MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	July 19, 2017	Agenda Item *2
Company	Southern Minnesota Energy Cooperative (SMEC)	
Docket No.	**E-001, 115, 140, 105, 139, 124, 126, 145, 132, 114, 6521, 142, 135/PA-14-322**	
	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	

Issues

1. Does SMEC's filing comply with the Commission's June 8, 2015 Order?
2. Should the Commission approve the proposed rate changes?

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✓ Relevant Documents	Date
PUC - Order Approving Agreement Subject to Conditions	June 8, 2015
SMEC – Compliance Filing	December 11, 2017
SMEC – Amended Compliance Filing	January 9, 2018
SMEC – Second Amended Compliance Filing	January 10, 2018
PUC – Notice of Comment Period	February 28, 2018

✓ **Relevant Documents**	**Date**
SMEC – Class Cost of Service Studies	March 19, 2018
SMEC – Third Amended Compliance Filing	April 6, 2018
SMEC – Comments	May 29, 2018
Department of Commerce – Comments	May 29, 2018
SMEC – Reply Comments	June 8, 2018
Department of Commerce – Response to Reply Comments	July 2, 2018

I. Statement of the Issues

Does SMEC's filing comply with the Commission's June 8, 2015 Order?

Should the Commission approve the proposed rate changes?

II. Background

On April 15, 2014, Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC)[1] filed a petition requesting 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 (Transaction).

On June 8, 2015, the Commission issued its Order Approving Agreement Subject to Conditions (Order) which approved, with conditions, the transaction, including the Rate Plan which set forth SMEC's plan for changing rates for the first five years after the Transaction's closing. For those five years, the Commission retained jurisdiction to enforce the terms and conditions of the 5-year rate plan (Rate Plan) for IPL's former customers (Acquired Customers). As part of the Rate Plan, the SMEC Cooperatives (Cooperatives) agreed that during the first thirty-six months (Initial Period) they would adopt IPL's rates for the Acquired Customers.[2] The Initial Period ends on July 31, 2018. The final two-year period (Transition Period) begins on August 1, 2018. During the Transition Period, rates for the acquired and legacy customers could be merged only if certain conditions are met.

The Rate Plan provided that unless the projected revenue produced by the acquired and legacy areas are within 5% of each other, rates could not be merged and separate rate structures for the legacy and acquired areas would have to be maintained.[3] Furthermore, if separate structures had to be maintained, Cooperatives would be precluded from increasing Acquired Customers' annual rates by more than 5% annually. If separate rates must be maintained, those rates would be established according to the results of Class Cost of Service Studies (CCOSS) performed by the Cooperatives. The Rate Plan provides that, when the Acquired Area's rates and Legacy Area's rates are not proposed to be merged, the two areas' revenue requirements will be kept separate.

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[1] SMEC is a joint group of the following Member Cooperatives: BENCO Electric Cooperative, Brown County Rural Electrical Association, Federated Rural Electric Association, Freeborn-Mower Cooperative Services, Minnesota Valley Electric Cooperative, Nobles Cooperative Electric, People's Energy Cooperative, Redwood Electric Cooperative, Sioux Valley Energy (of Colman, South Dakota), South Central Electric Association, Steele-Waseca Cooperative Electric, and MiEnergy Cooperative (formed in 2017 as a result of the merger between Hawkeye REC and Tri-County Electric Cooperative).

[2] SMEC Rate Plan, Attachment G, p. 1 of 15.

[3] Although the Rate Plan provides that SMEC Cooperatives would develop a plan to administer separate rates, or merge the rates, or maintain some combination thereof, based on cost study results, the "[k]ey to this determination will be the impact of the plan on the bills of the affected customers." Initial Filing, Attachment G, p. 5 of 15, April 15, 2015.

Between December 31, 2017 and April 6, 2018, SMEC submitted a compliance filing, amendments and revisions to the compliance filing, and class cost of services studies (CCOSSs) to comply with the Commission's Order.

On February 8, 2018, the Commission issued its notice requesting comments on SMEC's compliance filings and class cost of services studies.

III. Parties' Comments

1. SMEC Compliance Filing

SMEC indicated that, while some Cooperative's individual rates met the 5% criteria for merging Legacy and Acquired Area rates, the majority of the Cooperatives' rates did not satisfy the criteria for merging. Therefore, SMEC Cooperatives have chosen to maintain, during the Transition Period, separate cost-based rate structures across all classes for both the Legacy and the Acquired Areas.

SMEC retained the National Rural Utilities Cooperative Finance Corporation (CFC)[4] to prepare the required class cost of service studies (CCOSS or cost study). CFC conducted the cost study under two scenarios.

In the first scenario, CFC completed separate cost studies for the acquired and legacy areas and linked these two studies to simulate a single study. In this cost study, CFC allocated all costs equally between the acquired and legacy areas. SMEC claims that the purpose of this scenario is to give each Cooperative a better sense of the needed adjustments to determine if it is appropriate to begin merging their rates.

In the second scenario, CFC did not allocate costs equally between the acquired and legacy areas. Instead, to determine Transition Period rates and as described in the Rate Plan,[5] CFC assigned purchased power and distribution facilities' costs directly attributable to the Legacy Areas and Acquired Areas. Acquired and Legacy Areas' common costs were allocated between both Areas and then to each rate class using non-discriminatory allocation factors. SMEC claims

[4] "CFC provides credit and industry-leading financial products to America's 900-plus local, not-for-profit, consumer-owned electric cooperatives and rural utility systems. CFC is a member-owned, nonprofit association that is exempt from federal taxes. CFC provides a range of services including financing for infrastructure such as distribution lines and power plants, emergency lines of credit so power can be restored quickly after a disaster, loan syndications and loan resale, strategic planning and financial analysis, financial education and training. Many cooperatives borrow money for infrastructure projects from the government through the Rural Utilities Service (RUS), an arm of the U.S. Department of Agriculture. However, access to federal funding can require additional time and requirements, which may be difficult to meet. CFC was formed to supplement the loan programs of RUS." CFC website – response to FAQs - https://www.nrucfc.coop/content/nrucfc/en/about-cfc/faqs.html

[5] The Rate Plan provides: "The CCOSS for each SMEC Member Cooperative's Legacy Area and Acquired Area will reflect the Acquired Area and Legacy Area specific direct assigned costs for purchased power and distribution facilities."

that this second scenario provides each Cooperative with information necessary to determine rates that are designed to recover, during the Transition Period, the sum of the class revenue requirements for each respective area independent of one another (i.e., maintaining separate, cost-based rate structures for the Legacy and Acquired Areas).

In Table 1 below, the percentages in the last column, under "Acquired Area," indicate the full (or maximum) extent to which rates may be increased in the transition period. The Rate Plan approved by the Commission places no cap on rate increases for the Acquired Areas in the event the Cooperatives are maintaining separate rate structures during the transition period.

Based on that second scenario, Table 1, below, summarizes the overall annual percentage increase (or decrease) in rates that each Cooperative can implement in order to recover the sum of the class revenue requirements for each area.

Table 1 - Specific Assignment of Purchased Power & Distribution Costs

Cooperative	Legacy Area	Acquired Area
BENCO[6]	-5.18%	21.11%
Brown	-0.13%	3.89%
Federated	-0.13%	21.42%
Freeborn Mower	-4.94%	8.82%
Minnesota Valley	2.83%	20.47%
Nobles	-1.67%	10.19%
Peoples	5.81%	1.06%
Redwood	1.04%	17.67%
Sioux Valley	-4.90%	24.90%
South Central	0.11%	18.61%
Steele-Waseca	-1.15%	13.80%[7]
MiEnergy	1.22%	15.97%

SMEC attributed the Acquired Area's higher percentages to the following reasons:

- IPL's last rate case was in 2010; therefore, former IPL members have not had a rate increase since then,
- Cooperatives with higher Acquired Area percentages also acquired a larger percentage of IPL's distribution assets; therefore, they have a higher revenue requirement,
- Cooperatives' load factors differences.

Although the Rate Plan places no cap on rate increases when the Cooperatives maintain separate rate structures during the Transition Period; the Cooperatives have capped annual Transition Period rates at 5% each. Conversely, where the cost study results point to an increase lower than 5%, as for example in the case of Peoples and Brown in Table 2 below,

[6] As revised on the April 6, 2018 Third Amended Filing.

[7] As revised on the January 9, 2018 Amended Filing.

SMEC is proposing to cap their rate increases at the percentages reflected in the CCOSS results. In the case of Peoples Cooperative, SMEC is proposing to cap the rate increase at 1.06% to meet the revenue requirement for the Acquired Area.

Accordingly, the Cooperatives' proposed increases are shown in Table 2.

Table 2 - Acquired Areas' Rate Increases, by Transition Period Year

Cooperative	Year 1	Year 2
BENCO	Up to 5.00%	Up to 5.00%
Brown	Up to 3.89%	Up to 3.89%
Federated	Up to 5.00%	Up to 5.00%
Freeborn Mower	Up to 5.00%	Up to 5.00%
Minnesota Valley	Up to 5.00%	Up to 5.00%
Nobles	Up to 5.00%	Up to 5.00%
Peoples	Up to 1.06%	Up to 1.06%
Redwood	Up to 5.00%	Up to 5.00%
Sioux Valley	Up to 2.50%	Up to 2.50%
South Central	Up to 5.00%	Up to 5.00%
Steele-Waseca[8]	Up to 5.00%	Up to 5.00%
MiEnergy	Up to 5.00%	Up to 5.00%

Acquired Areas' Year 1 and Year 2 rates increase will begin August 1, 2018 and August 1, 2019, respectively.

2. SMEC Comments

The only new information provided in SMEC's filing was that, in February 2018, the Iowa Utilities Board approved a 7.2% rate increase to the former IPL's electric customers.

3. Department Comments

The Department noted that the Order listed the following six conditions:

a. Annually, for three years following the proposed transaction's effective date, SMEC must provide actual weather-normalized annual revenue requirements for Interstate Power & Lights' (IPL) former service territory.
b. SMEC must provide a bill credit to IPL's former ratepayers if the actual weather-normalized annual revenue requirement in any year exceeds the forecasted annual revenue requirement by more than 2%.
c. For (a) and (b) above, the Commission adopts the implementation programs as detailed in the Department of Commerce's (Department) March 12, 2015 letter.
d. Annually, for five years following the proposed transaction's effective date, SMEC must provide reliability information to the Commission for IPL's former service territory.

[8] As revised on the January 10, 2018 Second Amended Filing.

e. Within 90 days of this order, SMEC must make a compliance filing describing what reliability information will be provided, who will be preparing and filing the information, and when it will be filed each year.
f. IPL must return the remaining Alternative Transaction Adjustment to customers through a reduction in payments under the Wholesale Power Sales Agreement between SMEC and IPL.

a. Conditions A Through C

On September 14, 2016, SMEC filed a variance report, for the August 1, 2015 through July 31, 2016 period, comparing forecasted weather-normalized sales to actuals. The report identified a positive energy sales variance of 10,977 megawatt hours (MWh) and a negative non-energy related revenues variance of $235,836.[9] These resulted in an actual average net revenue of $66.54 per MWh, or 1.7% lower than the forecasted $67.69 per MWh. Since, for the first year of the initial three-year period, the actual weather-normalized annual revenue requirement was not more than 2% percent higher than forecasted, SMEC did not have to provide a bill credit to former (IPL) ratepayers.

On September 1, 2017, SMEC filed its second year variance report.[10] The report identified a positive energy sales variance of 24,402 megawatt hours (MWh) and a negative non-energy related revenue variance of $4,483,187. These resulted in an actual average net revenue of $64.59 per MWh, or 12.6% lower than the forecasted $72.23 per MWh. Again, since the actual weather-normalized annual revenue requirement was not more than 2% percent higher than forecasted, SMEC did not have to provide a bill credit to former (IPL) ratepayers.

The Department anticipates SMEC filing its third and final compliance in mid-September 2018 and concluded that, to date, SMEC has complied with conditions (a) through (c) of the Commission's Order.

b. Condition D

The Department stated that SMEC measured its reliability using industry standard metrics of the Customer Average Interruption Duration Index (CAIDI), System Average Interruption Duration Index (SAIDI), and System Average Interruption Frequency Index (SAIFI). The below indices are for SMEC's service territory as a whole:

SAIDI (average number of minutes any customer is without power) = 62.39
SAIFI (average number of times any customer is without power) = 0.77
CAIDI (average minutes per outage for customers that lose power) = 81.20

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[9] The Department defined a positive variance for energy sales as being higher than forecasted and a negative variance for cost as being lower than forecasted.

[10] For the August 1, 2016 through July 31, 2017 period.

The Department noted that no reliability goals were set for 2017, as SMEC is required to provide the information only for comparison purposes to IPL's reliability.

The Department explained that Minnesota Rules [Electric Utility Standards] 7826.0500, subp. 1.D requires, "an explanation of how the utility normalizes its reliability data to account for major storms." IPL previously used IEEE 1366 standard (2.5 beta method) and, although SMEC would prefer to use the same standard, SMEC does not have the five years of daily SAIDI data that are needed to apply the IEEE 1366 standard. Alternatively, SMEC will note when major events occur at a specific Cooperative. This information would indicate which former IPL customers were most likely affected by that Cooperative's major event.

SMEC noted the following 2017 events:

- March 6, 2017 - thunderstorms and high winds affected Freeborn-Mower and Steele-Waseca.
- May 17, 2017 - major transmission outage in the City of Stewartville. Additionally, severe thunderstorms resulted in Peoples having a Major Event Day.
- June and July 2017 - thunderstorms affected Freeborn-Mower, Nobles and Steele-Waseca.

Based on this information, the Department concluded that, for 2016 and 2017, SMEC has complied with conditions (d) of the Commission's Order.

c. Condition E

While noting that pre- and post-ownership transfer historical reliability indices are not completely comparable, the Department indicated that a comparison between the two years reported by IPL before 2015 and the two subsequent years reported by SMEC shows that, at a minimum, reliability is not declining. Since the Department regularly took issue with IPL's reliability, and in the last full-year annual report, the Department concluded that IPL's performance has generally remained steady or worsened since 2004. Because SMEC's reliability no longer appears to be declining, the Department considers this an improvement and a positive development.

Based on this information, the Department concluded that, for 2016 and 2017, SMEC has complied with conditions (e) of the Commission's Order.

d. SMEC Additional Commitments

The Department stated that SMEC retained consultants from the Cooperative Finance Corporation (CFC) to perform the Cooperatives' CCOSSs. The DOC then met with SMEC and CFC representatives so that CFC could explain their CCOSS approach. As prescribed in NARUC's Electric Utility Cost Allocation Manual, CFC grouped costs into different functions such as production, transmission, and distribution. Next, it classified costs according to whether they were caused by peak demand, overall energy requirements, or the number of customers and, finally, it allocated costs using different factors that attempt to reflect as accurately as possible how the costs were caused.

After reviewing CFC's methodology and calculations, the Department concluded that the CCOSS are reasonable and the calculations did not appear to contain any errors.

e. Apportionment of Revenue Responsibility

After reviewing SMEC's revenue apportionment, the Department concluded that unit costs are a primary consideration for rate setting and that the CCOSS results are used appropriately to apportion revenue responsibility.

Based on Table 3's information, the Department noted that, for nine of the twelve Cooperatives, the CCOSS results could support potentially much larger rate increases. The DOC considers the increases to be reasonable and in compliance with SMEC's additional commitments.

Table 3 - Comparison of Proposed Rate Increases and CCOSS Results for Acquired Areas by Member Cooperative

Cooperative	Filing - Year 1 Proposed Increase	DOC IR #67 Response - Year 1 Proposed Increase	Overall Increase CCOSS Supports
BENCO	Up to 5.00%	5.00%	9.88%[11]
Brown	Up to 3.89%	3.80%	3.89%
Federated	Up to 5.00%	5.00%	21.42%
Freeborn Mower	Up to 5.00%	5.31%	8.82%
Minnesota Valley	Up to 5.00%	4.98%	20.47%
Nobles	Up to 5.00%	4.97%	10.19%
Peoples	Up to 1.06%	1.06%	1.06%
Redwood	Up to 5.00%	5.00%	17.67%
Sioux Valley	Up to 2.50%	0.00%	24.90%
South Central	Up to 5.00%	5.00%	18.61%
Steele-Waseca	Up to 5.00%	5.00%[12]	13.80%
MiEnergy	Up to 5.00%	4.49%	15.97%

f. Rate Design

The Department pointed out that SMEC's initial filing did not provide rate design information by class; however, in response to a DOC Information Request (IR),[13] the information was subsequently provided.

[11] The Department's filing showed the original 21.11% rather than the corrected 9.88%.

[12] The Department's filing showed the 5.31%; however, in reply comments, SMEC corrected it to 5.00%.

[13] DOC Comments, Attachment C.

As summarized on Table 4, the Department stated that monthly average residential increases range from $0.00 to $4.58, or 0% to 5.3%. The Department added that former IPL customers have not had a rate increase since 2010 and, in that time, the Producer Price Index for the utility industry increased 6.2%.[14] Based on this information, the DOC reiterated its conclusion that the proposed Year 1 transition period rate increases appear to be reasonable.

Table 4 - Summary of Residential Average Monthly Bill, by Cooperative

Cooperative	Current Rates ($/month)	Proposed Rates ($/month) on and after Aug. 1, 2018	Nominal Increase ($/month)	Percentage Increase
BENCO	$87.36	$91.72	$4.37	5.00%
Brown	$90.84	$94.30	$3.45	3.80%
Federated	$85.50	$89.77	$4.27	5.00%
Freeborn Mower	$73.88	$77.80	$3.92	5.31%
Minnesota Valley	$74.86	$78.59	$3.73	4.98%
Nobles	$88.55	$92.95	$4.40	4.97%
Peoples	$76.93	$77.75	$0.82	1.06%
Redwood	$85.91	$90.21	$4.30	5.00%
Sioux Valley	$99.92	$99.92	$0.00	0.00%
South Central	$88.26	$92.68	$4.42	5.00%
Steele-Waseca[15]	$87.77	$92.16	$4.39	5.00%
MiEnergy	$101.86	$106.44	$4.58	4.49%

However, during the initial three-year transition period, former IPL customers received a 2 mill/kWh credit. The Department, as shown on table 5, determined that *total* monthly average residential increases range from $2.04 to $6.14, or 2.04% to 7.09%, rather than $0.00 to $4.58 as shown on Table 4 above.

The Department expressed concern regarding the customer impact of 7% increases, particularly on low-income households; however, in response to a DOC IR, SMEC stated that former IPL low-income households will have the ability to access financial assistance.

[14] For the period of January 1, 2010 through April 1, 2018.

[15] In reply comments, SMEC corrected Steele-Waseca's numbers; therefore, Table 5 (Table 4 in these briefing papers) from the Department's comments has been updated to reflect the corrections.

Table 5 – Summary of Residential Average Monthly Bill plus Effect of Removal of the 2 Mill Credit by Cooperative

Cooperative	Current Rates ($/month)	Proposed Rates ($/month) on and after Aug. 1, 2018	Nominal Increase ($/month)	Percentage Increase
BENCO	$87.36	$92.75	$5.40	6.17%
Brown	$90.84	$96.05	$5.20	5.74%
Federated	$85.50	$91.30	$5.80	6.78%
Freeborn Mower	$73.88	$79.12	$5.24	7.09%
Minnesota Valley	$74.86	$79.95	$5.09	6.80%
Nobles	$88.55	$94.60	$6.05	6.83%
Peoples	$76.93	$79.09	$2.16	2.81%
Redwood	$85.91	$91.75	$5.84	6.80%
Sioux Valley	$99.92	$101.96	$2.04	2.04%
South Central	$88.26	$94.27	$6.01	6.81%
Steele-Waseca[16]	$87.77	$93.78	$6.01	6.85%
MiEnergy	$101.86	$108.00	$6.14	6.03%

g. Response to Commission Topics

The Department addressed topics listed on the February 28, 2018 Notice for Comments by stating that, to date, SMEC fulfilled the six conditions listed in the Commission's Order. The Department also stated that the Cooperatives' CCOSS methodologies are reasonable and their respective results supported the proposed rate increases.

The Department noted that, including 2 mill/kWh credit, some Cooperatives' residential customers will see 7% rate increases beginning in August 2018[17] and an additional 5% increase beginning in August 2019.[18]

h. Recommendations

The Department made the following recommendations:

a. Find SMEC's filing[s] to be compliant with the June 8, 2015 Order.
b. Find that the SMEC's CCOSS results support the proposed rate increases for the period from August 2018 through July 2019.

[16] In reply comments, SMEC corrected Steele-Waseca's numbers; therefore, Table 6 (Table 5 in these briefing papers) from the Department's comments has been updated to reflect the corrections.

[17] For the period of August 1, 2018 through July 31, 2019.

[18] For the period of August 1, 2019 through July 31, 2020.

c. Requests that, in reply comments, SMEC discuss the potential for mitigating the proposed 5% for Freeborn Mower and Steele Waseca in the Transition Period's second year.

4. SMEC Reply Comments

SMEC pointed out that it had inadvertently provided Freeborn-Mower's billing analysis for Steele-Waseca, causing SMEC's response to suggest that the numbers for both cooperatives were identical. SMEC's Attachment A provided Steele-Waseca's corrected amounts.

SMEC added that Freeborn-Mower's 2019 increase will be capped so that the total two-year increase does not exceed the 8.82% shown in the CCOSS.

5. Department Response to Reply Comments

Based on SMEC's reply, the Department concluded that:

- Steele Waseca's increases are supported by the additional information.
- Freeborn-Mower's 8.82% increase is consistent with its CCOSS results.

IV. Staff Analysis

Staff's initial interpretation of SMEC's filing was that rate increases scheduled for August 1, 2018 will remain in effect through end of the Transition Period, or July 31, 2020; however, the Department's comments indicated increases at the start of each transition year. Staff subsequently sought and received confirmation from SMEC that there will be increases for both years. Nonetheless, the Rate Plan's language seems ambiguous; therefore, the Commission could interpret the proposed rate increases to mean a one-shot increase would apply to the entire 2018-2010 Transition Period. Such interpretation would mean that the 5% cap (or, alternatively, a lower rate increase as indicated by the cost study) would apply to the entire two-year Transition Period.

Staff points out that, if the Commission were to approve increases for both years, a 5% annual increase would result in a combined 10.25% for both years.[19] This compounding effect is relevant to those Cooperatives that have CCOSSs that support increases that are lower than 10.25%. For instance, if BENCO were to increase Year 1 rates by 5% and Year 2 rates by 4.88%[20] then the combined effect of both increases would be 10.12%,[21] not 9.88%. Table 6 helps illustrate each Cooperative's maximum Year 2 increase.

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[19] 1.05 x 1.05 = 1.1025, or 10.25% increase.

[20] 5.00% + 4.88% = 9.88% which matches Table 3.

[21] 1.05 x 1.0488 = 1.1012, or 10.12% increase.

Table 6 – Summary of Year 1 Increase and Year 2 Maximum Increase

Cooperative	Year 1 Increase[22]	Year 2 Increase
BENCO	5.00%	4.65%
Brown	3.80%	0.09%
Federated	5.00%	5.00%
Freeborn Mower	5.31%	3.33%
Minnesota Valley	4.98%	5.00%
Nobles	4.97%	4.97%
Peoples	1.06%	0.00%
Redwood	5.00%	5.00%
Sioux Valley	0.00%	5.00%
South Central	5.00%	5.00%
Steele-Waseca	5.00%	5.00%
MiEnergy	4.49%	5.00%

Table 7 shows a comparison between two-year compounded increases and the increases supported by the underlying CCOSS.

Table 7 – Comparison Between 2-Year Compounded Increases and CCOSS

Cooperative	Compounded Increases	CCOSS[23]
BENCO	9.88%	9.88%
Brown	3.89%	3.89%
Federated	10.25%	21.42%
Freeborn Mower	8.82%	8.82%
Minnesota Valley	10.23%	20.47%
Nobles	10.19%	10.19%
Peoples	1.06%	1.06%
Redwood	10.25%	17.67%
Sioux Valley	5.00%	24.90%
South Central	10.25%	18.61%
Steele-Waseca	10.25%	13.80%
MiEnergy	9.71%	15.97%

Finally, Staff points out that Freeborn Mower's proposed 5.31% increase[24] exceeds the Order's 5% threshold. If Freeborn Mower's is capped at the 5% then the average residential customer's monthly cost would be $77.57[25] instead of the proposed $77.80. Although Staff takes no

[22] From Table 3.

[23] Id.

[24] Year 1.

[25] $73.88 plus 5% = $77.57.

position on the small $0.23[26] monthly difference, the Commission may want to limit Freeborn Mower's proposed increase to the stipulated 5%. Should the Commission adopt this option then Freeborn Mower's Year 2 maximum from Table 6 would have to be revised to 3.64%.[27]

V. Decision Alternatives

Compliance Filing

1. Accept SMEC's December 21, 2017 filing and its subsequent amendments as compliant with the Commission's Order. (SMEC, DOC)

2. Reject SMEC's December 21, 2017 filing and its subsequent amendments as non-compliant with the Commission's Order.

Class Cost of Service Studies

3. Accept SMEC's Class Cost of Service Studies as compliant with the Commission's Order. (SMEC, DOC)

4. Reject SMEC's Class Cost of Service Studies as non-compliant with the Commission's Order.

Rate Increases

5. Approve SMEC's proposed rate increases for Years 1 and 2. (SMEC, DOC)

6. Approve SMEC's proposed Year 1 rate increases and specify that they will remain in effect for the full two-year Transition Period.

7. Approve SMEC's proposed rate increases and specify Year 2 rate increases should be based on the amounts shown in Table 6. (Staff)

8. Approve SMEC's proposed rate increases and specify Year 2 rate increases should be based on the amounts shown in Table 6 but adjust Freeborn Mower's Year 1 rate increase to 5% and limit its Year 2 rate increase to 3.64%. (Staff)

9. Reject SMEC's proposed rate increases and order that rates in all Acquired Areas remain unchanged.

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[26] $77.80 minus $77.57 = $0.23

[27] 1.05 x 1.0364 = 1.0882, or 8.82% increase.