

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

**Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Southern Minnesota Energy Cooperative	Docket Nos. E001, 115, 140, 105, 139, 124, 126, 145, 132, 114, 6521, 142, 134/PA-14-322 INITIAL COMMENTS
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Southern Minnesota Energy Cooperative (SMEC) respectfully submits the following initial comments in response to the topics identified as open for comment in the Commission’s Notice of Comment Period dated February 28, 2018:

- 1. Does Southern Minnesota Energy Cooperative’s (SMEC) December 11, 2017 compliance filing and its subsequent revisions comply with the Commission’s Order¹?**

Answer: Yes. In its Order, the Commission found as follows: “[T]hat the proposed transaction is consistent with the public interest if certain conditions are applied. The Commission therefore approves the petition subject to [certain] conditions.²” None of the conditions relate to the proposed Acquired Area rate changes for the two-year Transition Period that are the subject of SMEC’s December 11, 2017 compliance filing.³ However, in its Order,

¹ *In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power & Light Co. & S. Minn. Energy Coop.*, Order Approving Agreement Subject to Conditions, Docket Nos. E001, 115, 140, 105, 139, 124, 126, 145, 132, 114, 6521, 142, 135/PA-14-322 (June 8, 2015) (hereinafter, “Order”).

² Order at 9-10.

³ See Order at 9-10. SMEC notes, however, that while the six enumerated conditions were not the subject of its December 11, 2017 compliance filing, SMEC has submitted separate filings in compliance with the six enumerated conditions.

the Commission separately “retain[ed] jurisdiction to enforce the terms and conditions of the rate plan agreed to by [SMEC and IPL].⁴” Accordingly, SMEC submitted the December 11, 2017 compliance filing to confirm its compliance with the terms and conditions of the proposed Rate Plan with respect to the proposed Transition Period rates.

In particular, the jointly-agreed Rate Plan directed each SMEC Member Cooperative to “prepare Class Cost of Service Studies (CCOSS) as part of developing a long range Rate Plan.⁵” As confirmed in SMEC’s December 11, 2017 compliance filing and subsequent revisions thereto, the SMEC Member Cooperatives followed the parameters established for the CCOSS within the Rate Plan. The compliance filing also confirms that the Member Cooperatives have further complied with the Rate Plan by, “[b]ased on the results of the CCOSS’s, . . . develop[ing] a plan to either 1) continue to serve the Acquired Areas and Legacy Areas under separate area cost based rate structures, or 2) merge the rates of the two areas over time in a manner that mitigates any undue hardship to customers, or 3) some combination thereof.⁶” In this respect, the Rate Plan notes, “Key to this determination will be the impact of the plan on the bills of the affected customers.⁷”

The compliance filing confirms that based on the CCOSS results, the SMEC Member Cooperatives have all determined it is in the best interest of Acquired Area members to have the cooperatives continue to serve the Acquired Areas and Legacy Areas under separate area cost-based rate structures for the duration of the two-year Transition Period. This is because the

⁴ Order at 9.

⁵ *In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power & Light Co. & S. Minn. Energy Coop.*, Proposed SMEC Rate Plan, (Attachment G to Joint Petition), Docket Nos. E001, 115, 140, 105, 139, 124, 126, 145, 132, 114, 6521, 142, 135/PA-14-322 (April 15, 2014) (hereinafter, “Rate Plan”) at 4.

⁶ Rate Plan at 5.

⁷ Rate Plan at 5.

CCOSS results demonstrate that the vast majority of the cooperatives' Acquired and Legacy Area rates did not meet the Rate Plan's criteria for merging.⁸ Accordingly, the compliance filing explains that all of the Member Cooperatives have elected to "maintain separate rates for [their] Acquired Area and Legacy Area," and that the proposed rates "for the Acquired Area [are] designed to recover, in total, the sum of the class revenue requirements for the Acquired Area, as determined by the CCOSS"⁹

2. Do the Member Cooperatives' Class Cost of Service Studies support the proposed rate changes?

Answer: Yes. The CCOSS results reflect the revenue requirements for each Member Cooperative's Acquired Area. As explained in the December 11, 2017 compliance filing, the Member Cooperatives are all proposing to increase rates no more than is necessary to meet those revenue requirements. Furthermore, the compliance filing explains that all of the Member Cooperatives have agreed to cap annual rate increases at 5% for their respective Acquired Areas during the Transition Period so as to provide economic protections to affected customers and to protect against rate shock, even if the CCOSS reflect revenue requirements necessitating an increase of greater than 5%. Conversely, Member Cooperatives with CCOSS results reflecting revenue requirements necessitating less than a 5% rate increase in the Acquired Areas are proposing to cap their rate increases at the increased revenue requirement percentages reflected in their CCOSS results. For example, because the CCOSS results for People's Cooperative Services reflect the need for a 1.06% rate increase to meet revenue requirements for the Acquired Area, People's is proposing rate increases of no greater than 1.06%.

⁸ See Rate Plan at 6.

⁹ Rate Plan at 5.

3. Are there other issues or concerns related to this matter that the Commission should consider or be aware of?

Answer: SMEC identifies three additional considerations for the Commission when evaluating SMEC's compliance filing. *First*, SMEC notes that members located in the Acquired Areas have not experienced an increase in rates since IPL's last rate case, which was in 2010. *Second*, the rate increases proposed by the Member Cooperatives for the Transition Period are in line with the rate increases IPL customers recently incurred in Iowa, where the Iowa Utilities Board approved an overall rate increase of approximately 7.2% in February 2018.¹⁰ *Third*, all of the SMEC Member Cooperatives administer, participate in, and/or contribute to low-income assistance programs¹¹ that will be available to qualifying Acquired Area Members. Participation in such programs may help mitigate the proposed rate increases for such qualifying members.

For the foregoing reasons, SMEC respectfully requests that the Commission approve its compliance filing.

Dated: May 29, 2018

FELHABER LARSON

By: /s/ Sara G. McGrane

Sara G. McGrane, #233213

Randi J. Winter, #391354

220 South Sixth Street, Suite 2200

Minneapolis, MN 55402

(612) 339-6321

smcgrane@felhaber.com

rwinter@felhaber.com

Attorneys for Southern Minnesota Energy Cooperative

¹⁰ See *In re Interstate Power & Light Co.*, Final Decision & Order, Docket No. RPU-2017-0001 (TF-2017-0034, TF-2017-0035) (Iowa Utilities Board, Feb. 2, 2018) at 13, 22.

¹¹ E.g., Community Action Partnerships, such as the United Community Action Partnership, the Minnesota Action Council (Mankato), the Minnesota Valley Action Council, the Southeastern Minnesota Citizen's Action Council, and the Southwestern Minnesota Opportunity Council.