petition, Minn. Stat. § 216B.169 and Minn. State § 216B.1691 both apply to electric cooperatives to the same extent that they apply to electric IOU utilities. As a result, there shouldn't be a noticeable impact on SMEC, its Member Cooperatives or IPL's former ratepayers regarding the availability or installation of renewable generation.

## Distributed Generation

SMEC Member Cooperatives have adopted distribution generation tariffs as well as community-based energy development tariffs (CBED). The Department also asked about CBED projects proposed and completed in SMEC Member Service Territories during the past five years in DOC Information Request No. 37. Apparently the extent of CBED activity during the past five years has consisted of two cooperatives – Federated Rural Electric and Nobles Cooperative Electric - developing their own CBED installations.

Department Information Request No. 39 asked the SMEC Member Cooperatives about their attempts to develop community solar gardens. Their response was:

All of the SMEC Member Cooperatives are actively engaged in researching the viability and best ways to implement a local solar project. Freeborn-Mower, People's and Tri-County are partners in a 517 kW project located in Oronoco, MN. BENCO, Brown County, Nobles and Waseca are working with their G&T supplier, Great River Energy, and expect to have a solar project up and running in 2015.

It appears that the SMEC Member Cooperatives have demonstrated a reasonable commitment to renewable energy and distributed generation to this point. It is reasonable to assume they will continue that level of effort. As noted in the following section, the Commission will also retain sufficient oversight to ensure that SMEC and its Member Cooperatives will continue to adhere to Minnesota renewable standards and requirements.

### *4. Jurisdictional Issues*

The Department's first question regarding SMEC was definitional. In meetings between the Petitioners and the Department, SMEC's consultant stated that SMEC was a "paper Generation and Transmission (G&T) Cooperative". In DOC Information Request No. 41 the Department asked IPL/SMEC to define that term.

The term “paper G&T” is used in the industry to describe a Generation and Transmission organization that provides power supply and transmission services to member distribution systems, but does not own or operate much, if any, of the facilities used to provide those services. Instead, it purchases those services from other entities and then provides those services to its members. Some paper G&T begin in order to aggregate the demand of their member owners and provide better purchasing power. Some G&T’s are “paper G’s,” meaning that they own no generation but own some transmission facilities, while others are “paper T’s”, meaning that they own some generation but no transmission. The term paper G&T or its variants is applied to a wide range of operations from those organizations owning no G&T facilities warranting minimal staff to those owning at least some G&T facilities requiring some full time staff. Some paper G&T’s evolve to ownership of substantial G&T resources.

In Department Information Request No. 45, the Department asked IPL/SMEC to list the reporting obligations to the Commission that SMEC would assume if the transaction were approved. IPL/SMEC listed the following four requirements.

1. The reporting requirement of a CBED tariff under Minn. Stat. § 216B.1612.
2. The reporting requirement with respect to renewable energy objectives under Minn. Stat. § 216B.1691.
3. The reporting requirement of energy conservation improvements under Minn. Stat. § 216B.241 to the extent that SMEC makes investments on an aggregated basis for the SMEC Member Cooperatives.
4. The annual reporting requirement under Minn. Stat. § 216C.17, unless the SMEC Member Cooperatives submit such reports.

These reporting requirements will recognize that SMEC does not own generation and purchases wholesale power on an all requirements basis from IPL. These reporting requirements may also recognize that the G&T Cooperative of which a SMEC Member Cooperative is also a member may assist SMEC with these reporting requirements.

The Department’s review suggests that SMEC’s relationship with the Commission will encompass these four requirements. As discussed further below, it appears that SMEC, not IPL, should be the entity required to file integrated resource plans with the Commission consistent with Minn. Stat. §216B.2422, subd.1. (b).

If SMEC is indeed a paper G&T as the Petitioners state, then SMEC, legally at least, would be the entity capable of generating or procuring 100,000 kilowatts or more of electric power. In addition, SMEC, not IPL, would legally serve the needs of 10,000 retail customers in Minnesota. Consequently, SMEC should be the entity responsible for the integrated resource planning function before the Commission, much the same that Great River Energy, another G&T is responsible for this same function. This position is also consistent with

SMEC's suggestion that it would fulfill the Advanced Forecast reporting requirement under Minn. Stat. § 216C.17 as is discussed in the response to DOC IR No. 45.

The question about SMEC's identity and role is important since, according to the Petitioners, the Commission's oversight function relative to IPL's current electric customers would be significantly curtailed if the transaction were approved. The Department's review attempted to develop some additional detail regarding the timing and extent of those potential changes.

The Department's analysis considers the Commission's jurisdiction regarding the following entities assuming the transaction is approved;

- IPL;
- SMEC; and
- SMEC's Member Cooperatives.

It also considers two perspectives related to the Commission's jurisdiction. The first concerns the changes to the Commission's jurisdiction that is related or dependent on the transaction. The second concerns the extent of the Commission's jurisdiction post-transaction and the roles that IPL, SMEC and the SMEC Member Cooperatives believe are appropriate.

#### Effects of Proposed Transaction on Historical/Existing Commission Oversight of IPL

As an investor-owned utility, IPL is currently subject to every aspect of Commission regulation. A Commission decision that would allow the transfer of the distribution function to SMEC and the SMEC Member Cooperatives would significantly restrict the Commission's oversight regarding the cost and reliability of the electric service provided to those 42,600 IPL ratepayers.

The most significant Commission function that would be lost would be those associated with a general rate proceeding and other rate matters:

- The right to determine IPL's revenue requirement for its Minnesota jurisdiction,
- The ability to determine an appropriate revenue apportionment of that revenue requirement to IPL's different customer classes, and
- The ability to develop rates that reflect the Commission's policies and preferences.

The Commission would also lose its direct oversight role regarding:

- The reasonableness of IPL's recovery of costs of fuel and purchased power;
- IPL's service quality and reliability;
- IPL's integrated resource planning; and
- IPL's development of renewable energy and distributed generation in its service territory.

Under the proposal, the oversight regarding the determination for IPL's Minnesota jurisdiction of IPL's wholesale generation-related revenue requirement, revenue apportionment and rate design would reside at FERC. In addition, the oversight related to

IPL purchases of fuel and purchased power would be transferred to FERC.<sup>13</sup> Oversight regarding IPL's former distribution revenue requirement, service quality and reliability would be transferred to SMEC's Member Cooperatives.

The transfer of Commission jurisdiction to FERC regarding the determination of IPL's generation-related revenue requirement and the closely related issue of the loss of Commission jurisdiction over IPL's generation sufficiency are the most financially significant issues in regards to the proposed changes in jurisdiction. FERC's oversight of IPL's generation function would allow IPL to earn a higher return on equity than it is currently receiving on its generation assets under Commission regulation. According to IPL's response to Department Information Request No. 46, its current FERC-approved ROE is 10.97%. In comparison, IPL's most recently approved ROE in Minnesota is 10.35% (Docket No. E001/GR-10-276). Further, if IPL does not have sufficient generation resources over the ten-year period of the Wholesale Power Supply Agreement, due to issues such as outages, shutting down generation resources or selling generation resources, and must purchase energy from the energy market of the Midcontinent Independent System Operator (MISO), then the prices under the WPSA are likely to escalate.

Department Information Request Nos. 47 and 48 asked IPL to estimate the difference in revenue requirements, by year, of the change in ROE. The Department developed a net present value analysis of the Company's estimates. IPL's responses indicated that the impact of the change to the FERC jurisdiction on IPL's ratepayers over the period from 2015 to 2017 would be an increase of slightly more than \$1 million dollars. The Department also attempted to recreate IPL's estimate using other information in the filing. The DOC's estimate was \$1.5 million for the same time period. It is difficult to estimate how much prices under the WPSA could escalate if IPL did not have sufficient generation resources.

As the Commission decided in Docket No. E-001/PA-07-540, when utility operating assets are sold, ratepayers must be made whole in order for the sale to be consistent with the public interest. Based on information provided by the Applicants, the Department estimated earlier in these comments a potential benefit to ratepayers as a result of the sale of \$11.8 million. However, that estimate did not address how energy costs could increase through recovery of costs associated with fuel and purchased power if IPL does not have sufficient resources. Thus, the Commission should review SMEC's explanation in its reply comments as to how SMEC will ensure that IPL has sufficient generation resources and decide whether that response is an adequate counterweight to the Commission's loss of jurisdiction over these assets.

The Department also notes that approval of the transaction would nullify two Commission decisions regarding calculations currently included in the renewable energy rider (RER) and the fuel clause adjustment (FCA). Those changes are discussed in greater detail, as are the changes to the different cost-recovery mechanism affected by the transaction, in Attachment C.

There would be no change in the Commission's jurisdiction regarding the transmission function since that jurisdiction has already been transferred to FERC. So, no comment is necessary.

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<sup>13</sup> Oversight of IPL's former transmission assets currently resides at FERC as well.



The Commission would also lose jurisdiction over the determination of the distribution-related revenue requirement. The revenue requirements associated with this function will decline if the transaction is approved. Indeed, it is the decrease in the distribution-related revenue requirements that creates the benefits associated with this transaction. Thus, the Department believes this loss of Commission jurisdiction should not be a concern, particularly in light of Minn. Stat. §216B.01 cited above.

The Department's analysis regarding the effects of the lessening of Commission oversight in these comments regarding Service Quality and Reliability and Safety did not find a cause for concern. In addition, the Commission does retain some residual jurisdiction as it relates to customer complaints.

The Commission's oversight regarding renewable energy under Minn. Stat. §216B.1691 occurs through resource plans; for example, Great River Energy must show in its IRP that it has sufficient renewable resources for all of its distribution cooperative members, including those who are members of SMEC. Since SMEC proposes to procure generation resources for IPL's customers, SMEC should explain in its reply comments how SMEC would make this showing on behalf of IPL's former customers, if the transaction is approved.

#### Offer of One-Time Commission Oversight Associated with the Transaction

The Petitioners state in their Response Comments dated September 4 that the Commission's oversight during the initial three-year period would correspond to the following questions:

1. Do the base rates reflect the IPL base rates?
2. Do the monthly customer charges reflect the IPL monthly customer charges?
3. Have SMEC and the SMEC Member Cooperatives adopted a \$2.00/MWh credit?
4. Has the power cost adjustment (PCA) mechanism been designed to reflect changes in the costs of purchased power and transmission delivery?

During the subsequent two-year period, the questions would be the following;

1. Were rates in an Acquired Area and Legacy Area merged, and if so, were the rates in either the Acquired Area or a Legacy Area increased by more than 5%?
2. Did SMEC and the SMEC Member Cooperatives perform the class cost of service study (CCOSS) which they agreed to do for evaluation purposes?

The Department recognizes and appreciates the value of the information that SMEC or its Member Cooperatives are offering to provide to the Commission beyond what is currently required by statute. The Department agrees that this information would be valuable and recommends that the Commission approve SMEC's offer.

The Department also notes that the statute that delineates service quality and reliability standards for distribution utilities, Minn. Stat. §216B.029, subd. 1 states: "Standards for cooperative electric associations and municipal utilities should be as consistent as possible with the commission standards."

While at least one of the SMEC Member Cooperatives, Steele-Waseca, took notice of this statutory language, the remaining 11 SMEC Member Cooperatives have not pursued this aspect of their business with the same effort, as discussed further in Attachment B to these comments. As has been discussed elsewhere in these comments, the SMEC Member Cooperatives' benchmark reliability standards (SAIDI, SAIFI and CAIDI) appear to be as good as IPL's current results relative to these standards. The Department believes that it would be beneficial if SMEC and its Member Cooperatives continued to provide this reliability information (SAIDI, SAIFI and CAIDI) to the Commission annually during the transition period. This additional reporting requirement would allow the Commission to monitor the SMEC Member Cooperatives' efforts towards improving reliability throughout their entire respective service territories. It would also allow the Commission to monitor the SMEC Member Cooperative's claims that existing IPL ratepayers and SMEC Member Cooperatives' member-owners service quality and reliability will be enhanced if the transaction is approved.

### Ongoing Commission Oversight

IPL stated in the original petition that "Immediately following the closing, IPL will withdraw from providing retail service in Minnesota and will cease to be a Minnesota public utility providing service in Minnesota".<sup>14</sup> IPL included a list of active dockets in Attachment T to the filing.

The information in Attachment T provides some insight as to how IPL envisions its ongoing relationship with the Commission. According to the information in Attachment T IPL would pursue to completion or other Commission action the following categories of regulatory proceedings:

- Electric Annual Automatic Adjustment Reports;
- Affiliated Interest Related Dockets;
- Conservation Improvement Program Related Dockets;
- Safety, Reliability and Service Quality Related Dockets;
- Integrated Resource Planning; and
- Several other types of miscellaneous proceedings.

Starting on page 4 of Attachment T, the Company lists another 29 dockets in which it plans to discontinue reporting after the transaction is closed. Regarding IPL's identification of Minnesota regulatory proceedings it will not be participating in or information it will not be reporting, the Department believes this list provides the Commission with a relatively good idea as to the extent of the information that IPL will no longer be providing to the Commission. IPL also proposes to continue to participate in or monitor 18 dockets; the majority of them are related to integrated resource planning.

IPL stated in its Response Comments dated September 4, 2014 that it will continue to have an on-going obligation to provide the resource planning function. Specifically, it stated:

[D]uring the 10-year initial period (and perhaps thereafter), IPL will be an entity capable of generating 100,000 kilowatts or more of electric power and will serve indirectly through SMEC, the needs of 10,000 retail customers in Minnesota. As a result,

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<sup>14</sup> Petition at page 2

IPL meets the definition of a “utility” under Minn. Stat. §216B.2422, Subd.1. (b). As a result, IPL will file resource plans under Minn. Stat. § 216B.2422, Subd.2.

The Department agrees with the first conclusion contained in IPL’s analysis. It will no longer be providing electric retail service in Minnesota. As a result, it will no longer be a public utility providing service in Minnesota. Consequently, the Department does not agree with IPL’s second conclusion – that it will continue to serve the needs of 10,000 retail customers. Rather, SMEC, not IPL, would be the entity responsible for serving those customers through its members. Thus, while IPL will need to work with SMEC, SMEC should be required to file integrated resource plans before the Commission, not IPL, if the transaction is approved. That is, SMEC may choose to sub-contract its resource planning function to IPL if it believes that arrangement to be in its best interest, but SMEC will be the single point of regulatory point of contact for all Minnesota state regulatory issues that relate to its customers. The Department recommends that the Commission condition the transaction such that SMEC is clearly recognized as being the sole entity responsible for fulfilling any and all regulatory requirements related to the Commission.

### **III. CONCLUSIONS AND RECOMMENDATIONS**

Based on its review and analysis of the petition, the Department concludes and recommends that:

- The petition met all the necessary filing requirements, including the requirements under Minn. Stat. §216B.50 and Minnesota Rules 7825.1600-1800.
- IPL’s current rates are lower than SMEC’s proposed rates.
- However, IPL’s current rates are lower than IPL’s current reported cost of service. Therefore, it is likely that IPL would be filing rate cases in the near future in Minnesota.
- IPL/SMEC’s cost/benefit analysis, of the transaction estimated the benefits to be \$21.67 million for the period from 2015 through 2017 in current dollars.
- The Department’s cost/benefit analysis compared IPL’s forecasted annual revenue requirements as a stand-alone entity versus the SMEC/IPL revenue requirements for 2015 through 2017 estimated a net benefit of \$11.8 million in current dollars.
- The transaction is similar to several other transactions that have occurred over the past fifteen years in which an IOU was attempting to “rationalize” or change its service territory to meet business needs.
- SMEC’s analysis of the financial viability of its portion of the transaction is sufficiently robust to have secured \$140 million in financing from the Cooperative Finance Cooperative.

- Service Reliability and Quality will likely remain constant or improve for IPL's current ratepayers if the transaction is approved.
- Safety-related concerns for the provision of electric service should not increase if the transaction is approved.
- SMEC should discuss in reply comments how it intends to report on renewable energy under Minn. Stat. §216B.1691 if the transaction is approved.
- The responsibility for economically regulating IPL's generation assets, the prudence of expenses related to transmission and fuel and purchased power will shift from the Commission to FERC if the transaction is approved.
- The Commission should review SMEC's explanation in its reply comments as to how SMEC will ensure that IPL has sufficient generation resources and decide whether that response is an adequate counterweight to the Commission's loss of jurisdiction over these assets.
- The responsibility for economically regulating IPL's distribution assets will shift from the Commission to SMEC Member Cooperative's Boards of Directors if the transaction is approved.
- The Commission will continue to oversee the integrated resource planning function for IPL's current service territory. However, the Department recommends that the Commission condition the transaction such that SMEC is clearly recognized as being the sole entity responsible for fulfilling any and all regulatory requirements related to the Commission, even though IPL should work with SMEC regarding resource planning.
- The Commission will also continue to have limited oversight regarding rate design for the rates charged in the former IPL service territories for five years if the transaction is approved.
- The Commission should require SMEC to report the SMEC Member Cooperatives' annual reliability information annually for 2015-2019.
- The Department requests, on an ongoing basis, that IPL submit a notification in this docket whenever IPL files a petition with the IUB regarding this proposed sale.
- The Department requests that the Applicants indicate in reply comments what SMEC's plans are if authorization does not occur, or does not occur in a timely manner.

In addition, the Department will file additional comments regarding the CIP function pre- and post-transaction as soon as possible. Those comments may also include additional recommendations/conditions.

ATTACHMENT A

DOC INFORMATION REQUESTS PERTAINING TO  
ELECTRIC OPERATIONAL ISSUES

**Response of  
Interstate Power and Light Company and  
Southern Minnesota Energy Cooperative  
to  
Minnesota Department of Commerce,  
Division of Energy Resources  
Information Request No. 6**

Docket No.: E-001, E-115, E-140, E-105, E-139, E-124, E-126,  
E-145, E-132, E-114, E-6521, E-142, E-135/PA-14-322

Date of Request: June 9, 2014

Response Due: June 23, 2014

Information Requested By: Eilon Amit, Mark Johnson, John Kundert

Date Responded: June 23, 2014

Author: Dennis Eicher

Author's Title: SMEC Rate Consultant

Author's Telephone No.: (612) 868-0582

Subject:

Reference: Page 3 of filing: "The IPL Minnesota customers will become member-owners of one of the SMEC Member Cooperatives and be afforded all of the rights and benefits of electric cooperative membership".

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**Information Request No. 6**

Assume the transaction is approved and closes January 31, 2015. On what date would an IPL ratepayer living in Albert Lea become a member of the Freeborn-Mower Electric Cooperative in this example?

**Response:**

Assuming a Closing Date of January 31, 2015, a former IPL ratepayer living in Albert Lea would become a member of Freeborn-Mower Electric Cooperative on February 1, 2015.

**Response of  
Interstate Power and Light Company and  
Southern Minnesota Energy Cooperative  
to  
Minnesota Department of Commerce,  
Division of Energy Resources  
Information Request No. 7**

Docket No.: E-001, E-115, E-140, E-105, E-139, E-124, E-126,  
E-145, E-132, E-114, E-6521, E-142, E-135/PA-14-322

Date of Request: June 9, 2014

Response Due: June 23, 2014

Information Requested By: Eilon Amit, Mark Johnson, John Kundert

Date Responded: June 23, 2014

Author: Dennis Eicher

Author's Title: SMEC Rate Consultant

Author's Telephone No.: (612) 868-0582

Subject:

Reference: Page 23 of filing: "IPL's current CIP rider will be maintained, with surcharges or credits to customers to reflect actual CIP expenses that are above or below the level included in base rates".

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**Information Request No. 7**

- a. Which entity, SMEC or IPL or the individual member cooperatives will administer the CIP program in IPL's current Minnesota service territories if the transaction is approved?
- b. What is the rationale for this structure?

**Response:**

- a. Each individual SMEC Member Cooperative will administer its own CIP program. However, for the initial period of 3 years, the CIP related cost for all 12 cooperatives will be pooled, and a common CIP adjustment factor will be calculated and applied across the board.
- b. Each of the SMEC Member Cooperatives have their own existing CIP programs, often established in conjunction with their G&Ts; and the G&Ts often provide support in the form of expertise, advertisement, rebates, shared costs, reporting, etc. The SMEC Member Cooperatives believe that it would be too confusing to members and too difficult to administer to offer dual sets of CIP programs to their membership, one set for the Legacy Area and a different set for the Acquired Area.

**Response of  
Interstate Power and Light Company and  
Southern Minnesota Energy Cooperative  
to  
Minnesota Department of Commerce,  
Division of Energy Resources  
Information Request No. 19**

Docket No.: E-001, E-115, E-140, E-105, E-139, E-124, E-126,  
E-145, E-132, E-114, E-6521, E-142, E-135/PA-14-322

Date of Request: July 23, 2014

Response Due: August 4, 2014

Information Requested By: John Kundert

Date Responded: August 15, 2014

Author: Kathy Harriott/Glenn Kevitt

Author's Title: Mgr Customer Satisfaction/TL IT Services

Author's Telephone No.: (319) 786-7771/(319) 786-7752

Subject:

Reference:

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**Information Request No. 19**

Describe the process for transferring customer information from IPLs customer information system to Freeborn Mower's customer information system.

**Response:**

IPL is working closely with Freeborn-Mower and its third-party billing vendor to prepare the data list for conversion of customer information from IPL's CIS to Freeborn Mower's CIS. There are several steps in this preparation. We are first working to identify the account data fields that are necessary to convert. Next, we plan to conduct a test of the data transfer process. A secure site will be utilized for the data exchange and conversion. And lastly, on the sale date IPL will obtain a final actual meter read, generate a final bill, and transfer the account information to Freeborn-Mower. We will plan for support post-sale to answer questions related to the data conversion.



**DOC Information Request No. 42**

For the purpose of this question, assume the definition of service center is a site from which line crews are dispatched.

- a. How many service centers do SMEC Member Cooperatives currently operate?
- b. Where are these service centers located?

**RESPONSE:**

SMEC Member Cooperatives currently operate 21 service centers from which crews are dispatched. The Cooperatives also plan to maintain many of the existing IPL service centers and outposts after closing. See Attachment DOC-42A for a listing of the Cooperatives' existing service centers.

**Southern Minnesota Energy Cooperative  
 Locations from Which Line Crews are Dispatched**

<u>Cooperative</u>	<u>No.</u>	<u>Locations</u>		
BENCO	2	Frost, MN	Mankato, MN	
Brown County	1	Sleepy Eye, MN		
Federated	2	Jackson, MN	Welcome, MN	
Freeborn-Mower	1	Albert Lea, MN		
Minnesota Valley	1	Jordan, MN		
Nobles	2	Worthington, MN	Slayton, MN	
People's	1	Oronoco, MN		
Redwood	1	Clements, MN		
Sioux Valley	3	Colman, SD	Brandon, SD	Pipestone, MN
South Central	2	St. James, MN	Jeffers, MN	
Steele-Waseca	1	Owatona, MN		
Tri-County	4	Rusford, MN		
		Harmony, MN	Caladonia, MN	Spring Valley, MN
<b>Total</b>	<u>21</u>			

**DOC Information Request No. 52**

In conversations during the meetings between representatives from IPL/SMEC and interested parties in St Paul on July 17th and 18th, SMEC staff mentioned that they had identified several projects that would allow them to improve system reliability for both current IPL ratepayers and SMEC Member Cooperative customer/owners. Please provide a list of these potential projects and the costs and benefits associated with those projects.

**RESPONSE:**

SMEC has established an Engineering Committee that is currently evaluating the IPL system and identifying construction and/or maintenance projects that are needed over the next few years to, among other things, improve reliability. These projects include interconnecting the former distribution IPL system with the acquiring Cooperative system. A preliminary list of projects identified by the SMEC Engineering Committee for construction during 2015 that are specifically designed to interconnect the two systems and thereby to enhance reliability is attached as Attachment DOC-52A. Note that the attached list represents a portion of \$7,000,000 in capital projects that SMEC is planning for 2015. The Cooperatives will continue to identify similar reliability enhancement projects beyond 2015.

In addition, the majority of the SMEC Member Cooperatives plan to rollout AMR/AMI facilities in the former IPL area in the 2015/2016 time frame and are starting the process to identify the appropriate vendor. A number of Cooperatives (i.e., Minnesota Valley, Sioux Valley and Steele-Waseca) are also planning to install SCADA in the former IPL substations as well. The planned expansions of the Cooperatives' existing SCADA/AMR/AMI systems will also enhance system reliability.

2015 Planned System Reliability Projects				
Coop	Project Description	Estimated Cost	Estimated Customers Affected	Purpose
FMCS	Three Phase Tie into Geneva	\$ 79,200	701	Tie into southern Geneva between IPL circuits
FMCS	Three Phase Tie to FMCS System	\$ 99,000	671	Tie with FMCS Corning Sub and IPL Hayward Sub
FMCS	Convert Brownsdale from 4 KV to 15 KV / Retire Sub	\$ 350,000	383	Tie between IPL and FMCS systems and converting 4 kV transformers to 12.5 kV
FMCS	Rebuild and Relocate line on Lakeview Boulevard	\$ 100,000	1,294	Age and condition of line
SWCE	Tie line between SWCE River Point Sub and Steele Center	\$ 70,000	290	Tie between IPL and SWCE systems
SWCE	Tie line between SWCE Bixby Sub and Steele Center	\$ 70,000	310	Tie between IPL and SWCE systems
FREA	Single Phase Tie to FREA System	\$ 6,000	7	Tie between radial IPL line and FREA system
FREA	Single Phase Tie to FREA System	\$ 9,000	3	Tie between radial IPL line and FREA system
FREA	Three Phase Tie to FREA System	\$ 2,000	222	Tie between radial IPL line and FREA system
FREA	Two Phase Tie to FREA System	\$ 5,000	13	Tie between radial IPL line and FREA system
FREA	Three Phase Tie to FREA System	\$ 3,000	159	Tie between radial IPL line and FREA system
FREA	Three Phase Tie to FREA System	\$ 5,000	206	Tie between radial IPL line and FREA system
NCE	Three Phase Tie to NCE System	\$ 5,000	78	Tie between radial IPL line and NCE system
MVEC	Three Phase Road Move & Tie	\$ 250,000	300	Tie between radial IPL line and MVEC system
TCE	Three Phase Tie and Conversion	\$ 300,000	176	Tie between IPL and TEC systems and converting aerial line to underground
TCE	Voltage Conversion & Tie	\$ 100,000	201	Tie between IPL and TEC systems and converting 4 kV transformers to 12.5 kV
People	Three Phase Tie to People's System	\$ 138,600		Tie between IPL and People's system
	<b>Total</b>	<b>\$ 1,591,800</b>	<b>5,014</b>	

**DOC Information Request No. 53**

**Please provide the costs associated with the SMEC Member Cooperatives Boards of Directors for the past three years by cooperative by year.**

**Response:**

See Attachment DOC-53A for a summary of the Board of Directors (BOD) expenses for the past three years, provided by individual SMEC Member Cooperative.



Southern Minnesota Energy Cooperative  
Board Compensation and Expenses

Cooperative	2011			2012			2013		
	Reported	Other	Total	Reported	Other	Total	Reported	Other	Total
	Form 990 <sup>1</sup> (\$)	Expenses <sup>2</sup> (\$)	Form 7 <sup>3</sup> (\$)	Form 990 <sup>1</sup> (\$)	Expenses <sup>2</sup> (\$)	Form 7 <sup>3</sup> (\$)	Form 990 <sup>1</sup> (\$)	Expenses <sup>2</sup> (\$)	Form 7 <sup>3</sup> (\$)
BENCO	\$ 104,315	\$ 75,479	179,794	\$ 111,655	\$ 73,872	185,527	\$ 114,090	\$ 89,689	203,779
Brown County	148,751	56,583	205,334	170,684	71,063	241,747	163,134	67,162	230,296
Federated	64,865	42,734	107,599	51,450	41,592	93,042	61,550	51,583	113,133
Freeborn-Mower	-	70,665	70,665	-	80,876	80,876	-	75,860	75,860
Minnesota Valley	138,685	48,069	186,754	104,012	46,048	150,060	86,502	40,396	126,898
Nobles	105,547	28,151	133,698	114,760	28,931	143,691	-	-	143,597
People's	123,090	39,826	162,916	115,277	31,118	146,395	110,190	54,673	164,863
Redwood	38,100	21,364	59,464	103,585	31,340	134,925	115,429	30,347	145,776
Sioux Valley	104,802	59,972	164,774	105,817	101,358	207,175	123,712	98,889	222,601
South Central	98,781	34,997	133,778	112,159	45,741	157,900	122,594	58,374	180,968
Steele-Waseca	259,543	146,404	405,947	255,499	140,118	395,617	289,613	172,954	462,567
Tri-County	99,600	57,198	156,798	110,928	61,284	172,212	119,838	71,366	191,204

<sup>1</sup> Board compensation as reported on IRS Form 990.

<sup>2</sup> Miscellaneous expense for mileage, conferences, etc.

<sup>3</sup> Total Board expense as reported on RUS Form 7.

<sup>4</sup> Incorrect data shown on Form 7. Correct information shown above

<sup>5</sup> Form 990 not yet filed for 2013.

<sup>6</sup> Freeborn does not provide compensation or insurance to its BOD members.

**Response of  
Interstate Power and Light Company and  
Southern Minnesota Energy Cooperative  
to  
Minnesota Department of Commerce,  
Division of Energy Resources  
Information Request No. 59**

Docket No.: E-001, E-115, E-140, E-105, E-139, E-124, E-126,  
E-145, E-132, E-114, E-6521, E-142, E-135/PA-14-322

Date of Request: August 26, 2014

Response Due: September 10, 2014

Information Requested By: John Kundert

Date Responded: September

Author: Dennis R. Eicher

Author's Title: President, D.R. Eicher Consulting, Inc.

Author's Telephone No.: (612) 868-0852

Subject: Tracking Customer Complaints

Reference: Response to Department Information Request N. 32,  
Attachment DOC 32A

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**Information Request No. 59**

According to this Attachment five of the SMEC Member Cooperatives do not track customer complaints.

- a. Please explain, by cooperative, the rationale for not tracking customer complaints.
- b. Please explain, by cooperative, the process or policy for resolving customer complaints if and when they arise.
- c. Please explain the Board of Director's involvement, by cooperative, in the process of complaint resolution.

**Response:**

The following responses were provided by the seven SMEC Member Cooperatives which stated in Attachment DOC-32A that they did not track complaints.

**Federated Rural Electric**

- a. Federated lacks billing software to track and summarize customer complaints. Most member calls simply require an explanation. It is our policy and procedure to resolve any member concern in a timely and successful manner. If a member calls they are typically routed to the billing department first, most are resolved with a conversation and explanation of terms and billing charges. If the billing staff is unable to satisfy the member, they are routed to either the Member Services department (if there is a

question regarding usage) or to the Office Manager (if there is a concern about dollars billed). If the concern regarding usage cannot be handled by a conversation with Member Services a personal visit may be completed. We do not typically consider our member calls "complaints" unless we are unable to satisfactorily resolve with issue with the member. In the rare instance that a concern remains unresolved, the General Manager will be informed.

- b. Federated feels that resolving the concern in a timely manner is more important than physically tracking the concerns.
- c. If a director receives a concern or complaint personally, they typically pass it on to the General Manager or to the co-op staff.

#### **Freeborn-Mower Cooperative Services**

Freeborn Mower Cooperative Services will monitor complaints by consumers in accordance with cooperative complaint policies and procedures. Freeborn Mower Cooperative Services defines a consumer complaint as consumer communication directed to the President/CEO, Board of Directors, or Supervisory Personnel. Freeborn Mower Cooperative Services will establish a Service Order Complaint Form with:

- a. the date received,
- b. action requested by the consumer or action acceptable to the cooperative and consumer,
- c. consumer information if the situation is not within the control of the cooperative,
- d. refusal of consumer action requested with reason,
- e. date resolved and by whom.

The SO Complaint Form is generated by staff. The SO stays open and will not be purged from the system until account is closed. All customer service employees shall be made aware that communications from an account with an SRSQ Complaint SO, and referring to the complaint shall be directed to the staff which generated the complaint.

Freeborn Mower will provide an annual summary to the board. Our software provider also enables Freeborn Mower to track member contacts through Contact Tracking. From 2009 – 2013 there were only 2 complaints that were reported on the annual summary because they required Pres./CEO involvement for resolution.



### **Minnesota Valley Electric Cooperative**

- a. MVEC is a member-owned cooperative. Our mission is to provide our members with quality electric service based on a foundation of local control, honesty and integrity. Our emphasis is to communicate and resolve rather than "track". On a regular and timely basis, vice presidents keep the General Manager informed of customer complaints and we develop options to try to resolve the issue.
- b. Any call received by the receptionist is forwarded to the department best suited to handle the complaint; operations, engineering, billing, collections, etc. All complaint calls are answered and guided by the cooperatives policies as approved by its Board of Directors.
- c. The Board sets policy for all applications of the cooperative. Staff is directed to enforce these policies. From time to time members may disagree with policy and request further explanation or rationale in setting the policy. If the member is not satisfied with staff's response, members have either:
  1. Contacted a Board of Director (by phone) requesting further consideration of their situation, or
  2. Attended a MVEC Board meeting requesting further consideration.

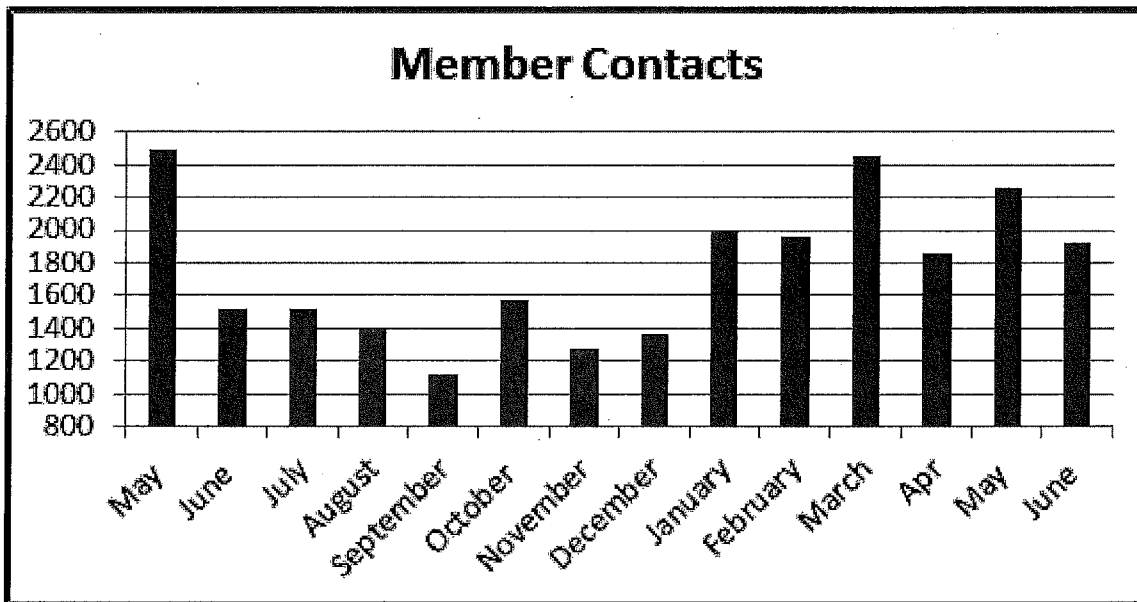
The Board of Directors will determine if further action is required and will direct MVEC staff accordingly. If policy change is required, staff will be instructed to provide a revised policy and where applicable any billing adjustment.

### **People's Energy Cooperative**

People's Energy tracks complaints in a Contact Tracking system, which is part of our billing system (NISC CIS), however complaints are not always coded as a 'complaint' in our contact tracking system, making it hard to pull the number of actual complaints difficult. Many times the contact, even if it is a complaint, is coded under the reason the member is contacting the Cooperative, such as for tree trimming or making payment arrangements.

In the event a member has a complaint, every effort is made to work with the member to resolve the issue as soon as possible. If required, for resolution of the member complaint, a service order is created and assigned to the appropriate department for follow-up. The complaint is documented; and resolved, however it just may not be coded as a complaint. In the event a member would like to escalate their complaint to the Board of Directors, when reasonable effort to resolve the complaint with the Cooperative's management team has been unsuccessful, the member can submit a written request to attend a board meeting.

An example of what is reported in the board report each month is shown below.



We continue to track member contacts with the Cooperative. Of the contacts that were tracked, the top reasons for member contact with the Cooperative during the month of June are listed below:

Payment.....	323
CRC Meter Read Call Outs.....	237
CRC DQ Call Outs.....	198
Miscellaneous.....	154
Meter Reading.....	141

The board policy for member attendance at board meeting is provided as Attachment DOC-59A People’s Board Policy 506.

**Redwood Electric Cooperative**

Parts a. and b. Redwood Electric procedure is to check out an inquiry/complaint the day we are contacted or the next day. An investigation form is written up and given to a lineman the same day or the next day. The lineman will visit their residence and will return the completed form indicating how the problem was resolved and then the completed investigations are filed with other information and not kept separate.

c. If there would be a complaint that cannot be resolved within a few days by the employees and/or staff, the board will be informed so they are aware of the issue we are working on.

**South Central Electric Cooperative**

- a. South Central Electric didn't have a means (software) to track and summarize customer complaints. We now have the iVUE software with NISC with this capability. We feel that resolving the complaint in a timely manner is more important than tracking the complaints. If we received communication from a customer regarding their complaint, we've kept a copy of that communication in their customer file.
- b. South Central Electric takes each complaint seriously and it is forwarded to the person best able to resolve the problem.
- c. If a director receives a complaint personally, they pass it onto co-op staff. The board normally doesn't get involved any further than that unless the complaint can be resolved with a simple explanation of co-op policy.

**Tri-County Electric Cooperative**

If there is a billing complaint, it is addressed the same day as we become aware of it. If the member is not satisfied with our explanation, based on our policies and procedures, and they wish to speak to someone else, we always suggest that they contact the Department of Commerce or the Attorney General's Office so they can follow up and reinforce to the member that we are following the correct procedures.

Complaints in operation are handled similar to billing complaints. Every attempt is made to have someone address the complaint personally. The complaint is followed up on as soon as possible by an employee that is best suited to resolve the complaint.

If a director receives a complaint personally, they pass it onto co-op staff. The board normally doesn't get involved any further than that unless the complaint can be resolved with a simple explanation of co-op policy.

**Board Policy**  
**People's Energy Cooperative**

NUMBER: 506

SUBJECT: Member Attendance at Board Meetings

OBJECTIVE: The objective of this policy is to establish the basic terms, conditions, and related procedures which will accommodate requests by Members desiring to attend Board meetings, but at the same time establish procedures which will assure that such attendance does not overly hinder the Board in its prescribed duty to make prudent, well considered and fully deliberated decisions in the management of the business and affairs of the Cooperative, as well as to maintain confidentiality when it is required in the best overall interest of the Cooperative.

**POLICY:**

It shall be the policy of the Board of Directors of People's Energy Cooperative, to permit Members or their representatives to attend Board meetings in accordance with the provisions of this policy.

Provisions:

The Cooperative is a member-owned and member-controlled organization. However, all of the powers of the Cooperative as a corporate entity are by law conferred upon and exercised by the Board of Directors, except such as are conferred upon or reserved to the Members by statute, the Articles of Incorporation, or the Cooperative's Bylaws. This policy and related procedure shall be consistent with the foregoing objective.

The purpose of this policy is to allow a Board comprised of a small number of Members of the Cooperative, who are elected by the Members to efficiently and prudently represent all Members while conducting the business affairs of the Cooperative. For the Board to fulfill this representative function, it must be able to consider and deliberate the business of the Cooperative in an orderly, efficient and sometimes confidential manner.

The Cooperative desires to accommodate all reasonable or necessary requests by a Member or their representatives to attend meetings of the Board of Directors. However, the amount of time that the Board has during its meetings to consider all of the matters placed before it is limited. Therefore, the following rules and procedures shall apply when requests for such attendance are received:

- A. The request shall be submitted to the Cooperative in writing, at least fifteen (15) days before the scheduled Board meeting, on the attached Board Meeting Attendance Request form and made a part of this policy.

- B. An attendance request may be solely for the stated purpose of allowing the requesting Members to observe the Board meeting for their own interest and enlightenment about the Cooperative's affairs, in which case they will be permitted to attend the entire meeting except when the Board goes into an executive session.
- C. An attendance request may be for the sole stated purpose of observing one or more particular items on the Board agenda, in which case (assuming the item does not require executive session consideration), the Board will make every reasonable effort to take up those items early on the meeting agenda for the requesting Member's convenience.
- D. An attendance request may be for the purpose of bringing a complaint or controversial matter before the Board, in which case the Cooperative's management shall make every reasonable effort through conference with the requesting Member(s) to resolve the matter without the necessity of attending a Board meeting. If such effort fails, then the Board shall schedule a time on its meeting agenda to hear the requesting Member(s) if:
  - 1. The Cooperative's Chair, President/CEO or the Cooperative's general counsel concludes that the subject matter of such request has merit and is not improperly motivated, and that any decision that is to be made should be directly made or approved by the Board; or
  - 2. The Member requests to be permitted to make such an appearance with or by legal counsel for a stated, bona fide purpose; or
  - 3. The Cooperative's general counsel recommends that such an appearance be made for the purpose of enabling a Member to exhaust all administrative remedies for an alleged wrong, even though the general counsel may be of the opinion that the subject to the Member's complaint is wholly without merit or is improperly motivated; or
  - 4. The request is for the purpose of challenging or requesting certain action of the Board in connection with;
    - a. The calling of a Member meeting;
    - b. The eligibility of an incumbent Board Member or candidate therefore;
    - c. The manner in which the Board elections have been or are going to be conducted; or
  - 5. The Board decides that it is otherwise in the best interest of the Cooperative to grant the request.

- E. When one or more Member(s) requests to attend a meeting of the Board, the Board may, due to seating limitations, restrict the maximum number of those who may appear. The following guidelines shall be honored for the scheduled attendance:
1. All Members of the group shall be active Members of the Cooperative, with the exception of one person who may be an attorney representing the Member(s).
  2. Such Member(s) shall be seated away from the conference table so that the physical proximity to the meeting will not impair or interfere with its conduct.
  3. A group shall contain no more than five (5) persons, including counsel. From this group, one person shall be designated by the group as "spokesperson".
  4. Any Member appearing before the Board of Directors will be given a reasonable length of time, as determined by the Board of Directors to present and discuss the matters set out in the Member's written request. The Board of Directors Chair reserves the right to limit the audience to a reasonable period of time and limit any debate.
  5. The discussion shall be limited to those items of business contained in the written request.
  6. Without regard to the purpose for attending a Board meeting, the Member(s) will be duly informed that the Board reserves the right and that it has the duty to exclude the Member(s) from the meeting at any time the Board, or a Member thereof, deems such is necessary for the Board meeting to proceed objectively and without the prejudice or coercion a Member's continued presence might cause; and
  7. When a Member attends to present a specific matter, including complaints or to make specific inquiries, the Board will hear such presentation, including asking any questions that it deems appropriate, but it will not discuss or respond to or take any action with respect to such matter or inquiry until after the Member has retired from the meeting room. After deliberating the matter and making a decision thereon, the Board shall cause such Member to be duly informed thereof, including, if such be the case, that no action was or will be taken thereon.

News Media:

News media are not allowed to attend the Board of Directors meeting. The Board Chair, or an assigned representative of the Board of Directors, and/or management may release a statement regarding actions taken in Board meetings, unless actions were taken in executive session or are otherwise restricted by legal, ethical, or privacy constraints.

Responsibility:

The Board of Directors is responsible for complying with this policy, monitoring compliance and for identifying changes as needed.

The President/CEO is responsible for the overall administration of this policy.

Supervisors and employees are responsible for understanding and complying with this policy.

REFERENCE: Board Guideline 5, Member Relations

ADOPTED: September 30, 2010

REVIEWED: September 29, 2011, May 31, 2012, May 23, 2013, May 29, 2014

*The Cooperative reserves the right to change, suspend, eliminate, depart from, or add to all or any part of this **Policy** at any time, with or without prior notice, whenever the board of directors determines it is in the best interest of the Cooperative to do so.*

*The Cooperative intends that this **Policy** be construed so as to be in compliance with all relevant laws and regulations.*

**Response of  
Interstate Power and Light Company and  
Southern Minnesota Energy Cooperative  
to  
Minnesota Department of Commerce,  
Division of Energy Resources  
Information Request No. 60**

Docket No.: E-001, E-115, E-140, E-105, E-139, E-124, E-126,  
E-145, E-132, E-114, E-6521, E-142, E-135/PA-14-322

Date of Request: August 26, 2014

Response Due: September 10, 2014

Information Requested By: John Kundert

Date Responded: September 10, 2014

Author: Dennis R. Eicher

Author's Title: President, D.R. Eicher Consulting, Inc.

Author's Telephone No.: (612) 868-0852

Subject:

Reference:

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**Information Request No. 60**

Please identify, by cooperative, the average number of meter tests requested by customers and performed by the cooperative or a third party over the past five years.

**Response:**

See Attachment DOC-60A for a summary of the number of meter tests requested by customers for the past five years.

Additional explanation provided by the SMEC Member Cooperatives is provided below:

**BENCO Electric Cooperative**

BENCO does not track these on a regular basis. We did go back through our records for the past few years.

2014- 1 member request  
2013- 1 member request



**Brown County Rural Electric Association**

For Brown County REA, meter tests requested by members are:

2009 – 1  
2010 – 0  
2011 – 1  
2012 – 4  
2013 – 4  
2014 – 1 (YTD)

**Federated Rural Electric**

Federated moved to AMR (automatic meter reading) meters in 2010. Since that time we have had one customer request their meter be changed due to a usage concern. The meter was changed but no third party testing was completed as the member was satisfied that the new meter usage reflected the usage from the previous meter and no they longer contested their usage.

Prior to AMR, if a member concern regarding usage could not be resolved, Federated would, as a last resort, change the meter, but no third party testing was completed.

Since changing to AMR meters, we have found that having the ability to see and show a consumer their daily usage, this has resolved almost every usage concern.

**Freeborn-Mower Electric Cooperative**

No Freeborn Mower Cooperative Services consumers requested that their meter be tested within the parameters of the meter testing policy during the years 2009, 2010, 2011, 2012, and 2013. When a consumer requests the meter be tested for any reason the charge to testing will be as stated in Policy 4.010

When a member calls the Cooperative and asks to have their meter checked to ensure it is working properly, the Cooperative will pull the meter in question and replace it with another meter. The Cooperative will bill the consumer in advance (per the charges detailed below); then have the meter tested by a qualified testing provider. The charges will be refunded to the consumer if the test indicates a faulty meter. The original meter (sent in for testing) will not be returned to the service location, as that would involve another truck-roll, incurring additional billable charges.

Single Phase Meter (w/AMR) : \$75.00

Multi-Phase Meter : \$125.00

The charges above include the cost of the test, along with labor and transportation to complete the process.

**Minnesota Valley Electric Cooperative**

MVEC does not track meter testing requests, but we estimate that we send in less than 5 meters per year to be tested.

**Nobles Cooperative Electric**

Nobles moved to AMR (automatic meter reading) meters in 2010. No meter has changed at the request of a member since that time.

Prior to AMR, if a member concern regarding usage could not be resolved, Nobles would, as a last resort, change the meter, but no third party testing was completed.

Since changing to AMR meters, we have found that having the ability to see and show a consumer their daily usage, this has resolved almost every usage concern.

**People's Energy Cooperative**

Per our past SRSQ reports:

Periodically, a Cooperative representative will visit a member's location, read each meter to verify the accuracy of the meter, and check the meter and/or metering equipment to ensure the equipment is functioning properly. Members may also request their meter be tested. Meters are tested for accuracy, testing both light load and heavy load, and if the meter is found to have an average error of more than two percent, it would be considered faulty. If the meter is considered faulty, the Cooperative would also adjust the member's past billing according to the Minnesota Administrative Rule 7820.3700 'Inaccurate Electric Meters'. The Cooperative responds to malfunctioning meter issues in a timely fashion, typically within one business day.

In 2013, there were six members that requested a meter test be completed on their meter. None of the member requested meter tests were found to be outside of the required accuracy for billing. The Cooperative provided a copy of the test results to the member and charged the member a meter testing fee, as defined by policy, for the meters that tested accurate.

In 2012, there were 19 members that requested a meter test be completed on their meter. No member requested meters tested outside of the required accuracy for billing. The Cooperative charged fees as required by policy.

In 2011, there were 30 meters tested due to member request. No member requested meters tested outside of the required accuracy for billing. The Cooperative charged fees as required by policy.

In 2010, 249 meters were tested for a variety of reasons (the data in the report did not separate member requested tests). The Cooperative charged fees as required by policy.

In 2009, 249 meters were tested for a variety of reasons (the data in the report did not separate member requested tests). The Cooperative charged fees as required by policy.

We currently evaluate and monitor our AMI metering system on a monthly basis through automated reports that are processed during monthly meter reads and billing. These reports include, but are not limited to, providing us information on active meters reporting zero usage, meters reporting higher than normal usage, meters with consecutive monthly estimates, and meter error reporting.

#### **Redwood Electric Cooperative**

We estimate that we had five meters that we tested in the past five years. At this time we have not charged our members to have this done. We have a normal meter testing procedure that is completed on a rotation basis.

#### **Sioux Valley Energy**

We have had zero meter test requests from our MN members in the past 5 years. It was our practice to test approximately 500 meters per year in the years of 2009 and 2010. In 2011 we replaced every MN member's meter with our conversion to an AMI system. Since then we have not retested those new meters.

#### **South Central Electric Cooperative**

South Central Electric doesn't have a lot of "consumer requested" meter tests. We maybe have an average of 6 each year. In the case of a high bill complaint, we usually offer to test the meter and we don't consider those tests as "consumer requested".

#### **Steele-Waseca Electric Cooperative**

Meter Test Requested By Members

2009: 8

2010: 3

2011: 9

2012: 13

2013: 16

Five Year Average: 9.8 meters/year

#### **Tri-County Electric Cooperative**

Tri- County receives approximately 10 requests a year stemming from high bill complaints. Of those 10 approximately 2 require bringing the meter back to the test bench. The others are usually resolved in the field between the member and the meter technician.

**Southern Minnesota Energy Cooperative  
 Meter Tests Requested by Customers and Performed by the Cooperative**

<u>Cooperative</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
BENCO	<sup>1</sup>	NA	NA	NA	NA	1
Brown County		1	0	1	4	4
Federated		N.A.	0	0	1	0
Freeborn-Mower		0	0	0	0	0
Minnesota Valley	<sup>1</sup>	5	5	5	5	5
Nobles	<sup>3</sup>	N.A.	0	0	0	0
Peoples		N.A.	N.A.	30	19	6
Redwood	<sup>1</sup>	1	1	1	1	1
Sioux Valley	<sup>2</sup>	0	0	0	0	0
South Central	<sup>1</sup>	6	6	6	6	6
Steele-Waseca		8	3	9	13	16
Tri-County	<sup>1</sup>	2	2	2	2	2

23      14      54      51      47

<sup>1</sup> The Cooperative does not track meter test requests. The above is an estimate.  
<sup>2</sup> Data for Minnesota portion of Sioux Valley's service territory.  
<sup>3</sup> Federated and Nobles report that since installing AMR in 2010, they have had virtually no requests by members for meter testing as they have been able to show the members questioning meter readings their daily usage pattern.

**Attachment B – Summary of SMEC Member Cooperatives’ Responses to Department Service Quality Information Requests and Comparison to Current IPL Service Quality Metrics**

Planned Outages

Minn. Rule 7826.08 delineates the following requirements for planned outages that are scheduled to last more than 4 hours – 1) mailed notice one week in advance, if feasible, and 2) notice by telephone or door-to-door household visits 12 to 72 hours before the interruption. In addition, planned service interruptions exceeding 4 hours are to be – 3) scheduled at times that minimize the inconvenience to customers and 4) when planned service interruptions are cancelled, utilities are expected to notify customers that the work will not occur and service will not be interrupted if feasible. The Department asked the SMEC Member Cooperatives for this information in DOC Information Request No. 25. Table B-1 summarizes the responses to that information request.

**Table B-1 - Summary of SMEC Member Cooperative Planned Outage Notification**

<b>SMEC Member Coop</b>	<b>Mailed Notice 7 Days in Advance</b>	<b>Telephone or Personal Contact 12 to 72 Hours Prior to Started Date</b>	<b>Times Selected to Minimize Inconvenience</b>	<b>Notification to Customers if Planned Outage is Cancelled</b>
BENCO	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Brown County	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Federated	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Freeborn Mower	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Minnesota Valley	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Nobles	Not specifically identified	Yes	Not specifically identified	Not specifically identified
People’s	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Redwood	Not specifically identified	Yes	Not specifically identified	Not specifically identified
Sioux Valley	Not specifically identified	Yes	Not specifically identified	Not specifically identified
South Central	Not specifically identified	Only if member has requested it.	Not specifically identified	Not specifically identified
Steele Waseca	Yes	Yes	Yes	Yes
Tri-County	Not specifically identified	Yes	Not specifically identified	Not specifically identified

Except for Steele-Waseca, the SMEC Member Cooperatives appear not to have elected to implement the entirety of this IOU-based rule requirement. As a result, this could be an area in which current IPL ratepayers could suffer a decline in service quality if the transaction were approved without further requirements. Additional analysis or support that demonstrates how the Cooperatives meet these particular rule requirements, or whether they would be willing to do so, would be useful.

### Meter Reading

Minn. Rule 7826.09 delineates the following requirements for meter reading frequency for IOU customer meters –

- 1) utilities shall attempt to read meters on a monthly basis,
  - a. at least 90 percent during the months of April through November
  - b. at least 80 percent during the months of December through March;
- 2) Utilities shall contact any customer whose bill has been estimated for two consecutive months and attempt to schedule a meter reading.
- 3) Utilities shall make special allowances to read inaccessible meters.

Minn. Rule 7826.14 lists the following meter-reading performance metrics that IOUs must report to the Commission on an annual basis –

- A. The number and percentage of customer meters read by utility personnel;
- B. The number and percentage of customer meters self-read by customers;
- C. The number and percentage of customer meters that have not been read by utility personnel for periods of six to twelve months and form period of longer than twelve months, and an explanation as to why they have not been read; and
- D. Data on monthly meter-reading staffing levels, by work center or geographical area.

The Department asked the SMEC Member Cooperatives for the information listed in Minn. Rule 7826.14 in DOC Information Request No. 26. In addition to providing detailed information for each cooperative, SMEC noted:

All but two of the SMEC Member Cooperatives (South Central and Redwood) have, or are in the process of installing (Brown County) Automatic Meter Reading (AMR) or Advance Metering Infrastructure (AMI) systems, which enable them to read virtually all of their member's meters from the office.

Table B-2 below summarizes the information from DOC Information Request No. 26 for 2013. The SMEC Member Cooperatives' meter reading results present a bifurcated result. Results for those cooperatives that have installed AMR or AMI hover around 99 to 100 percent. Results for those cooperatives that still rely on customers to read their own meters, (*i.e.* that have not or are in the process of installing AMR or AMI) averaged around 5 to 15 percent of their respective meters being read by the utility on a monthly basis.

**Table B-2 – Comparison of Percentage of Customer Meters Read by Utility for 2013 – IPL vs. SMEC Member Cooperatives**

Utility	Percentage of Customer Meter Reads by Utility for 2013
IPL	89.1%
BENCO	99.9%
Brown County*	4.62%
Federated	100%
Freeborn Mower	100%
Minnesota Valley	100%
Nobles	100%
People's	96.4%
Redwood	9.0%
Sioux Valley	100%
South Central	15.0%
Steele Waseca	100%
Tri-County	100%

\*Cooperative is in the process of installing AMI.

Assuming that the SMEC Member Cooperatives plan to extend their respective AMR or AMI systems to the former IPL ratepayers, those cooperatives would easily meet and surpass the requirements identified in Minn. Rule 7826.09.

Neither Redwood nor South Central would appear to be able to meet the requirements listed in Minn. Rule 7826.09 regarding minimum meter reading percentages currently. Of course, being cooperatives, they are not required to meet those standards currently.

The Department asked in information request No. 61 how Redwood and South Central planned to collect the meter readings from the current IPL ratepayers if the transaction were approved. Redwood stated: "it will not require IPL customers to read their own meters. That service will be provided by the Cooperative." South Central's response indicated that the IPL customers may read their own meters but for those who would not, the co-op would read those meters. South Central also stated: "Installation of an AMR or AMI is planned to take place in mid-2016 at a cost of \$2,000,000." This information suggests that the need for metering reading by the customer or an employee will no longer be an issue after that date.

The existence of AMR or AMI technology at ten of the twelve SMEC Member Cooperatives' eliminates the concerns regarding missed or estimated meter reads as well as inaccessible meters listed in the Minn. Rule 7826.09. It also lessens any concerns regarding meters not being read for an extended period of time (6 months or more) or the concern regarding staffing levels in Minn. Rule 7826.1400. The ten Cooperatives that have or are in the process of installing AMR or AMI have essentially substituted capital for labor in terms of meter reading.

## Malfunctioning Meters

Minn. Rule 7826.1000 addresses requirements concerning the replacement of malfunctioning meters. It requires a utility to “replace a malfunctioning meter within ten calendar days of receiving a report from a customer questioning its accuracy or within ten calendar days of learning in some other way that it may be inaccurate.” In Department Information Request No. 28, the Department asked the SMEC Member Cooperatives to describe their processes or procedures for addressing malfunctioning meters.

Table B-3 below summarizes the SMEC Member Cooperatives’ replies. By comparison, Interstate’s Minnesota tariff currently states:

### REQUEST TESTS

Upon request by a Customer, the Company shall make a test of the meter serving the Customer, provided that such tests need not be made more frequently than once in twelve months. The Company will notify the Customer in advance of the time and date of such test so the Customer, or his representative, may be present when his meter is tested. If upon such request the meter is tested and is found accurate within plus or minus 2%, the cost of such meter test will be paid by the Customer and the charge therefore shall be the lesser of the Company's cost of the test or \$5.00. If the meter is not found accurate within such limits, the cost of the test will be borne by the Company. A report of the results of the test will be given or mailed to the Customer within a reasonable time after the completion of the test. All billing adjustments based on meter testing results shall be in accordance with §8.10.

**Table B-3 – SMEC Member Cooperatives’ Processes for Addressing Malfunctioning Meters**

<b>Coop</b>	<b>Process for Malfunctioning Meters</b>
BENCO	Installs a new meter (side by side) for a dual test for 30 days. Second meter usually installed within 24 hours. Cooperative will make the necessary adjustment to member’s account if meter is malfunctioning. Cooperative’s tariff does not contain a time period related to meter testing.
Brown County	A lineman is dispatched within 3 days and replaces the current meter. The current meter is then checked for accuracy. The Cooperative’s tariff does not contain a time period related to meter testing.
Federated	The Cooperative’s policy number 320 states – “Within ten calendar days of receiving a report from a member requesting the accuracy of a meter or within ten calendar days of learning in some other way that a meter may be inaccurate, Federated Rural Electric will test the meter for accuracy and replace it if necessary. Replacement meters will be tested for accuracy before installation.”



Freeborn Mower	According to the Cooperative, the use of AMR allows it to perform daily meter reads. Cooperative staff compares the prior day's usage with previous usage and replace the meter within 24 hours. The Cooperative doesn't have a policy, but best practice is to replace within 24 hours and check the meter the following day.
Minn. Valley	MVEC begins by performed limited on-site testing as well as reviewing hourly meter data and historical billing data. If no issues are identified as part of this review, the member may have the meter tested by an independent third party. If the test shows the meter is accurate, the member is responsible for the cost of the meter testing (approximately \$50). If the meter is inaccurate, the Cooperative pays the cost of the meter test and generates an adjustment to the account based on the test results. A new meter is then installed. MVEC's policy does not contain a fixed time frame for meter replacement.
Nobles	Policy 4-25 pertains to malfunctioning meters. It states: "Nobles Cooperative Electric will test, upon request by the member-consumer, the electric meter which meters the electric energy used by the member-consumer. At the time the request is made, the member-consumer will pay prior to testing fifty dollars (\$50) to offset part of the expenses involved. If said meter is found, upon above test, to have an average error rate of more than two percent (2%) fast or two percent (2%) slow, said testing fee of fifty dollars (\$50) shall be refunded to member-consumer.
People's	Policy 3.b pertains to Member Requested Meter Tests. It states in part: "Members may request the Cooperative to test their electric meter. In the event a meter tests within plus or minus 2% of accuracy, the member will be charged a meter test fee to help defray the costs associated with the testing. In the event a meter varies beyond 2% and a meter test fee was charged, any test fees will be refunded and the account of the member will be adjusted. . . . The member may be present at the time of testing. It is the member's responsibility to notify the Cooperative of their desire to be present during the testing. Upon completion of the meter test, the member shall be provided a copy of the test results. In the event the meter must be removed from the premises, a test shall be performed to determine the accuracy of the replacement meter. The member shall also be provided a copy of this meter's test report. In the event the electric meter was removed from the premises for testing, the meter is marked with date of removal, account number and test results, and retained by the Cooperative for a period of six to twelve months following the date of testing. After this period, it will either be put back into rotation for use in the field or retired and recycled."
Redwood	Meters are replaced within two working days and a new meter is installed is requested by a member-owner. The Cooperative will have the meter tested. The Cooperative has a \$10 charge for this service.
Sioux Valley	"When a customer requests a meter test, the test will be conducted within 10 days of the request. A report giving the name of the customer requesting the test, the date of the request, the location of the premises where the meter was installed, the date tested, and the result of the test will be supplied to the customer within one week after the completion of the test.

South Central	The Cooperative will go onsite and test the meter for accuracy. If the meter tests inaccurate, the meter is either adjusted or changed out immediately. The Cooperative has nothing in policy or tariff in regards to a fixed time period for meter replacement.
Steele Waseca	<p>Policy No. 2.017 addresses general and special meter testing procedures. It states: "Any customer of the Cooperative can request a test of his wathour meter." The following conditions will prevail.</p> <ul style="list-style-type: none"> <li>A. The customer will pay, in advance, a service charge to cover the cost for the testing, which will be done with the cooperative's meter testing equipment.</li> <li>B. If the customer requests the meter to be tested by an independent laboratory, the customer will pay the full cost of said test.</li> <li>C. Test of meter to be made within one (1) week of request.</li> <li>D. If meter is found to be more than 2% fast . . . a new wathour meter will installed and the fee will be refunded to customer. If the meter is found to be more than 2% slow, . . . the fee will not be refunded to customer and a new wathour meter will be installed . . .</li> <li>E. A written report of results of the wathour meter test shall be made available to the customer.</li> </ul> <p>According to the Cooperative's SRSQ Guidelines (4.4) - "Within ten calendar days of receiving a report from a customer questioning the accuracy of a meter or within ten calendar days of learning in some other way that a meter may be inaccurate, the Cooperative will test the meter for accuracy and replace if necessary." This is not a policy or tariff provision however.</p>
Tri-County	Service order is created the same day the Cooperative is notified of a meter that needs to be replaced. Meter is replaced either the same day or the following day. According to the Cooperative's Policy 501 - "Within ten calendar days of receiving a report from a customer questioning the accuracy of a meter or within ten calendar days of learning in some other way that a meter may be inaccurate, Tri-County Electric Cooperative will test the meter for accuracy and replace if necessary."

Fortunately, mechanical electric meters do not malfunction frequently. Electronic electric meters almost never malfunction. Consequently, the scope of this issue is not large. In addition, all the SMEC Member Cooperatives appear to allow a member/owner to request a meter test and they appear to be able to respond to customer requests for meter testing within the 10 day limit referenced in the Rule. The differences regarding the recovery of the costs associated with the meter testing appears to be the only issue. The charge for this service can vary from \$0 to \$50 or more depending on the SMEC Member Cooperative. At the same time, IPL's current fee is \$5.

The Department asked how many meter tests each of the SMEC Member Cooperatives have performed by year over the past 5 years in Department Information request No. 60. The five-year average for all twelve SMEC Member Cooperatives was 37 meter tests annually. Assuming a difference of \$45/meter test this difference would represent \$1,674 annually in meter testing fees. While this level does not appear to be a material financial issue, it would be helpful if SMEC Member Cooperatives that charge fees that would result in large increases were to develop some sort of mechanism to mitigate those increases over the

proposed transition period. Additional analysis or support that demonstrates cost basis for the Cooperatives not electing to adopt this particular rule requirement would be useful.

Service Call Appointments

Minn. Rules 7826.1100 defines a service call appointment as being “kept” if the worker arrives within a four-hour period set by the utility and clearly communicated to the customers. The Rule also exhorts utilities to keep their respective service call appointments. In Department Information Request No. 29 the DOC asked the Cooperatives to describe their processes for setting up service calls and notifying customers if the appointment cannot be kept.

**Table B-4 – SMEC Member Cooperatives’ Processes for Service Call Appointments**

Utility	Service Call Appointments
BENCO	The member would call the coop with an issue that would need us to create a service call ticket. The member would speak either directly to the person or leave a message and the coop employee would return the call as soon as possible. The coop would respond to the service call as prioritized in the work schedule. If an appointment was made with a member and needed to be rescheduled, we would personally call them to reschedule a time that would work for both the member and the coop employee.
Brown County	Same response as BENCO.
Federated	Calls for security, light maintenance, tree trimming and new services or service rebuilds are taken by the operations department and are taken care of within two days. Emergency service calls, service outages, lines down, and vehicle accidents are handled immediately. If an appointment cannot be kept, the consumer is called and different arrangements are made.
Freeborn Mower	FMCS creates service orders for various tasks and when an appointment needs to be made, the customer is called by the individual doing the service call or department head. In the event the appointment cannot be kept, customer is called so things can be rescheduled.

Minnesota Valley	<p>A service order is created internally and a phone call or email is made to the member to schedule the appointment. If there is no answer, a message is left on their answering machine asking them to contact MVEC to schedule an appointment. If the member answers, the appointment is scheduled for a time that works best for their schedule during the hours of 8:00 a.m. to 3:00 p.m. A two hour block of time is scheduled for each appointment (allows for drive time and work at the location). If the appointment needs to be rescheduled for any reason by MVEC, the member is contacted to reschedule and follows the same process as noted above. In the event an appointment is not met, we follow the guidelines for our service guarantees.</p> <p>MVEC Service Guarantee – If we mutually agree on a date and time for an appointment with you, MVEC will keep it. If MVEC fails to meet a service standard in this area, the cooperative will apply a credit in the amount of \$25.00 to the members account. MVEC strives to deliver electricity, products and services at levels of reliability and power quality beyond member expectations.</p>
Nobles	<p>After being contacted by the member, the coop will send an employee out within five working days to meet with the member and discuss their needs. The employee then designs the job and releases it to the line superintendent who places the job into a scheduled work plan to be completed by crews. If the appointment date given to the member is not going to be met, the coop will notify the member.</p>
People's	<p>When a service call comes in from a member or an electrician, details such as contact information, location of work, work details and scheduling are handled in the first phone call. The details are then used to create a service order, which the Cooperative uses to schedule jobs, appointments and track work order detail. When appointments are made they are put on the service order, written on a calendar and on a whiteboard in the operations department. If an unexpected re-schedule is needed from either a member or the Cooperative, after the initial appointment date was set, a new time and date is set that works for both parties and the information is updated in all areas. Appointments are scheduled for the first possible day that both parties can meet to complete the work. If only the Cooperative is needed to complete the work, it is scheduled for the first available day with the appropriate crew. All employees have the ability to create a service order. The employee who takes the call creates the service order following the process in the written procedure. The service order is assigned to appropriate field personnel either via mobile workforce or paper copy.</p>
Redwood	<p>We will call the consumer a week before we will do any work at that location and see if they have any concerns about the job. And if we can't keep the appointment we will give them a call and reschedule at their convenience.</p>

Sioux Valley	The department that needs to make an appointment with a customer is responsible for setting up that appointment. We will first attempt to contact the member by phone, if they do not answer the phone we will leave a message for them to call back. For non-emergency work we attempt to make at least three phone calls and wait for a call back. If we do not get a call back we will follow up with an email for those that we have email addresses or we will send them a letter. In cases where the member does not contact us back, we do send a certified letter. Sioux Valley Energy contacts the member in the manner that the member wants if we cannot make an appointment. This typically involves making a personal phone call to any member that we have made an appointment to meet if we cannot make that appointment. We will also communicate with members by email if that is their preferred communications method.
South Central	South Central Electric calls the customer to set up an appointment if necessary. If that appointment cannot be kept, the customer is notified and a new appointment is set up at that time.
Steele Waseca	Calls are answered in person by the Office Division. Once the nature of the call is determined, a request ticket is generated by the office and then transferred to Operations, or the caller is directly transferred to an Operations representative for further discussion. Operations at that point can address the issue by dispatching a crew if necessary or they can set up an appointment. If the appointment cannot be kept due to an unforeseen incident, Operations personnel will call the member with as much advance notice as possible on when we will arrive or try to reschedule.
Tri-County	A service order is created for the service call either by a member services representative or by personnel in inside operations staff. The service order is routed to the appropriate area (example would be metering). The supervisor or the coordinator in that area is responsible for setting the appointment with the member. If the appointment can later be kept, the supervisor or coordinator will notify the member of the cancellation as soon as time permits.

By comparison, IPL’s tariff doesn’t mention the concept of a Service Call Appointment.

Comparison of Call Center Response Time

Minn. Rule 7826.12 addresses call center response metrics. According to the rule, eighty percent of the calls to the business office during regular hours need to be answered within twenty seconds. The same eighty percent of calls answered within twenty seconds also applies to calls made during service interruptions. According to IPL’s most recent submission, it achieved both goals in 2012, answering 82.9% of calls to the business office within 20 seconds and 95.5% of calls during outages.

In Department Information Request No. 30 the DOC asked the Cooperatives to provide monthly call center response times for two categories – calls to business office during normal working hours and call during service interruptions.

**Table B-5 – SMEC Member Cooperatives’ Responses to DOC Information Request #30  
Regarding Call Center Metrics**

Utility	Response to Call Center
BENCO	BENCO employees answer all calls to our business office. We use Mass Communications in Mankato, Minnesota to handle our after-hours calls, the calls are answered by their employees. Both have multiple phone lines and employees to answer calls. If we have a major outage situation, we have an Interactive Voice Response (IVR) phone system to handle hundreds of calls at the same time. Both normal working hours and after-hours response times are within minutes.
Brown County	Calls to the business office during normal working hours are answered by a live person (not an automated system) normally within two rings of the telephone. Our phone system is not sophisticated enough for us to know anything more specific. After hours, call for service interruptions are answered by a contracted call center. Calls are answered by a live person at the call center. Call center personnel contact the lineman on call immediately after talking to the member.
Federated	The cooperative offers 24/7 on-call line personnel. One lineman in each county is on call at all times. Attached is the Employee On-Call Policy which states a “maximum” of 20 minutes to respond to an outage.*
Freeborn Mower	Approximately 80% of calls are answered within 20 seconds during normal business hours. When feasible within 20 seconds during service interruptions or forwarded to recorded message or CRC (after hours answering service). Answer means operator or representative is ready to render assistance or accept information.
Minnesota Valley	Provided a table that showed an average response time of 10 to 12 seconds for call during normal business hours for the period from 2009 through 2013. Information for average response times during service interruptions was for 2013 only and was equal to 5 seconds. Given this information, it would appear that MVEC meets the criteria listed in Minn. Rule 7826.12.
Nobles	Nobles does not document response times for these categories. The cooperative has a lineman on-call in each county to respond to outages on a 24/7 basis. Typical response time is 20 minutes.
People’s	We do not separate call volumes based on normal working hours and service interruptions. During normal business hours, the Cooperative uses a dedicated member service representative, along with backups to meet the goal of answering 95 percent of all calls within 20 seconds. . . . After-hours calls are handled and dispatched by Cooperative Response Center (CRC). In 2013, CRC answered an average of 90 percent of member’s calls in an average of 32 seconds. Reporting an outage via text messaging is also an option for members. If they sign up to use outage texting and text in an outage, the outage is reported and confirmed immediately. The member can also choose to receive a confirmation text when power is restored.

Redwood	Redwood Electric takes all of the calls. We don't have a dispatch center so the consumers are talking to an office personal or the lineman on call, who take care of the outages as they come in. If it's a major storm, the operations manager and the office manager will come in and help with the dispatching.
Sioux Valley	Provided response times for 2013 for average call wait time. Monthly average wait times in 2013 varied from 11 to 18 seconds. After-hours service interruptions monthly average wait times varied from 22 to 45 seconds in 2013.
South Central	South Central does not have a call center and does not track this type of information. Calls made to the office are answered within three rings on an average. We have between four and five people answering two incoming lines.
Steele Waseca	During normal business hours SWCE practice is to answer calls by person within 25 seconds. . . . During major service interruption events, SWCE has the ability to re-direct calls to an IVR system that allows the caller to register their outage with the Cooperative. . . . SWCE's after-hours dispatch center will have calls answered by a dispatcher within 25 seconds or the call will be picked up by the IVR within 35 seconds.
Tri-County	Calls to our business office during normal working hours are answered immediately by one of our four Member Service Representatives. . . . Section 4.7 of our Safety, Reliability and Service Quality Policy 501 outlines our procedures on Call Center Response Times. Any calls for service interruption that occur during working hours are handled the same way. No automation but answered by a Member Service Representative and the call is immediately entered into an Outage ticket routed directly to Dispatch Outage System.

\*Policy was not included in this table for brevity.

The different cooperative's responses to this information request highlight a couple of points. First, some of the cooperative's responses equate call center response time with the amount of time necessary to dispatch utility personnel to address the outage or event. Second, several of the responses indirectly make reference to the low density of the cooperative's customers. For example, Nobles response refers to a "lineman that is on-call in each county". While that level of operational support will likely be adequate for many of the current SMEC Member Cooperatives if the transaction is approved, those cooperatives that are absorbing relatively larger numbers of current IPL ratepayers would likely need to adjust their operational parameters significantly to be able to continue to provide a similar level of service quality.

#### Reporting Meter Reading Performance

Minn. Rule 7826.1400 lists the meter-reading performance criteria for a utility to use in its Annual Service Quality Report. The SMEC Member Cooperatives replied and this information was discussed previously in the Department's comments regarding Department Information Request No. 26. The fact that several of the SMEC Member Cooperatives have installed AMR and AMI technology has alleviated many of the concerns an economic regulator might have related to meter reading.

## Annual Service Quality Report Filing

Minn. Rule 7826.1300 describes the process for a utility to file its Annual Service Quality Report. This requirement is not applicable to the SMEC Member Cooperatives.

## Comparison of Involuntary Disconnections

Minn. Rule 7826.1500 lists the criteria for a utility to use in its Annual Service Quality Report regarding the number of involuntary disconnections. They include:

- The number of customers who received disconnection notices;
- The number of customers who sought cold weather rule prosecution and the number that were granted cold weather rule protection;
- The total number of customers whose service was disconnected involuntarily and the number of these customers restored to service within 24 hours; and
- The number of disconnected customers restored to service by entering into a payment plan.

The Department asked for this information in Information Request No. 33. Tables B-6.1 and B-6.2 contains the SMEC Member Cooperative's responses to that Department Information Request regarding disconnection notices.

**Table B-6.1, Comparison IPL and SMEC Cooperatives'  
Number of Disconnection Notices 2013**

Utility	Total # Sent	# of Notices/Cust.	# of Accounts Disconnected	% of Customers Disconnected
IPL	42,121	0.99	276	0.64%
BENCO	4,130	0.29	183	1.29%
Brown County	390	0.12	4	0.12%
Federated	2,224	0.51	34	0.77%
Freeborn Mower	4,497	0.77	22	0.38%
Minnesota Valley	22,534	0.71	508	1.59%
Nobles	3,086	0.64	15	0.31%
People's	5,373	0.38	117	0.82%
Redwood	N/A	N/A	11	0.49%
Sioux Valley	1,995	0.73	78	2.87%
South Central	1,122	0.33	16	0.47%
Steele Waseca	2,921	0.34	91	1.04%
Tri-County	5,019	0.38	51	0.38%

IPL sent quite a few disconnection notices in 2013, almost one per customer. Yet the IOU disconnected only 0.64 percent of its customers. The SMEC Member Cooperatives appear to be a bit more efficient in terms of sending disconnection notices. They range from 0.12 to 0.77 per customer. Some of them are also more aggressive about disconnecting customers. BENCO, MVEC, Sioux Valley and Steele Waseca all disconnected more than one percent of their customers for non-payment in 2013.



The issue of customer disconnections appears to be one area where the SMEC Member Cooperatives are going to have to cope with a customer base that appears to be less used to being interrupted for non-payments.

The information provided by the SMEC Member Cooperatives regarding the number of customers disconnected involuntarily and the number of customers restored to service in 24 hours did not appear consistent with that provided by IPL, so the Department has chosen not to present it in this analysis. The same logic applies for the information related to the number of customers who were restored to service by agreeing to a payment agreement.

Comparison of Service Extension Response Times

The Department did not include this issue as a topic in its information requests. Informal discussions with SMEC representatives suggest that this issue is not likely to be a problem, as service extensions represent the potential for new load.

**Table B-6.2, Comparison IPL and SMEC Cooperatives – Number of Customers Requesting and Receiving Cold Weather Rule Protection – 2013**

Utility	# of Cust. Requesting CWR	% of Customers	# of Cust. Receiving CWR	% of Customers Receiving CWR Protection
IPL	4,307	10.1%	4,307	100%
BENCO	71	0.50%	71	100%
Brown County	1	0.03%	1	100%
Federated*	3	0.07%	0	0%
Freeborn Mower	11	0.19%	11	100%
Minnesota Valley	125	0.39%	117	94%
Nobles	0	N/A	0	N/A
People's	17	0.12%	17	100%
Redwood	N/A	N/A	N/A	N/A
Sioux Valley	6	0.22%		
South Central	6	0.18%	6	100%
Steele Waseca	13	0.15%		
Tri-County	59	0.45%	35	59%

\*Estimated

The number of customer disconnections may be another area where the SMEC Member Cooperatives would need to increase the resources they devote to this function. However, as noted below, requests for Emergency Medical Accounts may offset this change to some extent.

### Emergency Medical Account Status

Minn. Rule 7826.1800 delineates the reporting requirements associated with Emergency Medical Account Status. This status exempts a customer from being disconnected from electrical service. It usually requires written certification from a medical doctor that a “medical emergency exists or where medical equipment requiring electricity necessary to sustain life is in use.” In Department Information Request No. 34, the DOC requested this information by Cooperative for the past 5 years.

**Table B-7.1 – Comparison of the Number of Customers Receiving EMA Status 2009 – 2013**

<b>Utility</b>	<b># of Cust. Requesting EMA</b>	<b>Total # of Customers</b>	<b>% of Cust. Accounts Designated as EMA</b>
IPL	30	42,585	0.07%
BENCO	65	14,169	0.46%
Brown County	124	3,280	3.78%
Federated	46	4,383	1.05%
Freeborn Mower	186	5,811	3.20%
Minnesota Valley	28	31,878	0.09%
Nobles	149	4,788	3.11%
People’s	68	14,253	0.48%
Redwood	1	2,238	0.04%
Sioux Valley	35	2,716	1.29%
South Central	23	3,421	0.10%
Steele Waseca	30	8,709	0.34%
Tri-County	12	13,147	0.09%

Certain SMEC Member Cooperatives acquired a relatively large number of EMA designated accounts during this time frame. It could be considered something of an offset to the Cooperatives’ relatively low number of customers that seek Cold Weather Protection.

### Comparison of Customer Deposits

A utility requires a customer to make a deposit if there is some uncertainty regarding the customer’s ability to pay his/her bill. Minn. Rule 7826.1900 requires that this information be included in an IOU’s annual service quality report. Table B-7.2 summarizes this information for IPL and the SMEC Member Cooperatives for 2013.

**Table B-7.2 – Comparison of the Number of Customers Required to Provide Customer Deposits in 2013**

Utility	Total # of Cust. Deposits	Total # of Customers in 2013	% of Cust. Accounts Designated as EMA
IPL	408	42,585	0.96%
BENCO	1	14,169	0.01%
Brown County	29	3,280	0.88%
Federated	151	4,383	3.44%
Freeborn Mower	102	5,811	1.76%
Minnesota Valley	127	31,878	0.40%
Nobles	67	4,788	1.40%
People's	302	14,253	2.11%
Redwood	76	2,238	3.40%
Sioux Valley	47	2,716	1.73%
South Central	115	3,421	3.36%
Steele Waseca	220	8,709	2.53%
Tri-County	45	13,147	0.34%

It is risky to read too much into one table based on one year of information regarding customer deposits. Some of the SMEC Member Cooperatives or IPL may have had more customer churn than others. Or a specific economic event may have negatively influenced one particular cooperative members' financial status. All those caveats aside, it appears that IPL is in the lower half of the population in terms of the percentage of customers required to provide a deposit in 2013.

#### Comparison of Customer Complaints

Minn. Rule 7826.2000 delineates the requirements regarding customer complaints that need to be filed with an IOU's annual service quality report. The Department asked the SMEC Member Cooperative's for the information described in this section of the rules in Department Information Request No. 33.

**Table B-7.3 – Annual Percentage of Customer Complaints by Distribution Entity – 2009 to 2013**

Utility	2009	2010	2011	2012	2013
IPL	1.9%	1.4%	0.8%	0.8%	1.4%
BENCO	0.5%	0.4%	0.5%	0.5%	0.0%
Brown County	0.2%	0.0%	0.0%	0.1%	0.1%
Federated	N/A	N/A	N/A	N/A	N/A
Freeborn Mower	N/A	N/A	N/A	N/A	N/A
Minnesota Valley	N/A	N/A	N/A	N/A	N/A
Nobles	1.4%	1.0%	1.3%	0.8%	0.9%
People's*	0.3%	0.3%	0.3%	0.3%	0.3%
Redwood	N/A	N/A	N/A	N/A	N/A
Sioux Valley	1.4%	1.2%	1.9%	1.3%	1.3%
South Central	N/A	N/A	N/A	N/A	N/A
Steele Waseca	N/A	0.7%	0.7%	0.7%	1.4%
Tri-County	N/A	N/A	N/A	N/A	N/A

\*Estimated

The Department's primary concern regarding this Table B-7.3 was the fact that half of the SMEC Member Cooperatives apparently do not track customer complaints. Given this response, it is difficult to tell where IPL falls relative to the SMEC Member Cooperatives regarding customer complaints. Only one of the SMEC Member Cooperatives' reporting the information had annual percentages of customer complaint higher than IPL – (Sioux Valley).

The Department asked Information Request No. 59 in an attempt to determine if the five cooperatives listed in Attachment 32-A used a different approach or nomenclature for tracking customer complaints. The five affected cooperatives – Federated, Freeborn-Mower, Minnesota Valley, People's and Redwood provided sufficiently detailed responses to address the Department's concerns.

## Attachment C – Description of Current and Proposed Cost Recovery Mechanisms

IPL intends to recover the generation and transmission related costs it incurs on SMEC's behalf through an Energy Supply Cost Recovery Charge, (ESCR). The ESCR would essentially consolidate costs recovered through base rates, the fuel clause adjustment and the Renewable Energy Rider. This proposal would change how several different costs are recovered.

IPL/SMEC identified three items currently covered by existing Commission Orders whose cost-recovery mechanisms will be modified under the proposed transaction.

- Alternative Transaction Adjustment (ATA) – this regulatory liability is currently recovered through a rider. It would be retained as a separate rate element and the amount refunded will be equal to the amount refunded by IPL to SMEC under the Wholesale Power Supply Agreement.
- Sutherland 4 Unit Development Costs – IPL currently recovers the costs associated with this cancelled generation facility through base rates. The recovery period is set at 25 years. Given that IPL will no longer have base rates if the transaction is approved, this cost recovery mechanism would be terminated. It would be replaced, however, by a cost recovery mechanism contained in the Wholesale Power Supply Agreement that would allow IPL to recover these costs over a 10 year period.
- Renewable Energy Rider – the mechanism that allows for the recovery of these costs through a rider would be terminated. Instead, the entire revenue requirement associated with the Whispering Willow Wind Farm, including the amounts disallowed by the Commission,<sup>15</sup> would be included as part of IPL's wholesale revenue requirement and be recovered through its FERC rates.

Specifically, Section 2.8 of the Electric Asset Purchase Agreement (APA) addresses the amount and timing of the recovery of the ATA by IPL's former ratepayers via a credit to the Wholesale Power Agreement. This same section of the Electric APA addresses the Sutherland regulatory asset as well. The specific amounts are included in Schedule 2.8 to the Electric APA. Regarding the inclusion of the WWE revenue requirement and other generation costs noted above in IPL's wholesale generation revenue requirement, this proposal would appear to be consistent with recovery of those costs through wholesale rates and is associated with loss of the Commission's jurisdiction over these matters.

In addition, another cost-recovery mechanism would be modified as a result of the proposed transaction – the hypothetical costs assuming continued IPL ownership of the Duane Arnold Energy Center (DAEC). The Commission limited IPL from recovering all costs that would have been imposed on IPL's Minnesota customers associated with IPL's sale of DAEC to FPL Energy in Docket No. E001/PA-05-1272.<sup>16</sup> The Applicants are proposing to terminate this

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<sup>15</sup> Commission's December 26, 2013 Order Adopting Administrative Law Judge's Report and Findings, *In the Matter of Interstate Power and Light Company's Petition for Approval of Eligibility for Investment in Whispering Willow-East, Renewable Energy Recovery Adjustment, and 2010 Rates*.

<sup>16</sup> Commission's January 25, 2006 Order Approving Sale and Transfer of Ownership Interest in Duane Arnold Energy Center with Conditions, *In the Matter of the Joint Application for Approval and Consent of Interstate Power and Light Company and FPL Energy Duane Arnold, LLC Requesting that the Minnesota Public Utilities*

mechanism for estimating the cost of energy produced by the DAEC, and allowing all costs to be charged to IPL's Minnesota ratepayers.

DOC Information Request No. 50 asked "How does the Company propose to recognize the current discount associated with the energy sourced from the Duane Arnold Energy Center if the proposed transaction were approved?" IPL responded:

IPL believes the term "current discount associated with energy sources from the Duane Arnold Energy Center (DAEC) refers to the hypothetical costs of DAEC, assuming continued IPL ownership that has been imputed by the Commission for ratemaking purposes. Based on the new contract with NextEra that took effect in February 2014, the actual costs and the hypothetical costs imputed assuming IPL ownership of DAEC are not materially different over the next ten year period 2015 through 2024. See Trade Secret Attachment DOC-50A. The charges from the current contract with the DAEC would be reflected in the formula rates charged by IPL to SMEC and its members.

The Department reviewed the information in Trade Secret Attachment DOC-50A, which also developed a net present value calculation which compared the different in the costs of the energy supplied by DAEC under the current regulatory paradigm and costs associated with the new costs identified in the information request response. The result of that calculation is consistent with IPL's statement that the difference between the two scenarios is not materially different. That said, IPL is planning to use the shift to FERC jurisdiction to terminate the regulatory requirements included in the Commission's DAEC Order.

/ja

## CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Reply Comments**

**Docket No. E001,140,105,139,124,126,145,132,114,6521,142,135/PA-14-322**

Dated this 6<sup>th</sup> day of October 2014

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ross	Abbey	abbey@fresh-energy.org	Fresh Energy	408 Saint Peter St Ste 220  St. Paul, MN 55102-1125	Electronic Service	No	OFF_SL_14-322_Official
Bobby	Adam	bobby.adam@conagrafoods.com	ConAgra	Suite 5022 11 ConAgra Drive Omaha, NE 68102	Electronic Service	No	OFF_SL_14-322_Official
Michael	Allen	michael.allen@allenergysolar.com	All Energy Solar	721 W 26th st Suite 211  Minneapolis, Minnesota 55405	Electronic Service	No	OFF_SL_14-322_Official
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-322_Official
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_14-322_Official
John	Aune	johna@bluehorizonsolar.com	Blue Horizon Energy	7246 Washington Ave S  Eden Prairie, MN 55344	Paper Service	No	OFF_SL_14-322_Official
Rebecca J.	Baldwin		Spiegel & McDiarmid	1333 New Hampshire Avenue NW  Washington, DC 20036	Paper Service	No	OFF_SL_14-322_Official
Rick	Bartz	rbartz@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_14-322_Official
Peter	Beithon	pbeithon@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Sara	Bergan	sebergan@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Kathryn J.	Bergstrom		Gray Plant Mooty	500 IDS Center 80 South Eighth Street Minneapolis, MN 550423796	Paper Service	No	OFF_SL_14-322_Official
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
William	Black	bblack@mmua.org	MMUA	Suite 400 3025 Harbor Lane North Plymouth, MN 554475142	Electronic Service	No	OFF_SL_14-322_Official
William A.	Blazar	bblazar@mncchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
B. Andrew	Brown	brown.andrew@dorsey.com	Dorsey & Whitney LLP	Suite 1500 50 South Sixth Street Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_14-322_Official
Michael J.	Bull	mbull@mncee.org	Center for Energy and Environment	212 Third Ave N Ste 560  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Joel	Cannon	jcannon@tenksolar.com	Tenk Solar, Inc.	9549 Penn Avenue S  Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-322_Official
John J.	Carroll	jcarroll@newportpartners.com	Newport Partners, LLC	9 Cushing, Suite 200  Irvine, California 92618	Electronic Service	No	OFF_SL_14-322_Official
Steve W.	Chriss	Stephen.chriss@walmart.com	Wal-Mart	2001 Southeast 10th St.  Bentonville, AZ 72716-5530	Paper Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
City	Clerk	sschulte@ci.albertlea.mn.us	City of Albert Lea	221 E Clark St  Albert Lea, MN 56007	Electronic Service	No	OFF_SL_14-322_Official
Steve	Coleman	scoleman@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S  Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Joan	Conrad	N/A	Iowa Utilities Board	1375 E. Court Avenue, Room 69  Des Moines, IA 50319-0069	Paper Service	No	OFF_SL_14-322_Official
Lisa	Crum	lisa.crum@ag.state.mn.us	Office of the Attorney General-PUC	445 Minnesota Street, 1100 BRM  Saint Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Lisa	Daniels	lisadaniels@windustry.org	Windustry	201 Ridgewood Avenue  Minneapolis, MN 55403	Paper Service	No	OFF_SL_14-322_Official
Dustin	Denison	dustin@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S  Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Executive	Director		League Of MN Cities	145 University Avenue West  St Paul, MN 551032044	Paper Service	No	OFF_SL_14-322_Official
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Dan	Donkers	N/A	Saint Paul - Ramsey County Public Health	Environmental Health Section 2785 White Bear Ave. Suite 350 Maplewood, MN 55109	Paper Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Steve	Downer	sdowner@mmua.org	MMUA	3025 Harbor Ln N Ste 400  Plymouth, MN 554475142	Electronic Service	No	OFF_SL_14-322_Official
Bill	Droessler	N/A	Izaak Walton League of America-MWO	1619 Dayton Ave Ste 202  Saint Paul, MN 55104	Paper Service	No	OFF_SL_14-322_Official
Betsy	Engelking	betsy@geronimoenergy.com	Geronimo Energy	7650 Edinborough Way Suite 725 Edina, MN 55435	Electronic Service	No	OFF_SL_14-322_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-322_Official
Nathan	Franzen	nathan@geronimoenergy.com	Geronimo Energy	7650 Edinborough Way Suite 725 Edina, MN 55435	Electronic Service	No	OFF_SL_14-322_Official
Doug	Franzen	djf@franzen-mn.com	Franzen & Associates, LLC	1675 Highland Pkwy  St. Paul, MN 55116	Paper Service	No	OFF_SL_14-322_Official
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_14-322_Official
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Elizabeth	Goodpaster	bgoodpaster@mncenter.org	MN Center for Environmental Advocacy	Suite 206 26 East Exchange Street St. Paul, MN 551011667	Electronic Service	Yes	OFF_SL_14-322_Official
Bill	Grant	Bill.Grant@state.mn.us	Minnesota Department of Commerce	85 7th Place East, Suite 500  St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Grover	dgrover@itctransco.com	ITC Midwest	901 Marquette Avenue Suite 1950 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-322_Official
Tony	Hainault	anthony.hainault@co.henn epin.mn.us	Hennepin County DES	701 4th Ave S Ste 700  Minneapolis, MN 55415-1842	Electronic Service	No	OFF_SL_14-322_Official
J Drake	Hamilton	hamilton@fresh-energy.org	Fresh Energy	408 St Peter St  Saint Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Samuel	Hanson	N/A	Briggs And Morgan, P.A.	2200 IDS Center E 80 South Eighth Street Minneapolis, MN 55402	Paper Service	No	OFF_SL_14-322_Official
Jack	Hays	jack.hays@westwoodps.co m	Westwood Professional Services	7699 Anagram Drive  Eden Prairie, MN 55344	Electronic Service	No	OFF_SL_14-322_Official
Brandon	Heath	bheath@misoenergy.org	MISO Energy	1125 Energy Park Drive  St. Paul, MN 55108-5001	Electronic Service	No	OFF_SL_14-322_Official
Annete	Henkel	mui@mutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Richard J.	Hettwer	rj.hettwer@smmpa.org	SMMPA	500 First Avenue, SW  Rochester, MN 559023303	Electronic Service	No	OFF_SL_14-322_Official
Lynn	Hinkle	lhinkle@mnseia.org	Minnesota Solar Energy Industries Association	2512 33rd Ave South #2  Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Holly	Hinman	holly.r.hinman@xcelenergy.com	Xcel Energy	414 Nicollet Mall, 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-322_Official
Anne	Hunt	anne.hunt@ci.stpaul.mn.us	City of Saint Paul	390 City Hall 15 West Kellogg Boulevard Saint Paul, MN 55102	Electronic Service	No	OFF_SL_14-322_Official
Dwight	Jelle	dkjelle@gmail.com	Best Power International, LLC	P.O. 5126 Hopkins, MN 55343	Electronic Service	No	OFF_SL_14-322_Official
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_14-322_Official
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	No	OFF_SL_14-322_Official
Paula	Johnson	paulajohnson@alliantenergy.com	Alliant Energy-Interstate Power and Light Company	P.O. Box 351 200 First Street, SE Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_14-322_Official
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Elizabeth M.	Jones	elizabeth.jones@ag.state.mn.us	Office of the Attorney General-PUC	445 Minnesota Street Suite 1100 Bremer Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Brian	Krambeer	bkrambeer@tec.coop	Tri-County Electric Cooperative	PO Box 626 31110 Cooperative Way Rushford, MN 55971	Electronic Service	No	OFF_SL_14-322_Official
Jon	Kramer	jk2surf@aol.com	Sundial Solar	4708 york ave. S  Minneapolis, MN 55410	Electronic Service	No	OFF_SL_14-322_Official
Jim	Krueger	jkrueger@fmcs.coop	Freeborn-Mower Cooperative Services	Box 611  Albert Lea, MN 56007	Electronic Service	No	OFF_SL_14-322_Official
Allen	Krug	allen.krug@xcelenergy.com	Xcel Energy	414 Nicollet Mall-7th fl  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Jeffrey L.	Landsman	jlandsman@wheelerlaw.com	Wheeler, Van Sickle & Anderson, S.C.	Suite 801 25 West Main Street Madison, WI 537033398	Electronic Service	No	OFF_SL_14-322_Official
Harold	LeVander, Jr.	hlevander@felhaber.com	Felhaber, Larson, Fenton & Vogt, P.A.	Suite 2100 444 Cedar Street St. Paul, MN 551012136	Electronic Service	No	OFF_SL_14-322_Official
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-322_Official
Bob	Long	rlong@larkinhoffman.com	Larkin Hoffman (Silicon Energy)	1500 Wells Fargo Plaza 7900 Xerxes Ave S Bloomington, MN 55431	Paper Service	No	OFF_SL_14-322_Official
Rebecca	Lundberg	rebecca.lundberg@powerfullygreen.com	Powerfully Green	11451 Oregon Ave N  Champlin, MN 55316	Electronic Service	No	OFF_SL_14-322_Official
Casey	MacCallum	casey@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S  Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Paula	Maccabee	Pmaccabee@justchangela w.com	Just Change Law Offices	1961 Selby Ave  Saint Paul, MN 55104	Electronic Service	No	OFF_SL_14-322_Official
Erik	Madsen	ErikMadsen@alliantenergy. com	Alliant Energy	200 First St SE  Cedar Rapid, IA 52401	Electronic Service	No	OFF_SL_14-322_Official
Kavita	Maini	kmains@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd  Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_14-322_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-322_Official
Natalie	McIntire	natalie.mcintire@gmail.com	Wind on the Wires	570 Asbury St Ste 201  St. Paul, MN 55104-1850	Paper Service	No	OFF_SL_14-322_Official
Valerie	Means	valerie.means@lawmoss.c om	Moss & Barnett	150 S. 5th Street, #1200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Brian	Meloy	brian.meloy@stinsonleona rd.com	Stinson, Leonard, Street LLP	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Gregory R.	Merz	gregory.merz@gpmlaw.co m	Gray, Plant, Mooty	80 S 8th St Ste 500  Minneapolis, MN 55402-5383	Electronic Service	No	OFF_SL_14-322_Official
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_14-322_Official
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Martin	Morud	mmorud@trunorthsolar.com	Tru North Solar	5115 45th Ave S Minneapolis, MN 55417	Electronic Service	No	OFF_SL_14-322_Official
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Michael	Noble	noble@fresh-energy.org	Fresh Energy	Hamm Bldg., Suite 220 408 St. Peter Street St. Paul, MN 55102	Electronic Service	No	OFF_SL_14-322_Official
Rolf	Nordstrom	rnordstrom@gpisd.net	Great Plains Institute	2801 21ST AVE S STE 220 Minneapolis, MN 55407-1229	Electronic Service	No	OFF_SL_14-322_Official
Samantha	Norris	samanthanorris@alliantenergy.com	Alliant Energy	200 1st Street SE PO Box 351 Cedar Rapids, IA 52406-0351	Electronic Service	No	OFF_SL_14-322_Official
Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	OFF_SL_14-322_Official
Priti R.	Patel	pritti.r.patel@xcelenergy.com	Xcel Energy	414 Nicollet Mall MP 800 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Donna	Pickard	dpickard@aladdinsolar.com	Aladdin Solar	1215 Lilac Lane Excelsior, MN 55331	Electronic Service	No	OFF_SL_14-322_Official
Charlie	Pickard	cpickard@aladdinsolar.com	Aladdin Solar	1215 Lilac Lane Excelsior, MN 55331	Electronic Service	No	OFF_SL_14-322_Official
David E.	Pomper		Spiegel & McDiarmid	1333 New Hampshire Avenue NW Washington, DC 20036	Paper Service	No	OFF_SL_14-322_Official



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Benjamin L.	Porath		Dairyland Power Cooperative	3200 East Avenue South PO Box 817 La Crosse, WI 546020817	Paper Service	No	OFF_SL_14-322_Official
Gayle	Prest	gayle.prest@minneapolisn.gov	City of Mpls Sustainability	350 South 5th St, #315  Minneapolis, MN 55415	Electronic Service	No	OFF_SL_14-322_Official
Enio	Ricci	ericci@invenergyllc.com	Invenergy LLC	17830 New Hampshire Ave Ste 300  Ashton, MD 20861	Electronic Service	No	OFF_SL_14-322_Official
Michelle	Rosier	michelle.rosier@sierraclub.org	Sierra Club	2327 E. Franklin Avenue  Minneapolis, MN 554061024	Paper Service	No	OFF_SL_14-322_Official
Dan L.	Sanford	N/A	American Transmission Company LLC	W234 N2000 Ridgeview Pkw Court  Waukesha, WI 53188-1022	Paper Service	No	OFF_SL_14-322_Official
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Kevin	Saville	kevin.saville@ftr.com	Citizens/Frontier Communications	2378 Wilshire Blvd.  Mound, MN 55364	Electronic Service	No	OFF_SL_14-322_Official
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Matthew J.	Schuerger P.E.	mjsreg@earthlink.net	Energy Systems Consulting Services, LLC	PO Box 16129  St. Paul, MN 55116	Electronic Service	No	OFF_SL_14-322_Official

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Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-322_Official
Gary	Shaver	N/A	Silicon Energy	3506 124th St NE  Marysville, WA 98271	Paper Service	No	OFF_SL_14-322_Official
Erin	Shea	eshea@silicon-energy.com	Silicon Energy	PO Box 376 8787 Silicon Way Mt Iron, MN 55768	Electronic Service	No	OFF_SL_14-322_Official
Doug	Shoemaker	dougs@mnRenewables.org	MRES	2928 5th Avenue South  Minneapolis, MN 55408	Paper Service	No	OFF_SL_14-322_Official
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Kristin	Stastny	stastny.kristin@dorsey.com	Dorsey & Whitney LLP	50 South 6th Street Suite 1500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Donna	Stephenson	dstephenson@greenergy.com	Great River Energy	12300 Elm Creek Boulevard  Maple Grove, MN 55369	Electronic Service	No	OFF_SL_14-322_Official
Erin	Stojan Ruccolo	ruccolo@fresh-energy.org	Fresh Energy	408 Saint Peter St Ste 220  Saint Paul, MN 55102-1125	Electronic Service	No	OFF_SL_14-322_Official
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Deb	Sundin	deb.sundin@xcelenergy.com	Xcel Energy	414 Nicollet Mall  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official

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JoAnn	Thompson	jthompson@otpc.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_14-322_Official
Stephen J.	Videto		ITC Holding Corp.	27175 Energy Way, Fifth Floor  Novi, MI 48377	Paper Service	No	OFF_SL_14-322_Official
Denis R.	Vogel	vmele@wheelerlaw.com	Wheeler, Van Sickle & Anderson, S.C.	25 W. Main Street Suite 801  Madison, WI 53703	Electronic Service	No	OFF_SL_14-322_Official
Marya	White	mwhite@misoenergy.org	MISO	1125 Energy Park Dr  St. Paul, MN 55108	Electronic Service	No	OFF_SL_14-322_Official
Daniel	Williams	DanWilliams.mg@gmail.com	Powerfully Green	11451 Oregon Avenue N  Champlin, MN 55316	Electronic Service	No	OFF_SL_14-322_Official
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE  Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_14-322_Official