

McGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

ATTORNEYS AT LAW

WILLIAM R. MCGRANN
DOUGLAS M. CARNIVAL
ROBERT O. STRAUGHN
PETER L. COOPER
KATHLEEN M. LAMB
JOHN R. SCHULZ
COREY J. AYLING
BRIAN L. SOBOL
SCOTT B. CROSSMAN

CARLA J. PEDERSEN
JOSEPH T. BAGNOLI
ROGER J. STELLJES
JEFFREY C. URBAN
KATHLEEN MICHAELA BRENNAN
JENNIFER A. JAMESON
CARL S. WOSMEK
JASON H. THOMAS
AMY L. COURT

CHRISTY E. LAWRIE

RETIRED
ANDREW J. SHEA

December 8, 2014

VIA E-FILING

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

Re: In the Matter of a Request for the Approval of the Asset Purchase and
Sale Agreement between Interstate Power and Light Company (IPL) and
Southern Minnesota Energy Cooperative (SMEC)
MPUC Docket: 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
Our File No.: 12538-0038

Dear Dr. Haar:

On behalf of Minnesota Municipal Utilities Association ("MMUA"), I enclose for filing the Additional Reply Comments of MMUA.

Please feel free to contact me if you have any questions. By copy of this letter, all persons on the service list are being served.

Sincerely,



Kaela Brennan

Enclosure
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

DOCKET NOS: E001, E132, E114, E6521, E142, E135, E115, E140, E105,
E139, E124, E126, E145/PA-14-322

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

**ADDITIONAL REPLY COMMENTS OF
MINNESOTA MUNICIPAL UTILITIES
ASSOCIATION**

SYNOPSIS

Minnesota Municipal Utilities Association (“MMUA”) highlighted seven areas that could benefit from additional development of the record to assist the Commission’s determination of the public interest in the present case. MMUA respectfully submits that if the issues identified by MMUA and other interested parties are addressed, it has no objections to the transaction.

ANALYSIS

I. THE COMMISSION SHOULD EVALUATE THE PUBLIC INTEREST IN LIGHT OF A FULL RECORD.

The statute charges the Commission to “investigate” and to determine if the proposed transaction is “consistent with the public interest.” Minn. Stat. § 216B.50. As part of its analysis, the Commission must consider the reasonable value involved in the transaction: “In reaching its determination, the commission shall take into consideration

the reasonable value of the property, plant, or securities to be acquired . . .” *Id.* MMUA’s October 6, 2014 Reply Comments, required at a time in the proceeding in which it was unclear whether the Commission would accept any further comments or filings, noted areas that merited further investigation, as well as those areas in which the Commission’s task of determining “reasonable value” was unclear.

In response, the Joint Petitioners questioned MMUA’s role in this proceeding and rejected all of the issues as unfounded. Although the Joint Petitioners were dismissive of MMUA’s role, they have never objected to MMUA’s participation throughout this proceeding. MMUA’s interest remains that of local units of government, publicly-owned, self-regulated municipal utilities, as well as its understandable interest in the transfer of electric service territory, as its members typically must pay for the transferred assets and service territory. And any questions about the legal standing and the nature of SMEC are relevant to a municipal power agency that could be considered analogous to SMEC in some contexts.

In any event, rather than attacking the messenger, it would be appropriate to focus on the directive of the statute and the existing record. MMUA has consistently sought to develop a full record, which the Commission and the Joint Petitioners have endorsed. Order, June 30, 2014 at 3 (“The Commission finds that it cannot resolve all issues in this case on the basis of the current record. This is a unique and complex transaction”); Joint Petitioners Reply Comments, May 23, 2014, at 4-5 (“The Department, the OAG, and the MMUA all recommend the development of the record in this proceeding, including providing the opportunity for customers to comment on the

proposed Transaction. These are principles that the Joint Petitioners fully endorse”).

In its Reply Comments, MMUA noted seven areas that could benefit from additional information. The Department of Commerce and the Office of the Attorney General also noted areas of concern or that required additional information. Department Supplemental Reply Comments, Nov. 10, 2014, at 4-5, 9 (recommending conditions for approval); OAG Comments, Nov. 10, 2014, at 3, 4, 8 (identifying concerns, including rate impact of transaction, reasonableness of wholesale power agreement, and reasonableness of sale price and gain on transaction). To the extent that these concerns have been addressed, MMUA poses no objection to the transaction. The Department of Commerce noted that in performing its own cost/benefit analysis, it found no condition or value that it identified as unreasonable. Supp. Reply Comments, Nov. 10, 2014, at 5. The OAG, however, observed multiple concerns, including the assumptions of IPL’s hypothetical rate recovery if it had filed a rate increase, and the parameters of the approximately \$8.85 million gain on sale and significant transaction costs. OAG Comments, Nov. 10, 2014, at 3, 8-9.

Although the Joint Petitioners have characterized MMUA’s Reply Comments as “arguments against the transaction,” to be clear, MMUA did not oppose the underlying transaction. It sought additional information and raised questions, all with a view towards establishing a full and complete record. If the Commission is satisfied with the state of the record in these matters, and believes that no material disputed issues exist, it should properly consider the merits.

In terms of the merits, in evaluating the public interest, the Commission is not limited to a specific formula or listing of factors. Instead, the statute uses the broad term “public interest.” MMUA has identified a number of other statutes and approaches that the Commission may find useful in determining the public interest or in considering any appropriate conditions to the transaction, as an alternative to considering the admittedly self-interested position that the “parties negotiated at arms’ length.”

Finally, for the avoidance of doubt, MMUA fully supports self-regulation of municipal utilities and rural electric cooperatives; its comments in no way denigrated the concept of self-regulation and locally-determined rates. The Commission has historically considered the financial impact on ratepayers in assessing the public interest under Section 216B.50. MMUA simply noted that the precise scope of the anticipated rate increase by customer class as a result of this transaction was uncertain. To its knowledge, MMUA has not seen a direct estimate of projected increases in rates;¹ perhaps the answer is that these percentages cannot be predicted accurately at this time. MMUA simply noted what is perhaps common sense: the answer that “the rates are better than they could have been” does not really answer the question. Given the uncertainties and assumptions in quantifying the financial benefits of the transaction, the Department’s proposal of tracking actual performance against projections is sound.

¹ The Department of Commerce analysis of estimated annual increases in class revenue requirements provided helpful information. Department Supp. Reply Comments, Nov. 10, 2014, at 6 (tables 1-4).

CONCLUSION

MMUA respectfully requests that the Commission consider the issues identified by MMUA, as well as other interested parties, in evaluating the public interest for the purposes of this transaction. If these issues are addressed, MMUA would not object to the transaction.

Dated: December 8, 2014

McGRANN SHEA CARNIVAL
STRAUGHN & LAMB, CHARTERED

By: s/Kathleen M. Brennan
Kathleen M. Brennan (No. 256870)
800 Nicollet Mall, Suite 2600
Minneapolis, Minnesota 55402-7035
Phone: 612-338-2525
Fax: 612-339-2386

*Counsel for Minnesota Municipal Utilities
Association*