

December 3, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E001/M-14-757

Dear Dr. Haar:

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

Interstate Power and Light Company's Request for Approval of its 2015 Renewable Energy Recovery Adjustment.

The petition was filed on September 2, 2014 by:

Paula N. Johnson
Senior Attorney - Regulatory
Alliant Tower
200 First Street, SE
PO Box 351
Cedar Rapids, Iowa 52406-0351

The Department recommends that the Minnesota Public Utilities Commission approve Interstate Power and Light Company's petition, pending the Company's submittal of additional information in reply comments.

Sincerely,

/s/ MARK JOHNSON
Financial Analyst

MJ/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E001/M-14-757

I. BACKGROUND

On April 2, 2010 in Docket No. E001/M-10-312, Interstate Power and Light Company (IPL) filed a petition requesting that the Minnesota Public Utilities Commission (Commission): (a) find that its recently constructed wind farm, Whispering Willow East (WWE), was a qualifying renewable energy project under the renewable energy standards statute, Minn. Stat. § 216B.1691; and (b) find the costs of the project reasonable and prudent and permit the recovery of the Minnesota portion through a renewable energy rider under Minn. Stat. § 216B.1645, subd. 2a.

On May 25, 2010 in Docket No. E001/M-10-312, the Commission directed that development of issues relating to recovery of costs for WWE under IPL's proposed renewable energy rider (RER) be addressed in IPL's electric rate case in Docket No. E001/GR-10-276.

In its August 12, 2011 Order in Docket No. E001/GR-10-276, the Commission determined that the record was not adequate to fully decide the issues related to WWE and therefore referred the matter back to Docket No. E001/M-10-312 for further record development. However, the Commission granted IPL recovery of costs for WWE at a temporary level of \$51 per megawatt-hour (MWh) through IPL's RER, effective with the implementation of final rates.

On December 26, 2013, the Commission issued its *Order Adopting Administrative Law Judge's Report and Findings* in Docket No. E001/M-10-312. The Order approved IPL's RER with the following provisions:

- A. The final revenue requirement as set by the Commission shall commence on January 1, 2013, with true-up from that date. Recovery amounts that exceed the amounts shown in Column G of Attachment 1 to this Order, will be subject to a reasonableness review, as provided in subparagraph (G) below.

- B. The revenue requirement approved by the Commission shall be based on the full investment of WWE, plus the current annual Operations and Maintenance (O&M) costs assuming a January 1, 2013 start date. Recovery amounts that exceed the amounts shown in Column G of Attachment 1 will be subject to a reasonableness review, as provided in subparagraph (G) below.
- C. IPL shall forego recoveries of the approved amount above \$1.9 million per year, including Production Tax Credits, from April 2, 2010 (initial application for cost recovery) through December 31, 2012.
- D. Current recovery levels (a revenue requirement of approximately \$1.9 million per year, including Production Tax Credits, or the equivalent of \$51 /MWH estimated levelized cost) would continue to be recovered in the renewable rider until the final decision in this docket.
- E. IPL will retain a renewable rider and all production tax credits (PTCs) and renewable energy credits (RECs) shall flow through the renewable rider and be reconciled annually. The first reconciliation shall be for calendar year 2013.
- F. In the next rate case, IPL expects to propose that all prudent capital and O&M costs (excluding PTCs and RECs) will be moved into base rates, subject to review by other parties and approval by the Commission.
- G. IPL is on notice that, if IPL seeks any increase above an effective levelized cost of \$56.40/MWh in any rate proceeding, IPL must include detailed and transparent information supporting the request. Further, IPL bears the burden of proof regarding a future rate increase such that any doubt as to the reasonableness of the request (or of the information filed in support of the request) will go to the ratepayer.

On September 2, 2014, IPL filed the instant petition.

II. SUMMARY OF FILING

IPL proposed to collect under its 2015 renewable energy rider (2015 RER) its estimated 2014 Minnesota annual revenue requirements for WWE less its 2014 PTCs and collections. In addition, IPL proposed to collect under its 2015 RER its estimated 2015 Minnesota annual revenue requirements for WWE less its 2015 PTCs. IPL also proposed to include its 2013 Tracker Balance and REC purchases for the Minnesota jurisdiction. A summary of IPL's proposed annual revenue requirements is provided in Table 1 below.

Table 1: Summary of Proposed Revenue Requirements

Project Description	Estimated MN Jurisdictional Revenue Requirements
2014 WWE annual revenue requirement	\$3,366,697
2014 WWE PTCs	(\$1,492,287)
2014 Collections (1/1/14 to 07/31/14)	(\$1,100,214)
2014 Collections (8/1/14 to 12/31/14)	(\$792,819)
2015 WWE annual revenue requirement	\$3,344,278
2015 WWE PTCs	(\$1,492,287)
REC Purchases	\$28,000
2013 Tracker Balance	(\$53,217)
Total MN Revenue Requirements	\$1,808,151

The RER is applicable to all electric service under IPL's Minnesota retail rate schedules. IPL proposed an energy-only rate adder (factor) which was determined by taking the total Minnesota revenue requirements divided by IPL's 2015 estimated sales volume for all Minnesota retail customer classes. As a result, IPL proposed a 2015 RER factor of \$0.00210 per kilowatt-hour (kWh), effective January 1, 2015 for the 12-month period ending December 31, 2015.

The Department notes that IPL's proposed 2015 RER factor of \$0.00210 per kWh is slightly less than its current RER factor of \$0.00222.

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS

Minn. Stat. §216B.1645, subd. 2a states that:

A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243, or were determined by the commission to be reasonable and prudent

under section 216B.243, subdivision 9. For facilities not subject to review by the commission under section 216B.2422 or 216B.243, a utility shall petition the commission for eligibility for cost recovery under this section prior to requesting cost recovery for the facility. The commission may approve, or approve as modified, a rate schedule that:

(1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including:

(i) return on investment;

(ii) depreciation;

(iii) ongoing operation and maintenance costs;

(iv) taxes; and

(v) costs of transmission and other ancillary expenses directly allocable to transmitting electricity generated from a project meeting the specifications of this paragraph;

(2) provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism;

(3) allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market;

(4) allocates recoverable costs appropriately between wholesale and retail customers;

(5) terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates.

(b) A petition filed under this subdivision must include:

(1) a description of the facilities for which costs are to be recovered;

(2) an implementation schedule for the facilities;

(3) the utility's costs for the facilities;

(4) a description of the utility's efforts to ensure that costs of the facilities are reasonable and were prudently incurred; and

(5) a description of the benefits of the project in promoting the development of renewable energy in a manner consistent with this chapter.

B. WWE ELIGIBILITY

In its December 26, 2013 Order in Docket No. E001/M-10-312, the Commission found that WWE qualified as an eligible technology under Minnesota Statute § 216B.1691 and approved the related investments and expenditures. As such, the Department concludes that WWE is eligible for recovery in IPL's 2015 RER.

C. WWE'S REVISED LEVELIZED COSTS

Beginning on page 6 of its petition, IPL stated that:

IPL has revised the revenue requirements reflected in its compliance filing in Docket No. E-001/GR-10-276 (IPL Compliance Filing, Section V, Schedule A-2) supporting a levelized cost of \$56.40 per MWH. The revised revenue requirements reflect an adjustment from a Commission order in Docket No. E,G-001/AI-12-187 (IPL's Petition for Approval of a Land Lease Agreement with its Affiliate, Franklin County Wind, LLC), dated August 18, 2014. In its order, the Commission required IPL and Franklin County Wind, LLC (FCW) to share equally in the costs necessary to purchase, develop and maintain the land used as a laydown area for the development of IPL's regulated wind farm (WWE) and FCW's non-regulated wind farm. The Commission approved IPL's proposed Land Lease Agreement in Docket No. E,G-001/AI-12-187 conditioned upon IPL reducing the rate base for WWE by \$324,675. This equates to a \$19,481 rate base reduction to Minnesota, using

a System Coincident Peak allocator. Since this reduction in the WWE rate base has a direct impact on revenue requirements, it is appropriate to calculate a new levelized cost for WWE to account for the sharing of the laydown area.

The revised revenue requirements reflect the rate base reduction and are shown in Attachment 2 to this petition. IPL notes that in Attachment 2, the revenue requirement for years 2010 through 2012 did not change since IPL was to forego any recoveries of the approved amount above \$1.9 million per year, including Production Tax Credits (PTCs), from April 2, 2010 (initial application for cost recovery) through December 31, 2012. The revised levelized cost is now \$56.36 per MWh.

The DOC reviewed and agrees with IPL's revised levelized-cost calculations for WWE as shown in Attachment 2 of its petition. As a result, the DOC concludes that IPL has appropriately reflected the Commission's decision in Docket No. E001/AI-12-187, which results in a revised levelized cost for WWE of \$56.36 per MWh.

D. 2014 ANNUAL REVENUE REQUIREMENTS, PTCs, AND COLLECTIONS

As shown above in Table 1, IPL proposed to recover its 2014 annual revenue requirement for WWE which totals \$3,366,697. The Department notes that \$3,366,697 is less than the \$3,371,885 2014 annual revenue requirement for WWE under the initial levelized-cost calculation of \$56.40 per MWh.¹ In addition, the Department notes that \$3,366,697 is less than the \$3,369,937 2014 annual revenue requirement for WWE under the revised levelized-cost calculation of \$56.36 per MWh.² As a result, the Department concludes that IPL's proposed recovery of its 2014 annual revenue requirement for WWE appears reasonable and is in compliance with the Commission's December 26, 2014 Order in Docket No. E001/M-10-312.

As shown above in Table 1, IPL proposed to reduce its 2014 annual revenue requirement by a \$1,492,287 for PTCs associated with WWE in 2014. The Department notes that this is the same PTC amount found in IPL's initial and revised levelized-cost calculations. As a result, the Department concludes that IPL's proposed 2014 PTCs appear reasonable.

IPL proposed to reduce its 2014 annual revenue requirement to account for the \$1,100,214 it recovered from January 1, 2014 through July 31, 2014 under its current RER. In addition, IPL proposed to reduce its 2014 annual revenue requirement to account for the

¹ Per the Commission's December 26, 2013 ORDER ADOPTING ADMINISTRATIVE LAW JUDGE'S REPORT AND FINDINGS in Docket No. E001/M-10-312, Attachment A, Line 6, Column (g).

² Per IPL's initial filing, Attachment 2, Line 8, Column (g).

\$792,819 it expects to recover from August 1, 2014 through December 31, 2014 under its current RER. The Department concludes that reducing IPL's 2014 annual revenue requirement by actual and expected 2014 RER recoveries is appropriate.

E. 2015 ANNUAL REVENUE REQUIREMENTS AND PTCs

As shown above in Table 1, IPL proposed to recover through the RER its 2015 annual revenue requirement for WWE which totals \$3,344,278. The Department notes that the \$3,344,278 is less than the \$3,371,885 2015 annual revenue requirement for WWE under the initial levelized-cost calculation of \$56.40 per MWh.³ In addition, the Department notes that the \$3,344,278 is less than the \$3,347,496 2015 annual revenue requirement for WWE under the revised levelized-cost calculation of \$56.36.⁴ As a result, the Department concludes that IPL's proposed 2015 annual revenue requirement for WWE appears reasonable and is in compliance with the Commission's December 26, 2014 Order in Docket No. E001/M-10-312.

As shown above in Table 1, IPL proposed to reduce its 2015 annual revenue requirement by \$1,492,287 for PTCs associated with WWE in 2015. The Department notes that this is the same PTC amount found in IPL's initial and revised levelized-cost calculations. As a result, the Department concludes that IPL's proposed 2015 PTCs appear reasonable.

F. REC PURCHASES

On July 28, 2014, the Commission issued its Order in Docket No. E001/M-12-950 approving IPL's proposed REC purchases for its renewable energy rider. These REC purchases were necessary for IPL to comply with Minnesota's Renewable Energy Standard (RES).

As shown above in Table 1, IPL proposed to include \$28,000 in REC purchases in its 2015 RER. IPL's REC purchase calculations are shown in Attachment 4 of the Company's filing. Based on our review, the Department concludes that IPL appropriately included REC purchases in its 2015 RER.

G. 2013 TRACKER BALANCE

The Department reviewed IPL's 2013 tracker balance calculation of (\$53,217) as shown in Attachment 1 of the filing. The tracker balance represents IPL's over-recovered costs for the 12 months ending December 31, 2013, the first year that IPL was allowed to true-up its renewable energy rider as stated in the Commission's December 26, 2013 Order in Docket

³ Per the Commission's December 26, 2013 ORDER ADOPTING ADMINISTRATIVE LAW JUDGE'S REPORT AND FINDINGS in Docket No. E001/M-10-312, Attachment A, Line 7, Column (g).

⁴ Per IPL's initial filing, Attachment 2, Line 9, Column (g).

No. E001/M-10-312. IPL's 2013 tracker balance calculations do not include carrying charges.

IPL's 2013 annual revenue requirement for WWE totals \$3,252,820 as shown in Attachment 1 of the filing. The Department notes that \$3,252,820 is less than the \$3,482,905 2013 annual revenue requirement for WWE under the initial levelized-cost calculation of \$56.40 per MWh.⁵ In addition, the Department notes that \$3,252,820 is less than the \$3,480,840 2013 annual revenue requirements for WWE under the revised levelized-cost calculation of \$56.36 per MWh.⁶ As a result, the Department concludes that IPL's proposed recovery of its 2013 annual revenue requirement for WWE is in compliance with the Commission's December 26, 2014 Order in Docket No. E001/M-10-312 as noted above.

Based on our review, the Department concludes that the 2013 tracker balance of (\$53,217) appears reasonable and is eligible for recovery in IPL's 2015 RER.

H. ALLOCATIONS, RATE DESIGN, AND 2015 FACTORS

IPL allocated Minnesota's share of WWE costs using its system-coincident peak (SCP) allocators. IPL's SCP allocators are shown in Attachment 2(a), Workpaper A-1(1) of the Company's filing. The Department notes that this is the same method used to allocate costs in IPL's last Minnesota electric rate case in Docket No. E001/GR-10-276. The Department agrees with this approach.

As noted above, the RER is applicable to all electric service under IPL's Minnesota retail rate schedules. IPL proposed an energy-only rate adder (factor) which was determined by taking the total Minnesota revenue requirements divided by IPL's 2015 estimated sales volume for all Minnesota retail customer classes as shown in Attachment 1, Workpaper C of the filing. As a result, IPL proposed a 2015 RER factor of \$0.00210 per kWh as shown in Attachment 1 of its filing.

The Department notes that IPL's proposed 2015 RER factor of \$0.00210 is slightly less than IPL's current RER factor of \$0.00222.

The Department also notes that utilities commonly provide the estimated average rate impact per month by customer class and the proposed changes to rider tariff sheets (red-lined) in their rider filings. Since IPL did not include this information in their filing, the Department recommends that the Company provide this information in reply comments.

⁵ Per the Commission's December 26, 2013 ORDER ADOPTING ADMINISTRATIVE LAW JUDGE'S REPORT AND FINDINGS in Docket No. E001/M-10-312, Attachment A, Line 6, Column (g).

⁶ Per IPL's initial filing, Attachment 2, Line 8, Column (g).

IV. DEPARTMENT'S RECOMMENDATION

The Department recommends that the Commission approve IPL's petition, pending the Company's provision of the estimated average rate impact per month by customer class and the proposed changes to rider tariff sheets (red-lined) in reply comments.

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CERTIFICATE OF SERVICE

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

**Minnesota Department of Commerce
Comments**

Docket No. E001/M-14-757

Dated this 3rd day of December 2014

/s/Sharon Ferguson

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