Interstate Power and Light Co.
An Alliant Energy Company

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Samantha C. Norris
Senior Attorney

August 1, 2014

Dr. Burl W. Haar, Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

RE: Interstate Power and Light Company and Southern Minnesota Energy Cooperative
Docket No. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322
Response to Commission Additional Questions for Joint Petitioners

Dear Dr. Haar:

Enclosed for eFiling with the Minnesota Public Utilities Commission (Commission) please find Interstate Power and Light Company and Southern Minnesota Energy Cooperative's response to the Commission's additional questions issued on July 14, 2014, and the issues raised in the Commission's *Order Requiring Additional Record Development* issued on June 30, 2014.

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

Very truly yours,

/s/ Samantha C. Norris
Samantha C. Norris
Senior Attorney

SCN/kcb
Enclosures

cc: Service List

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

IN THE MATTER OF A REQUEST FOR APPROVAL OF THE ASSET PURCHASE AND SALE AGREEMENT BETWEEN INTERSTATE POWER AND LIGHT COMPANY AND SOUTHERN MINNESOTA ENERGY COOPERATIVE	**DOCKET NO. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322**

AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Kathleen C. Balvanz, being first duly sworn on oath, deposes and states:

That on the 1st day of August, 2014, copies of the foregoing Affidavit of Service, together with Interstate Power and Light Company and Southern Minnesota Energy Cooperative's Response to Commission Additional Questions for Joint Petitioners, were served upon the parties on the attached service list, by e-filing, overnight delivery, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Cedar Rapids, Iowa.

/s/ Kathleen C. Balvanz
Kathleen C. Balvanz

Subscribed and Sworn to Before Me
this 1st day of August, 2014.

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

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STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

IN THE MATTER OF A REQUEST FOR APPROVAL OF THE ASSET PURCHASE AND SALE AGREEMENT BETWEEN INTERSTATE POWER AND LIGHT COMPANY AND SOUTHERN MINNESOTA ENERGY COOPERATIVE	**DOCKET NOS. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322**

RESPONSE TO COMMISSION ADDITIONAL QUESTIONS FOR JOINT PETITIONERS

On June 30, 2014, the Minnesota Public Utilities Commission (Commission) issued an *Order Requiring Additional Record Development* (June 30th Order) in this docket. The Order required that Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) (collectively Joint Petitioners) file comments responding to any additional questions posed by the Commission, the Minnesota Department of Commerce, Division of Energy Resources (Department), the Minnesota Office of the Attorney General – Antitrust and Utilities Division (OAG), or any other interested person.

On July 14, 2014, the Commission issued Additional Questions for Joint Petitioners. Joint Petitioners submit these comments (Comments) in response to the Commission's Additional Questions. In addition, Joint Petitioners also provide responses to the issues raised on page 4 of the Commission's June 30th Order.

<u>Responses to the Commission's Additional Questions</u>

1) **Are there efficiency gains from using SMEC as an intermediary? If so, describe those gains, how they are measured and expected savings.**
2) **How is using SMEC for the transaction consistent with the public interest for the IPL customers?**

SMEC was organized by its twelve Member Cooperatives to serve as a single counter-party to negotiate an Asset Purchase and Sale Agreement (APA) and Wholesale Power Supply Agreement (WPSA) with IPL. It would have been not feasible for each of the twelve Member Cooperatives to negotiate a separate APA and WPSA with IPL. Additionally, SMEC has obtained very favorable financing terms from CFC for the purchase of the IPL assets, which are very likely better financing arrangements than would have been available if the Member Cooperatives would have sought to secure separate financing arrangements from CFC or another lender.

SMEC's favorable financing terms with CFC have made it economically advantageous to IPL customers for SMEC, as opposed to each Member Cooperative, to own the IPL assets for up to three years after the closing. SMEC's management of the IPL assets as essentially one utility system will provide time for the necessary planning to efficiently segregate the IPL system, develop interconnection and other necessary agreements and will provide operating experience that will ensure a seamless transfer of the assets and customers to the Member Cooperatives when they purchase their share of the IPL assets.

Finally, managing the issues under the WPSA with IPL for a ten-year period will be more efficiently done at the SMEC level rather than at the Member Cooperative level. It would be duplicative for each Member Cooperative to deal separately with IPL regarding FERC rates, MISO, renewables, CIP and all other matters related to generation and transmission. SMEC's management for these activities relieves the Member Cooperatives of their need to individually hire the expertise necessary to handle these subjects.

All of the above-described activities have and will save costs in the transition and ultimately serving the IPL customers.

3) What roles will SMEC play:
a. During the transaction?
b. After the transaction is complete?

a. During the transaction:

- Complete all financing arrangements with CFC for the acquisition of the IPL assets;
- Execute all closing documents with IPL for SMEC's purchase of the IPL assets;
- Execute a ten year, all requirements Wholesale Power Supply Agreement with IPL for the electric service requirements of the customers in the acquired area;
- Prepare and execute an Operations and Maintenance Agreement with its Member Cooperatives for the operation and maintenance of the IPL system until each Member Cooperative purchases its share of the IPL assets during the three year period post-closing;
- Prepare and execute an Exit Purchase Agreement with its Member Cooperatives setting forth the terms and conditions under which its Member Cooperatives will purchase their shares of the IPL assets; and
- Handle the Commission regulatory process for itself and its Member Cooperatives.

b. After the transaction is complete:

- Establish and control the common rates for electric service which the IPL customers will pay during the Three Year Initial Period;
- Manage all wholesale power supply arrangements with IPL for the ten year term of the Wholesale Power Supply Agreement;

- Enter into separate all requirements wholesale power supply subcontracts with its Member Cooperatives after they purchase their shares of the IPL assets during the three year period post-closing;

- Operate and maintain the acquired IPL assets as one utility system for up to three years through an Operations and Maintenance Agreement with each Member Cooperative; and

- Distribute and manage the sale to each Member Cooperative of their shares of the IPL assets during the three year period post-closing.

4) Explain the pre- and post-sale relationships between, (and which ongoing obligations below to each):
   a. IPL and SMEC.
   b. SMEC and the Member Cooperatives
   c. Member Cooperatives and IPL.

a. IPL and SMEC:

SMEC will close the purchase of the IPL assets as defined in the Asset Purchase Agreement; close the loan with CFC for the cash purchase of the IPL assets; and enter into a ten year all requirements wholesale power supply agreement with IPL for the electric service requirements of the IPL customers.

b. SMEC and the Member Cooperatives:

SMEC will establish the uniform rates for electric service for the IPL customers during the Three Year Initial Period. The Member Cooperatives will bill the IPL customers and remit the revenues to SMEC. SMEC in turn will pay the wholesale power supply costs and will also pay each Member Cooperative for the operation and maintenance expense for that part of the IPL utility system in its service territory. When each Member Cooperative purchases its share of the IPL assets, the SMEC/Member Cooperative Operations and Maintenance Agreement will terminate, and each Member Cooperative will own, operate and maintain the system on its own. SMEC will retire a pro rata portion of its loan to CFC as each Member Cooperative purchases its share of the IPL assets.

c. Member Cooperatives and IPL:

IPL's customers will be transferred to and become members of each Member Cooperative based on their location within the service territory of the Member Cooperatives.

5) SMEC states that it will submit itself to "limited jurisdiction" before the Commission for 5 years.

a. What will be the scope of this "limited jurisdiction?"

b. Will this jurisdiction be limited to former IPL customers only?

c. Will this jurisdiction include the rate regulation for former IPL customers?

d. What on-going reporting obligations will SMEC assume?

Joint Petitioners expect to more thoroughly define the specific means through which this regulation can effectively occur when they file their responses to any additional questions received by the August 7 deadline in the Commission's Order. Joint Petitioners note that it may be appropriate for the Commission to include the provisions of the SMEC Rate Plan as conditions in its order approving the transaction, as provisions included in Commission orders may be enforced under Minn. Stat. § 216B.54.

a. What will be the scope of this "limited jurisdiction?"

- During the Three-Year Initial Period, Commission jurisdiction will assure that SMEC and the Member Cooperatives charge IPL's customers the adopted IPL rates with certain modifications.

- During the Three-Year Initial Period, Commission jurisdiction will assure that the Member Cooperatives prepare standard CCOSS studies for (a) the Legacy Area, (b) the Acquired Area, and (c) the Combined Area, reflecting area specific costs for purchased power and distribution facilities.

- During the Two-Year Transition Period, Commission jurisdiction will assure that separate rates are maintained for the Legacy and Acquired Areas based on the standard CCOSSs and to assure that any merged rates are within 5% of each other.

b. Will this jurisdiction be limited to former IPL customers only?

Commission jurisdiction to assure that IPL's retail rates are charged during the Three-Year Initial Period applies only to IPL's former customers. Commission jurisdiction to assure that standard CCOSSs will be prepared applies both to IPL's former customers and to the Member Cooperatives' Legacy customers.

c. Will this jurisdiction include the rate regulation for former IPL customers?

Commission jurisdiction will not include rate regulation for either IPL's former customers or the Member Cooperatives' Legacy customers.

d. What on-going reporting obligations will SMEC assume?

SMEC is a generation and transmission cooperative, and it will comply with the reporting requirements for G&T cooperatives under law.

6) How will SMEC's operating costs be allocated?
a. How will additional costs be absorbed?
b. What costs will SMEC assume?

This question needs to be answered for two different time periods. (For simplicity, we will assume that spin down of the distribution facilities to the Member Cooperatives occurs at the end of the Three-Year Initial Period.) First, prior to spin down of facilities, the twelve SMEC Member Cooperatives will remit all revenue received from service to customers in the former IPL service area to SMEC; and SMEC will be responsible for paying all operating costs. The operating costs include the IPL wholesale power and MISO transmission costs, as well as reimbursement to the Member Cooperatives for the cost of operating their respective Acquired Areas. In other words, for the Three-Year Initial Period, there will be no allocation of SMEC costs to the Member Cooperatives.

After spin down of the distribution assets to the Member Cooperatives, SMEC's role will be limited to administering the Wholesale Power Supply Agreement. The charges from IPL to SMEC for power supply are currently based on a delivery point charge, the demand of each delivery point coincident with the IPL monthly system peak, and the energy delivered to each delivery point. The charges for transmission services from IPL to SMEC (basically pass through costs from MISO) are currently based on the demand of each delivery point coincident with transmission owner's monthly system peak demand. Thus, each Member Cooperative's share of SMEC's purchased power and transmission costs may be determined directly based on the coincidental billing demand and energy of the delivery points (primarily distribution substations) serving each Cooperative's system. SMEC's cost of administering the Wholesale Power Supply Contract, is expected to be minimal; how that cost will be allocated to the Member Cooperatives has yet to be determined, but logically would be a small adder to the demand and/or energy charges.

7) **What are the current rates for each class of customer for each cooperative?**
    a. **For each co-op, provide both current class rates and prospective rates for its existing members, and the prospective rates for existing IPL customers, if the transaction were approved.**
    b. **If the transaction were approved, would former IPL customers pay the same rates as existing cooperative members of the same customer classes?**
    c. **For each co-op, provide the current class rates and prospective rates, and the difference between the rates for existing IPL customers.**
    d. **If current IPL customers initially pay a different rate than its co-op's current customers, explain in detail, including anticipated timelines,**

the process that will ultimately convert IPL's customers' rates to current co-op rates. Provide this information for all 12 co-ops.

a. The current rates of the SMEC Member Cooperatives for their existing customers are provided in Attachment K of the Joint Petition. None of the Cooperatives have plans to change the retail rates to their current member-ratepayers in the near future. As discussed in the Joint Petition, the Cooperatives propose to utilize IPL's current rates, with limited modifications, to serve customers in the former IPL service territory for the Three-Year Initial Period.

The extent to which these rates may be modified during the Two-Year Transition Period (the period after the first three years) will vary based on various factors. In some instances, assuming the criteria stated in the Joint Petition are met, certain rates in the Acquired and Legacy Areas may be combined, such that customers in both areas are served under a common rate structure. In other instances, the Cooperatives may maintain separate rate structures for the two areas, and/or establish urban/rural versions of a rate. The CCOSS's that the Cooperatives have committed to prepare will be a major factor in this determination as will other rate design principals such as avoiding abrupt changes that cause hardships on a class or subclass of consumer and customer acceptance.

Beyond the first five years, in some instances, rates for the two areas may be combined such that customers in both areas are served under common rates. In other instances, the Cooperatives may maintain separate rate structures for the two areas, and/or establish urban/rural versions of a rate. Again, the CCOSS's that the Cooperatives have committed to prepare will be a major factor in this determination as will other rate design principals such as avoiding abrupt changes that cause hardships on a class or subclass of consumer and customer acceptance. Since the former IPL customers will have become members of the cooperative, they will have an opportunity to 1) participate in the nomination and election of Board members, and 2) voice their opinion at Board meetings and through other avenues.

b. See above response to 7a.

c. For the Three-Year Initial Period, please see Attachment H-2 of the Joint Petition. Since the Cooperatives' rates beyond the Initial Period are not yet designed, a similar comparison is not available.

d. See above response to 7a.

8) What is being paid for in the $110 million purchase price?
   a. If approved, how will the cost of the purchase price be apportioned back to the respective coops?
   b. With respect to rates, will all customers or only former IPL customers be burdened with their co-op's portion of the purchase price?

The purchase price represents the net book value of the entire IPL distribution asset base in the state of Minnesota, with limited exceptions for system communications equipment, plus an acquisition premium.

a. If approved, the purchase price, adjusted to the date of the "spin down" of the assets to the Member Cooperatives, will be allocated to each SMEC Member Cooperative using a set of allocation factors based on 1) 50% net plant investment of the facilities assigned to each cooperative, and 2) 50% of the Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for the acquired customers calculated for each Cooperative. The exact methodology (for example, what year(s) will be used to establish the EBITDA component) has not yet been determined.

b. For purposes of the area based CCOSS that the Cooperatives have committed to develop, each Cooperative's share of the purchase price will be assigned to its Acquired Area and become part of the revenue requirements of the Acquired Area. To the extent that area cost based rates are maintained, the customers in the Acquired Area (i.e., former IPL customers and new customers who move into the Acquired Area after closing) will bear that cost. To the extent that the rates of the Acquired and Legacy Areas are combined, the purchased cost will be shared by all customers.

9) The bylaws state "any member of SMEC may withdraw from the membership at any time after the initial term of two (2) years, provided a one (1) year notice is given, upon payment in full of all withdrawing member's debts and obligations to SMEC". Please provide additional information on the following:
   a. What would a Member's typical debts and obligations be?
   b. Are there any penalties for early withdrawal?
   c. How does a Member's withdrawal impact the remaining members, and the costs allocated to them?

a. What would a Member's typical debts and obligations be?

- Obligation to serve the former IPL service territory;
- Obligation to purchase its share of IPL's assets;
- Loan guaranty to CFC;
- Share of regulatory costs; and
- Share of wholesale power supply costs for the remaining term of that 10 year agreement.

b. Are there any penalties for early withdrawal?

No, but the SMEC Board of Directors is authorized under Section 1.5.B. of the Bylaws to set uniform terms and conditions for the withdrawal of a Member, which could include a penalty for early withdrawal.

c. How does a Member's withdrawal impact the remaining members, and the costs allocated to them?

Please see Attachment A for a copy of Joint Petitioners' response to Chamber Information Request No. 2, and please also see the response to Commission Question No. 18 below.

10) Are there any matters related to this proceeding pending in South Dakota, Iowa or any other state(s)?

Joint petitioners expect the following:

- No related proceedings are necessary or will impact the potential in South Dakota.
- Iowa approval (coming in the form of not disapproving the proposal) is necessary from the Iowa Utilities Board (IUB) in a "Reorganization" docket. This Reorganization requests has not yet been filed. The IUB has an initial time limit of 90 days to rule on such a request, but this can be extended to 180 days.
- With respect to the Wholesale Power Sales Agreement, IPL is required to file a rate schedule (non-conforming service agreement) with the Federal Energy Regulatory Commission (FERC) for authorization and acceptance under section 205 of the FPA. Absent a waiver, the rate schedule is required to be filed with the FERC not less than 60 days nor more than 120 days prior to the date on which service is to become effective.

11) How do you propose to handle current tracker accounts, such as:
a. The alternative transaction account tracker?
b. Any other tracker account or tracker-like mechanism such as a deferred accounting mechanism?

Such items fall into several categories:

First, IPL has no current cost items that are being deferred.

Second, current tracker accounts will either affect the final sales price (Conservation Improvement Program and Renewable Energy Rider), or will simply end (fuel cost adjustment.)

Third, for items currently embedded in rates, for which there is a longer amortization period, these items are reflected in the Wholesale Power Supply

Agreement. These include the ATA Regulatory Liability (credit to customers) and the Sutherland Generation Station 4 cancellation costs (debit to customers.)

Lastly, IPL is currently working on a reconciliation of the amounts refunded to customers from the four year amortization of the gain on the transmission asset sale. (After this four year amortization was concluded, rates were increased to reflect the conclusion of the amortization period in July 2014.)

These cost reconciliation applications are summarized in the table below:

Rider / Cost Item	Impact on Sale Price	Impact on Wholesale Power Supply Agreement	Final Reconciliation
Fuel Cost Adjustment	No	No	No
Conservation Improvement Program	Yes – APA Schedule 2.7	No	Yes – Per APA
Renewable Energy Rider	Yes – APA Schedule 2.7	No	Yes – Per APA
ATA Regulatory Liability	No	Yes – APA Schedule 2.8 (Petition, Attachment D, pages 595-596)	No
SGS 4 Regulatory Asset	No	Yes – Schedule 2.8 (same)	No
Remaining Gain on transmission sale (Rate adjustment made July 2014 to reflect 4 year amortization)	No	No	In Process

12) How do you propose to handle any current rider, including any tracker accounts associated with those riders?

Please see response to Commission Question No. 11 above.

13) Please provide pro forma journal entries for all parties – including each of the 12 coops – assuming the transaction is approved as filed.

Please see Attachment B for the journal entries for SMEC and the SMEC Member Cooperatives. Please see Attachment C for a summary of the proposed IPL Journal Entries that would be recorded using the numbers found in Schedule 2.7 of the Asset Purchase and Sale Agreement dated September 3, 2013. These entries are based on IPL's December 2012 financial statement balances and will be adjusted at closing in accordance with the Asset Purchase and Sale Agreement.

14) Are there any programs that benefit current IPL customers for which they would not be eligible if the transaction were approved?

The Joint Petitioners are gathering information to provide a thorough response to this question and will supplement the record with their response.

15) How was the $0.002/kWh Cooperative Ownership Credit determined to be an appropriate amount? How was it calculated?

Please see Attachment D for a copy of Joint Petitioner's response to the Office of Attorney General Information Request No. 2.

16) Who will be the primary contact(s) for IPL customers seeking information about the transaction and its impact? Include name(s) and telephone number(s).

General customer questions made by telephone will go through an intake process in our Minnesota customer call center via the 800-ALLIANT number. We have a general Q&A available to help answer general questions customers may have. Most questions are answered through that Q&A document. Those questions that need further attention are routed through the Minnesota@alliantenergy.com email for further customer interaction.

Customer questions that arrive via email at Minnesota@alliantenergy.com, through the online web form or by mail are processed through our corporate communications group. If the question can be answered by the media responder handling the Minnesota sale, he will handle the response to limit the delay in responding. If more specific answers or information is needed, a question may be routed to a subject-matter expert. Specific contact information for the media responder is available later in this response.

Since the announcement of the sale, IPL has received five separate written questions directly from customers – two sent to our Minnesota@alliantenergy.com address and three entered through a web form on the AlliantEnergy.com/Minnesota page of our website. Of the five questions answered through corporate communications, most were general in nature and only one needed outside subject-matter expert assistance, related to a PPA for customer-owned generation.

The customer call center has fielded calls on the sale, including three calls that were forwarded to corporate communications for response. The volume of calls on the sale has been limited and, as such, has not maintained a listing of calls specifically related to the sale.

Finally, at the request of SMEC, we direct specific questions regarding SMEC rates, such as detailed post-sale rate structure/cost questions, to the SMEC Member Cooperative that would provide the customer with service. Alliant Energy/IPL continues to answer all other customer questions related to electricity and also answers all questions asked in the natural gas sale.

PRIMARY CONTACTS:
Customer Call Center
1-800-ALLIANT

Minnesota@alliantenergy.com and web form on AlliantEnergy.com/Minnesota
Prior to July 1: Scott Drzycimski – 319-786-7550
After July 1: Ryan Stensland – 319-786-4171

Responses to the Commission's June 30th Order

17) While the Joint Petitioners have provided a great deal of information, many of the operational details of the transaction and its aftermath remain unclear. For example, it is unclear at this point how former IPL customers would be integrated into the member cooperatives' rate structures and what impact their integration would have on the rates of Legacy and Acquired customers.

a. For the Three-year Initial Period, the SMEC Member Cooperatives have agreed to adopt the current IPL rates, with the modifications discussed in the Joint Petition.

b. For the Two-Year Transition Period, the Member Cooperatives may modify the rates in their respective Acquired Areas, with certain restrictions, namely:

1. The SMEC Member Cooperatives have committed to preparing CCOSS for the Acquired Area, Legacy Area, and Combined Area.

2. If the CCOSS indicate that rate changes are appropriate, the results of the CCOSS will be used as a general guide in designing new rates, considering other legitimate, commonly recognized rate design objectives such as avoiding abrupt changes (aka gradualism), customer acceptance, appropriate price signals, revenue/cost stability.

3. If separate area rates are maintained, the sum of the revenue from the various rates for both the Legacy and Acquired Areas can be no greater that the revenue requirements calculated for each area, as determined by the CCOSS.

4. Rates cannot be merged unless the revenue produced by the merged rate is within 5% of the revenue produced by each of the area rates.

5. No rate can be increased by more than 5% per year, excluding the operation of the PCA factor, to accomplish a merger.

c. Beyond the first five years, the SMEC Member Cooperatives will continue to rely on CCOSS's to provide a rational guide, along with other commonly recognized rate design objectives, to evaluate and design their rates. The end results may include 1) combining rates for the Legacy and Acquired Areas, 2) maintaining separate area cost based rates indefinitely, or 3) establishing a rural/urban rate class distinction to recognize the impact of load density on costs. The former IPL customers will, of course, have become members of their local cooperative, and will have a voice in electing a representative to the cooperative Board. They will also have the opportunity to attend Board meetings, and express their opinion, like any other member.

18) It is unclear how former IPL customers would be protected if the member cooperative to which they were assigned withdrew from SMEC, which is permitted under the cooperative association's bylaws.

Based on the arrangement between SMEC and the Member Cooperatives, IPL customers are protected from potential impacts from the unlikely event of a SMEC Member Cooperative withdrawal.

If a SMEC Member Cooperative were to withdraw from SMEC, as its Bylaws permit, it would still be required to meet certain obligations, most notably the obligation to purchase the distribution facilities necessary to serve its acquired assigned service area and the obligation to purchase power and energy, including transmission delivery service, from SMEC. (See response to Commission Question No. 9 for a more complete discussion of these obligations.)

Since the withdrawing Cooperative would still be obligated 1) to serve the Acquired Area, 2) to acquire the distribution facilities necessary to serve the area, and 3) to purchase its power and energy requirements from SMEC, the same as it would have had were it to have stayed with SMEC, it is difficult to see how there would be any additional risk to the former IPL customers. Furthermore, it is presumed that if a Member Cooperative were to withdraw from SMEC it would do so only if it believed that there was some benefit to be derived from withdrawing, and that benefit would accrue to the Cooperative's members.

19) The costs of acquiring all necessary local government franchises are unclear, since in some cases assignment requires the consent of the local government unit.

While IPL will incur minimal overhead costs associated with personnel drafting appropriate documentation, contacting the municipalities, etc., IPL does not expect to incur any direct costs related to the assignment of its franchises. No such costs were incurred with respect to the assignment of the transmission portion of IPL's franchises to ITC Midwest LLC.

20) The parameters of the relationship between IPL and SMEC are unclear; in some respects the relationship resembles a transaction between affiliates.

IPL and SMEC are not currently affiliates, nor will they be affiliates after the proposed transaction closes. For a thorough discussion of this topic, please see Joint Petitioners' Reply Comments at Section V, pp. 11-15, filed May 23, 2014.

21) Finally, it is unclear how broad, enduring, and recognized the Commission's authority to protect affected ratepayers would be, given the Joint Petitioners' characterization of their submission to Commission jurisdiction as voluntary and their claim that Commission jurisdiction would end before permanent rates were set for former IPL customers.

See Joint Petitioners' response to Commission Question No. 5 above regarding the Commission's limited jurisdiction or scope of authority over SMEC's Rate Plan (Three-Year Initial Plan and Two-Year Transition Plan). Rather than describe the Commission's role as one of limited jurisdiction, it may be more appropriate for the Commission to include the provisions of the SMEC Rate Plan as conditions in its order approving the transaction, as provisions included in Commission orders may be enforced under Minn. Stat. § 216B.54.

Dated this 1st day of August, 2014.

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Response of
Interstate Power and Light Company and
Southern Minnesota Energy Cooperative
to
Minnesota Chamber of Commerce
Information Request No. 2

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 8, 2014
Response Due:	July 29, 2014
Information Requested By:	Kavita Maini
Date Responded:	July 30, 2014
Author:	Dennis R. Eicher
Author's Title:	President, D.R. Eicher Consulting, Inc.
Author's Telephone No.:	(612) 868-0582
Subject:	
Reference:	

Information Request No. 2

What is the impact to the remaining cooperatives if one or more members decide to opt out of the Wholesale Power Agreement after the first five years? Is this a take or pay transaction and are there penalties involved for terminating the deal in five years?

Response:

The Wholesale Power Agreement (WPA) between IPL and SMEC is a load following agreement, not a take or pay type agreement; and the WPA between SMEC and its Member Cooperatives will be structured the same way. SMEC and its Member Cooperatives will pay IPL for wholesale power only for the actual customer load served in the Acquired Area.

SMEC Bylaws (Article I, Section 1.5 B) permits a Member to withdraw from membership in SMEC at any time after the two-year initial period, with a one year notice, "upon payment in full of all of the withdrawing member's debts and obligations to SMEC, the performance of any act or acts required in connection with any obligation, and compliance with any uniform terms and conditions as prescribed by the Board of Directors." One of the obligations that would be enforced in the hypothetical situation of the withdrawal of a Member Cooperative would be the Member's obligations under the terms of the SMEC-Member Cooperative's WPA. If a Member chose to opt out of SMEC, the Member is financially obligated for all associated expenses and/or potential non-performance under the terms of the WPA, holding all remaining SMEC Members harmless. SMEC is similarly obligated to purchase the power and energy requirements of the former IPL area from IPL even if a Member Cooperative opts out of SMEC.

In other words, the transaction commits, as a practical matter, each of the Member Cooperatives to take wholesale service from IPL for a minimum of 10 years. Members of SMEC are obligated to SMEC, and SMEC to IPL, for the purchase of the power, energy, and transmission services required to provide service to the customers and service territory assigned to them in this transaction based on the Member Cooperatives' service territory boundaries for a minimum of 10 years from the close of the transaction.

Acquisition of IPL's MN Service Territory and Facilities
Southern Minnesota Energy Cooperative
Illustrative Journal Entries At Closing
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method
Distribution and Plant Assets	$ 172,821,000		Direct assigned based on where facilities are located
Acquisition Premium & Trans. Cost	16,913,000		Allocated purchase price less book value of assets
Construction WIP	2,701,000		Direct assigned based on where facilities are located
Accum Depr - Dist & Plant Assets		$ 70,333,000	Direct assigned based on where facilities are located
A/R - Energy Sales	7,094,000		Allocate based on 2012 revenue.
Inventory - Materials & Supplies	348,000		Allocate based on net plant
Prepayments	11,000		Allocate based on net plant
Regulatory Assets	1,303,000		Allocate based on 2012 energy sales
N/P - CFC		124,829,000	Residual to match totals
Property Taxes Payable		3,160,000	Allocate based on net plant
Consumer Deposits		167,000	Allocate based on 2012 revenue.
Accrued Vacation		337,000	Allocate based on net plant
Regulatory Liabilities		707,000	Allocate based on 2012 energy sales
Customer Advances		831,000	Allocate based on net plant
Total	$ 201,191,000	$ 200,364,000	

Working Capital

Customer accounts receivable	$ 4,024,000
Unbilled revenue	3,070,000
Materials and supplies	348,000
MN-based prepayments	11,000
Renewable energy rider	9,000
Shared savings receivable	1,294,000
Customer advances for construction	(831,000)
Property tax payable	(3,160,000)
Accrued vacation	(337,000)
DSM rider - electric	(707,000)
Customer deposits	(167,000)
	$ 3,554,000

Acquisition of IPL's MN Service Territory and Facilities
BENCO Electric Cooperative
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 25,755,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	(2,438,000)		Allocated purchase price less book value of assets	Direct
Construction WIP	350,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 10,439,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	761,186		Allocate based on 2012 revenue.	0.1073
Inventory - Materials & Supplies	52,006		Allocate based on net plant	0.1494
Prepayments	1,644		Allocate based on net plant	0.1494
Regulatory Assets	158,575		Allocate based on 2012 energy sales	0.1217
N/P - CFC		13,460,846	Residual to match totals	
Property Taxes Payable		472,236	Allocate based on net plant	0.1494
Consumer Deposits		17,919	Allocate based on 2012 revenue.	0.1073
Accrued Vacation		50,362	Allocate based on net plant	0.1494
Regulatory Liabilities		75,861	Allocate based on 2012 energy sales	0.1073
Customer Advances		124,186	Allocate based on net plant	0.1494
Total	$ 24,640,411	$ 24,640,411		

Acquisition of IPL's MN Service Territory and Facilities
Brown County Rural Electrical Association
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 1,374,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	449,000		Allocated purchase price less book value of assets	Direct
Construction WIP	3,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 565,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	73,778		Allocate based on 2012 revenue.	0.0104
Inventory - Materials & Supplies	2,747		Allocate based on net plant	0.0079
Prepayments	87		Allocate based on net plant	0.0079
Regulatory Assets	11,988		Allocate based on 2012 energy sales	0.0092
N/P - CFC		1,306,346	Residule to matrch totals	
Property Taxes Payable		24,944	Allocate based on net plant	0.0079
Consumer Deposits		1,737	Allocate based on 2012 revenue.	0.0104
Accrued Vacation		2,660	Allocate based on net plant	0.0079
Regulatory Liabilities		7,353	Allocate based on 2012 energy sales	0.0104
Customer Advances		6,560	Allocate based on net plant	0.0079
Total	$ 1,914,599	$ 1,914,599		

Acquisition of IPL's MN Service Territory and Facilities
Federated Rural Electric Association
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 6,215,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	873,000		Allocated purchase price less book value of assets	Direct
Construction WIP	86,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 2,615,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	468,204		Allocate based on 2012 revenue.	0.0660
Inventory - Materials & Supplies	12,224		Allocate based on net plant	0.0351
Prepayments	386		Allocate based on net plant	0.0351
Regulatory Assets	111,276		Allocate based on 2012 energy sales	0.0854
N/P - CFC		4,941,381	Residual to match totals	
Property Taxes Payable		110,998	Allocate based on net plant	0.0351
Consumer Deposits		11,022	Allocate based on 2012 revenue.	0.0660
Accrued Vacation		11,837	Allocate based on net plant	0.0351
Regulatory Liabilities		46,662	Allocate based on 2012 energy sales	0.0660
Customer Advances		29,190	Allocate based on net plant	0.0351
Total	$ 7,766,090	$ 7,766,090		

Acquisition of IPL's MN Service Territory and Facilities
Freeborn-Mower Cooperative Services
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 46,870,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	10,110,000		Allocated purchase price less book value of assets	Direct
Construction WIP	577,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 19,947,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	2,516,242		Allocate based on 2012 revenue.	0.3547
Inventory - Materials & Supplies	91,418		Allocate based on net plant	0.2627
Prepayments	2,890		Allocate based on net plant	0.2627
Regulatory Assets	447,581		Allocate based on 2012 energy sales	0.3435
N/P - CFC		39,221,181	Residual to match totals	
Property Taxes Payable		830,114	Allocate based on net plant	0.2627
Consumer Deposits		59,235	Allocate based on 2012 revenue.	0.3547
Accrued Vacation		88,528	Allocate based on net plant	0.2627
Regulatory Liabilities		250,773	Allocate based on 2012 energy sales	0.3547
Customer Advances		218,299	Allocate based on net plant	0.2627
Total	$ 60,615,130	$ 60,615,130		

Acquisition of IPL's MN Service Territory and Facilities
Minnesota Valley Electric Cooperative
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 12,662,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	2,122,000		Allocated purchase price less book value of assets	Direct
Construction WIP	29,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 5,191,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	516,443		Allocate based on 2012 revenue.	0.0728
Inventory - Materials & Supplies	25,368		Allocate based on net plant	0.0729
Prepayments	802		Allocate based on net plant	0.0729
Regulatory Assets	90,428		Allocate based on 2012 energy sales	0.0694
N/P - CFC		9,875,919	Residual to match totals	
Property Taxes Payable		230,352	Allocate based on net plant	0.0729
Consumer Deposits		12,158	Allocate based on 2012 revenue.	0.0728
Accrued Vacation		24,566	Allocate based on net plant	0.0729
Regulatory Liabilities		51,470	Allocate based on 2012 energy sales	0.0728
Customer Advances		60,577	Allocate based on net plant	0.0729
Total	$ 15,446,041	$ 15,446,041		

Acquisition of IPL's MN Service Territory and Facilities
Nobles Cooperative Electric
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 8,016,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	385,000		Allocated purchase price less book value of assets	Direct
Construction WIP	85,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 3,417,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	222,752		Allocate based on 2012 revenue.	0.0314
Inventory - Materials & Supplies	15,616		Allocate based on net plant	0.0449
Prepayments	494		Allocate based on net plant	0.0449
Regulatory Assets	35,833		Allocate based on 2012 energy sales	0.0275
N/P - CFC		5,122,037	Residual to match totals	
Property Taxes Payable		141,800	Allocate based on net plant	0.0449
Consumer Deposits		5,244	Allocate based on 2012 revenue.	0.0314
Accrued Vacation		15,122	Allocate based on net plant	0.0449
Regulatory Liabilities		22,200	Allocate based on 2012 energy sales	0.0314
Customer Advances		37,290	Allocate based on net plant	0.0449
Total	$ 8,760,694	$ 8,760,694		

Acquisition of IPL's MN Service Territory and Facilities
Peoples Energy Cooperative
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 19,065,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	6,463,000		Allocated purchase price less book value of assets	Direct
Construction WIP	777,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 7,581,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	998,835		Allocate based on 2012 revenue.	0.1408
Inventory - Materials & Supplies	38,994		Allocate based on net plant	0.1121
Prepayments	1,233		Allocate based on net plant	0.1121
Regulatory Assets	172,778		Allocate based on 2012 energy sales	0.1326
N/P - CFC		19,327,819	Residual to match totals	
Property Taxes Payable		354,085	Allocate based on net plant	0.1121
Consumer Deposits		23,514	Allocate based on 2012 revenue.	0.1408
Accrued Vacation		37,762	Allocate based on net plant	0.1121
Regulatory Liabilities		99,546	Allocate based on 2012 energy sales	0.1408
Customer Advances		93,115	Allocate based on net plant	0.1121
Total	$ 27,516,840	$ 27,516,840		

Acquisition of IPL's MN Service Territory and Facilities
Redwood Electric Cooperative
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 9,576,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	438,000		Allocated purchase price less book value of assets	Direct
Construction WIP	22,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 3,410,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	310,008		Allocate based on 2012 revenue.	0.0437
Inventory - Materials & Supplies	20,937		Allocate based on net plant	0.0602
Prepayments	662		Allocate based on net plant	0.0602
Regulatory Assets	51,729		Allocate based on 2012 energy sales	0.0397
N/P - CFC		6,710,756	Residual to match totals	
Property Taxes Payable		190,116	Allocate based on net plant	0.0602
Consumer Deposits		7,298	Allocate based on 2012 revenue.	0.0437
Accrued Vacation		20,275	Allocate based on net plant	0.0602
Regulatory Liabilities		30,896	Allocate based on 2012 energy sales	0.0437
Customer Advances		49,996	Allocate based on net plant	0.0602
Total	$ 10,419,335	$ 10,419,335		

Acquisition of IPL's MN Service Territory and Facilities
Sioux Valley Energy
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 6,589,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	(858,000)		Allocated purchase price less book value of assets	Direct
Construction WIP	403,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 2,316,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	127,692		Allocate based on 2012 revenue.	0.0180
Inventory - Materials & Supplies	14,509		Allocate based on net plant	0.0417
Prepayments	459		Allocate based on net plant	0.0417
Regulatory Assets	21,369		Allocate based on 2012 energy sales	0.0164
N/P - CFC		3,785,851	Residual to match totals	
Property Taxes Payable		131,749	Allocate based on net plant	0.0417
Consumer Deposits		3,006	Allocate based on 2012 revenue.	0.0180
Accrued Vacation		14,050	Allocate based on net plant	0.0417
Regulatory Liabilities		12,726	Allocate based on 2012 energy sales	0.0180
Customer Advances		34,647	Allocate based on net plant	0.0417
Total	$ 6,298,029	$ 6,298,029		

Acquisition of IPL's MN Service Territory and Facilities
South Central Electric Association
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 10,907,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	13,000		Allocated purchase price less book value of assets	Direct
Construction WIP	288,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 4,806,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	266,025		Allocate based on 2012 revenue.	0.0375
Inventory - Materials & Supplies	20,716		Allocate based on net plant	0.0595
Prepayments	655		Allocate based on net plant	0.0595
Regulatory Assets	42,608		Allocate based on 2012 energy sales	0.0327
N/P - CFC		6,441,588	Residual to match totals	
Property Taxes Payable		188,111	Allocate based on net plant	0.0595
Consumer Deposits		6,263	Allocate based on 2012 revenue.	0.0375
Accrued Vacation		20,061	Allocate based on net plant	0.0595
Regulatory Liabilities		26,513	Allocate based on 2012 energy sales	0.0375
Customer Advances		49,469	Allocate based on net plant	0.0595
Total	$ 11,538,004	$ 11,538,004		

Acquisition of IPL's MN Service Territory and Facilities
Steele-Waseca Cooperative Electric
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 10,004,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	(283,000)		Allocated purchase price less book value of assets	Direct
Construction WIP	24,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 4,064,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	378,110		Allocate based on 2012 revenue.	0.0533
Inventory - Materials & Supplies	20,169		Allocate based on net plant	0.0580
Prepayments	638		Allocate based on net plant	0.0580
Regulatory Assets	78,571		Allocate based on 2012 energy sales	0.0603
N/P - CFC		5,861,062	Residual to match totals	
Property Taxes Payable		183,147	Allocate based on net plant	0.0580
Consumer Deposits		8,901	Allocate based on 2012 revenue.	0.0533
Accrued Vacation		19,532	Allocate based on net plant	0.0580
Regulatory Liabilities		37,683	Allocate based on 2012 energy sales	0.0533
Customer Advances		48,163	Allocate based on net plant	0.0580
Total	$ 10,222,488	$ 10,222,488		

Acquisition of IPL's MN Service Territory and Facilities
Tri-County Electeric Cooperative
Illustrative Journal Entries At Spin Down
(Based on December 31, 2012 Data)

Account Description	Debit	Credit	Allocation Method	Alloc. Factor
Distribution and Plant Assets	$ 15,788,000		Direct assigned based on where facilities are located	Direct
Acquisition Premium & Trans. Cost	(361,000)		Allocated purchase price less book value of assets	Direct
Construction WIP	57,000		Direct assigned based on where facilities are located	Direct
Accum Depr - Dist & Plant Assets		$ 5,982,000	Direct assigned based on where facilities are located	Direct
A/R - Energy Sales	454,725		Allocate based on 2012 revenue.	0.0641
Inventory - Materials & Supplies	33,296		Allocate based on net plant	0.0957
Prepayments	1,052		Allocate based on net plant	0.0957
Regulatory Assets	80,265		Allocate based on 2012 energy sales	0.0616
N/P - CFC		9,601,215	Residual to match totals	
Property Taxes Payable		302,347	Allocate based on net plant	0.0957
Consumer Deposits		10,705	Allocate based on 2012 revenue.	0.0641
Accrued Vacation		32,244	Allocate based on net plant	0.0957
Regulatory Liabilities		45,319	Allocate based on 2012 energy sales	0.0641
Customer Advances		79,510	Allocate based on net plant	0.0957
Total	$ 16,053,339	$ 16,053,339		

IP&L - Minnesota Electric Asset Sale
Summary of Estimated 2012 Sale Journal Entries

($ rounded to thousands)

Transactions Description	FERC Account	FERC Account Description	Debit	Credit
Entry #1 - Gross Proceeds from Sale				
Cash	131	Cash	$ 121,692,000	
Utility plant sold	102	Electric plant purchased or sold		$ 121,692,000
Entry #2 - Sale of Electric Plant In Service and associated Accumulated Depreciation				
Long term accumulated depreciation cost of removal depreciation expense	108	Accumulated provision for depreciation of electric utility plant	$ 70,333,000	
Utility plant sold	102	Electric plant purchased or sold	$ 105,189,000	
Construction Work In Progress	107	Construction work in progress-Electric		$ 2,701,000
Utility plant retirements	101	Electric plant in service		$ 172,821,000
Entry #3 - Sale of Customer Accounts Receivable				
Utility plant sold	102	Electric plant purchased or sold	$ 7,094,000	
Billed Customer Accounts Receivable	142	Customer accounts receivable		$ 4,024,000
Unbilled Customer Accounts Receivables	173	Accrued utility revenues		$ 3,070,000
Entry #4 - Sale of Materials and Supplies				
Utility plant sold	102	Electric plant purchased or sold	$ 348,000	
Materials & supplies inventory	154	Plant materials and operating supplies		$ 348,000
Entry #5 - Sale of Prepaid Assets				
Utility plant sold	102	Electric plant purchased or sold	$ 11,000	
Prepaid vehicle registration fees	165	Prepayments		$ 11,000
Entry #6 - Sale of Customer Advances For Construction				
Customer advances for construction	252	Customer advances for construction	$ 831,000	
Utility plant sold	102	Electric plant purchased or sold		$ 831,000
Entry #7 - Sale of Customer Deposits				
Customer deposits	235	Customer deposits	$ 167,000	
Utility plant sold	102	Electric plant purchased or sold		$ 167,000
Entry #8 - Sale of Over/Under collected DSM Rider Balance				
DSM rider	254	Other regulatory liabilities	$ 707,000	
Utility plant sold	102	Electric plant purchased or sold		$ 707,000
Entry #9 - Accrued vacation				
Accrued vacation liabilities	242	Miscellaneous current and accrued liabilities	$ 337,000	
Utility plant sold	102	Electric plant purchased or sold		$ 337,000
Entry #10 - Sale of Property Tax Liabilities				
Property Taxes Accrued	236	Taxes accrued	$ 3,160,000	
Utility plant sold	102	Electric plant purchased or sold		$ 3,160,000
Entry #11 -				
Utility plant sold	102	Electric plant purchased or sold	$ 1,294,000	
Shared savings receivables	186	Miscellaneous deferred debits		$ 1,294,000
Entry #12 - Renewable energy rider balance				
Utility plant sold	102	Electric plant purchased or sold	$ 9,000	
DSM Rider Under collection - Regulatory Asset	182.3	Other regulatory assets		$ 9,000
Entry #13 - Estimated sale transaction closing costs				
Utility plant sold	102	Electric plant purchased or sold	$ 3,000,000	
Cash	131	Cash		$ 3,000,000
Entry #14 - Removal of the unamortized regulatory asset balances from 2009 test year rate case				
Utility plant sold	102	Electric plant purchased or sold	$ 1,094,000	
Electric transmission service costs (2008 ITC True up costs) - approved amortization of $257,859 per year for a five year period ending in June 2015.e-up Costs)	182.3	Other regulatory assets		$ 645,000
Electric rate case costs - approved amortization of $236,097 per year for a four year period ending in June 2014	182.3	Other regulatory assets		$ 354,000

IP&L - Minnesota Electric Asset Sale
Summary of Estimated 2012 Sale Journal Entries

($ rounded to thousands)

Transactions Description	FERC Account	FERC Account Description	Debit	Credit
Electric retail portion of severance costs - approved amortization of $63,654 per year for a four year period ending in June 2014.	182.3	Other regulatory assets		$ 95,000
Entry #15 - Record estimated Income Taxes related to sale				
Income taxes, utility operating income	409.1	Income taxes, utility operating income	$ 33,162,000	
Taxes accrued	236	Taxes accrued		$ 33,162,000
Accumulated deferred income taxes	282	Accumulated deferred income taxes	$ 29,486,000	
Provision for deferred income taxes-credit, utility operating income	411.1	Provision for deferred income taxes-credit, utility operating income		$ 29,486,000
Entry #16 - Record gain on asset sale				
Utility plant sold	102	Electric plant purchased or sold	$ 8,855,000	
Gain on disposition of property	421.1	Gain on disposition of property		$ 8,855,000
Totals			$ 386,769,000	$ 386,769,000

FERC Account Summary:

FERC	FERC Description	Amount
101	Electric plant in service	$ (172,821,000)
102	Electric plant purchased or sold	$ -
107	Construction work in progress-Electric	$ (2,701,000)
108	Accumulated provision for depreciation of electric utility plant	$ 70,333,000
131	Cash	$ 118,692,000
142	Customer accounts receivable	$ (4,024,000)
154	Plant materials and operating supplies	$ (348,000)
165	Prepayments	$ (11,000)
173	Accrued utility revenues	$ (3,070,000)
182.3	Other regulatory assets	$ (1,103,000)
186	Miscellaneous deferred debits	$ (1,294,000)
235	Customer deposits	$ 167,000
236	Taxes accrued	$ (30,002,000)
242	Miscellaneous current and accrued liabilities	$ 337,000
252	Customer advances for construction	$ 831,000
254	Other regulatory liabilities	$ 707,000
282	Accumulated deferred income taxes	$ 29,486,000
409.1	Income taxes, utility operating income	$ 33,162,000
411.1	Provision for deferred income taxes-credit, utility operating income	$ (29,486,000)
421.1	Gain on disposition of property	$ (8,855,000)
		$ -

☐ Confidential/Trade Secret

**Response of
Interstate Power and Light Company and
Southern Minnesota Energy Cooperative
to
State of Minnesota
Office of Attorney General
Information Request No. 2**

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:	May 19, 2014
Response Due:	June 6, 2014
Information Requested By:	Ian Dobson
Date Responded:	June 6, 2014
Authors:	Dennis Eicher
Authors' Title:	SMEC Rate Consultant
Authors' Telephone No.:	(612) 868-0582
Subject:	

Information Request No. 2

Provide the basis, including all calculations and assumptions, for the application of a $0.002/kWh credit "to reflect expected operational efficiencies, a lower borrowing rate, and exemption from federal and state income taxes," Specifically, provide individual estimates of expected savings due to "operational efficiencies", "a lower borrowing rate", and "exemption from federal and state income taxes" and the basis for the expected savings.

Response:

The $0.002/kWh Cooperative Ownership Credit being offered by SMEC and the SMEC Member Cooperatives for the Initial Period (estimated to be 2015-2018, depending on the closing date) is intended to help moderate the increase in rates that will result from tracking increases in the cost of wholesale power supply and transmission delivery services that has occurred since IPL's last rate case filed in 2010. It is not a specifically calculated value. This discount is made possible to a large extent by the ability to secure a bridge loan for the first three years after closing having a very low annual interest rate of approximately 1.59 percent, the fact that the Cooperatives are exempt from federal and state income tax, and the expectation of operational efficiencies, in spite of the fact that distribution costs have also risen since IPL's last rate case. However, it should also be understood that this credit is not a permanent cost-based pricing element, but rather a mechanism to ensure the Transaction is in the customer's interest from a short term pricing perspective.