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March 26, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E001/PA-07-540
Docket No. E001/GR-10-276

Dear Mr. Wolf:

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

Interstate Power and Light Company's Annual Refund Report of Alternative Transaction Adjustment Amounts and Analysis of Gain on Sale Proceeds Returned to Ratepayers.

The refund report was filed on February 27, 2015 by:

Samantha C. Norris
Senior Attorney
Alliant Tower
200 First Street SE
PO Box 351
Cedar Rapids, Iowa 52406-0351

The Department recommends that the Minnesota Public Utilities Commission require IPL to return the remaining \$200,000 to ratepayers and adopt the Department's recommendations contained herein to do so.

Sincerely,

/s/ MARK JOHNSON
Financial Analyst

MJ/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET Nos. E001/PA-07-540; E001/GR-10-276

I. BACKGROUND

On February 7, 2008, the Minnesota Public Utilities Commission (Commission) issued its Order approving Interstate Power and Light Company's (IPL) proposed sale of its transmission assets to ITC Midwest, LLC in Docket No. E001/PA-07-540 (07-540). Ordering paragraph 1a) required IPL to abide by all the commitments and other terms and conditions set out in the Settlement Agreement filed on December 12, 2007, including the terms and conditions of the Alternative Transaction Adjustment (ATA). Under the ATA, IPL agreed to refund to ratepayers approximately \$13.04 million per year for eight years on a total Company basis.

In addition to the ATA, in IPL's 2010 rate case (Docket No. E001/GR-10-276), the Commission required IPL to refund the remaining gain on sale related to the 07-540 transmission asset sale over a four-year period. Paragraph 1 of the Commission's November 8, 2011 Order stated that:

The Commission modifies the order of August 12, 2011 to specify that the \$4,812,282 remaining gain on sale will be amortized over a four year period, \$1,203,071 on an annualized basis, starting on July 6, 2010 and that when the gain on sale amount is depleted, IPL will be allowed to implement new rates based on the test year in the instant rate case with the credit removed.

On December 8, 2011, IPL submitted its Compliance Filing in Docket No. E001/GR-10-276. In Section III of its Compliance Filing, IPL provided the financial schedules and accounting of the level of the initial gain on sale and the amount remaining. In Section IV of its Compliance Filing, IPL provided an explanation of its rate design and copies of the tariff sheets that would be in effect after the expiration of the remaining gain on sale. On February 13, 2012, the Commission issued its ORDER REVISING REVENUE REQUIREMENTS AND APPROVING COMPLIANCE FILING in Docket No. E001/GR-10- 276.

On January 30, 2014, IPL submitted its Annual Refund Report of Alternative Transaction Adjustment Amounts in Docket Nos. E001/GR-10-276 and E001/PA-07-540. This report included a footnote about the amortization of the remaining gain on sale.

On May 28, 2014, IPL electronically (informally) submitted a proposed customer notice for new electric rates. On June 13, 2014, IPL electronically submitted a final revised customer notice. IPL worked with Commission Staff in the development of this notice, and informally submitted revisions to its original proposal prior to submitting its final revised customer notice.

On June 16, 2014, the Commission's Executive Secretary approved IPL's revised customer notice for new electric rates.¹

On July 6, 2014, IPL implemented new electric rates.

On February 27, 2015, IPL filed a compliance filing in both dockets reporting the ATA amount and the Company's reconciliation analysis of the actual amount of the gain on sale that had been returned to its Minnesota customers.

II. SUMMARY OF FILING

On page 2 of its compliance filing, IPL stated that it had amortized the gain on sale proceeds over the four-year period in accordance with the Commission's November 8, 2011 Order in Docket No. E001/GR-10-276.

IPL stated that Commission Staff and the Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) had informally asked the Company to provide a reconciliation analysis of the actual amount of gain that had been returned to Minnesota electric customers through their bills. IPL provided this information in Attachment C of its petition.

IPL stated that it performed the requested analysis by taking actual billing determinants by rate code over the 48-month amortization period (approximately July 2010 through June 2014) and multiplying those sales by the gain on sale credit built into customer rates. According to IPL, the results of the reconciliation analysis show that Minnesota retail electric customers had received approximately \$4.6 million of the \$4.8 million gain on sale. IPL stated that it will fully cooperate in taking the necessary steps to carry out the Commission's intention with respect to treatment of the gain as provided in the Order.

IPL stated that, if its pending request for approval of the sale of IPL's Minnesota electric distribution system and assets to Southern Minnesota Energy Cooperative (SMEC)² is

¹ In its June 30, 2010 NOTICE AND ORDER FOR HEARING, in Docket No. E-001/GR-10-276, the Commission delegated authority to the Executive Secretary to approve customer notices and bill inserts for the duration of the proceeding.

approved, the remaining ATA balance would be returned to customers via a reduction in payments under the Wholesale Power Sales Agreement.

With regards to the \$200,000 remaining gain on sale, IPL stated that since the ATA relates to the same asset sale that led to the \$4.8 million gain on sale, if the Commission determines that the approximately \$200,000 remaining gain should be returned to customers, the same mechanism that is expected to be used to return the remaining ATA balance could be used to return the remaining transmission gain on sale to customers.

III. DEPARTMENT ANALYSIS

A. ALTERNATIVE TRANSACTION ALTERNATIVE (ATA)

As shown in Attachment A of the filing, IPL's remaining ATA balance as of December 31, 2014 is \$4,208,460. The Department notes that IPL's remaining ATA balance will continue to be amortized and returned to Minnesota ratepayers through IPL's Fuel Clause Adjustment (FCA) or IPL's Wholesale Power Sales Agreement with SMEC (if the transaction is approved).

B. GAIN ON SALE

The DOC agrees that IPL amortized its gain on sale proceeds over the four-year period and implemented new electric rates in accordance with the Commission's November 8, 2011 Order in Docket No. E001/GR-10-276. However, as shown in Attachment C of the petition, IPL returned only \$4.6 million of the \$4.8 million gain on sale amount to ratepayers on a total dollar basis, leaving a remaining balance of approximately \$200,000. The Department understands that the remaining balance is attributable to differences between the \$4.8 million gain on sale amount from IPL's 2010 rate case and IPL's actual sales volumes during the amortization period multiplied by the gain on sale credit built in to customer rates.

The Department notes that, normally, amortized amounts from rate cases are not true-up to actuals. In addition, the Commission's November 8, 2011 Order did not require IPL to true-up its amortized gain on sale to actuals. However, the gain on sale balance represents less than 0.3 percent³ of IPL's total Minnesota revenues. Moreover, IPL elected to include this balance along with its ATA balance in its annual compliance filings. As a result, the DOC recommends that the Commission require IPL to utilize the FCA mechanism to return the remaining \$200,000 balance to ratepayers, or, if IPL's request in Docket No. 14-322 is approved, through a reduction in payments required of SMEC under the Wholesale Power Sales Agreement. In either case, IPL should provide a compliance filing reporting the amount actually returned to customers.

² See Docket No. E001,115,140,105,139,124,126,145,132,114,6521,142,135/PA-14-322 (Docket No. 14-322).

³ \$200,000 / \$76,999,227 (2013 total Minnesota revenues per IPL's Electric Jurisdictional Annual Report in Docket No. E001/M-14-4, Page E-14).

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The Department recommends that the Commission require IPL to utilize the FCA mechanism to return the remaining \$200,000 balance to ratepayers, or, if IPL's request in Docket No. 14-322 is approved, through a reduction in payments required of SMEC under the Wholesale Power Sales Agreement. In either case, IPL should provide a compliance filing reporting the amount actually returned to customers.

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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
Comments**

Docket No. E001/PA-07-540 and E001/GR-10-276

Dated this 26th day of March 2015

/s/Sharon Ferguson

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