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March 19, 2015

Mr. Daniel P. Wolf, 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
Errata Filing

Dear Mr. Wolf:

Petitioners Interstate Power and Light (IPL) and Southern Minnesota Electric Cooperative (SMEC) respectfully submit the attached corrections to (1) the Journal Entries previously submitted on August 1, 2014 in response to Commission Additional Question 13, (2) the Petitioners' Response to Department Information Request No. 63, and (3) Petitioners' November 4, 2014 Initial Comments. A brief explanation of each correction follows.

1. Journal Entries: Attached is a corrected set of IPL journal entries pertaining to the Transaction filed as Attachment C in response to Commission Additional Question No. 13 (filed August 1, 2014). This correction shows an adjustment to the IPL Iowa Regulatory Asset (at Entry #15) to reflect tax effects of the Transaction related to the "flow-through" treatment on accelerated depreciation under Iowa law that was not included in the Journal Entries filed on August 1.

This correction does not affect the purchase price to be paid by SMEC; rather, it only reflects an adjustment to the Iowa Tax Regulatory Asset. The result is that IPL will have a pretax gain of \$8.855 million, but will have no gain on a net basis after the impact of taxes is considered. Specifically, after recording income taxes and reflecting the effect of the Transaction on the Iowa Tax Regulatory Asset, the result is a net after-tax loss on IPL's books of approximately \$2.3 million.

2. Second Revised Response to DOC IR 63: Petitioners have attached a corrected second revised response to DOC IR 63(b) pertaining to the gain on sale. These corrections do not change the calculation of the estimated SMEC purchase price (which was the focus of DOC IR 63) because the purchase price is not affected by the impact of taxes on IPL. In addition, the purchase price is not affected by the typo in the

text of both the request for information in DOC IR 63 and in Petitioners' response to DOC IR 63 (both describing the gain as \$8.55 million instead of the correct \$8.855 million).

In the response to DOC IR 63(b), Petitioners described the gain as being after transaction costs and taxes. The description should have been that there is an \$8.855 million gain after transaction costs but before reflecting tax impacts. Accordingly, the response to DOC IR 63(b) should have been corrected as follows:

The \$118 million figure reflected in the Joint Petition (and discussed in the response to DOC Information Request 57 and above) includes the estimated \$8.855 million IPL gain on sale (**after** IPL's estimated Transaction Costs and **before** Tax impacts).

For clarification, the \$16.9 million Acquisition Price over Net Book Value included in the response to DOC Information Request 57 reflects the **total** SMEC Purchase Price from which the estimated \$8.855 million IPL gain on sale is determined (after adjustment for estimated IPL Transaction Costs and Taxes).

3. November 10, 2014 Initial Comments: Page 42 of Petitioners' November 10 Initial Comments In Response To October 10, 2014 Notice Of Additional Comment Period contained a discussion of the "premium" above the net book to be paid by SMEC. That discussion included the following sentence: "The \$8.55 million "IPL gain on sale" is included in the acquisition premium and represents the gain on the sale of its assets after paying taxes and transaction costs." That sentence should be corrected as follows:

"The \$8.855 million "IPL gain on sale" is included in the acquisition premium and represents the gain on the sale of its assets after paying ~~taxes and~~ transaction costs and before reflecting the impact of taxes."

This subject of this discussion was the purchase price to be paid by SMEC, which includes the acquisition premium, including the \$8.855 million gain. The amount to be paid by SMEC is not affected by the impact of taxes on IPL or by the typo describing the gain as \$8.55 million, instead of \$8.855 million. Thus, the significance of the discussion in the Petitioners' Comments is unaffected by the mistaken description of the gain.

Attached is an errata 42 to the Petitioners' November 10, 2014 Initial Comments showing these changes.

Mr. Wolf
March 19, 2015
Page 3 of 3

Copies of this filing have been served on the Chamber, 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
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Senior Attorney

SCN/tab
Enclosures

cc: Service List

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

<p>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</p>	<p>DOCKET NOS. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322</p>
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AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Tonya A. Bender, being first duly sworn on oath, deposes and states:

That on the 18th day of March, 2015, copies of the foregoing Affidavit of Service, together with Interstate Power and Light Company’s Errata Filing, 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/ Tonya A. Bender
Tonya A. Bender

Subscribed and Sworn to Before Me
this 19th day of March, 2015.

 /s/ Kathleen C. Balvanz
Kathleen C. Balvanz
Notary Public
My Commission Expires on September 15, 2017

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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
Electric retail portion of severance costs - approved amortization of \$63,654 per year for a four year period ending in June 2	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	\$	22,000,000	
Provision for deferred income taxes-credit, utility operating income	411.1	Provision for deferred income taxes-credit, utility operating income	\$	22,000,000	
Accumulated deferred income taxes	282	Accumulated deferred income taxes	\$	12,500,000	
Reduction of tax related regulatory assets	182.3	Other regulatory assets			\$ 12,500,000

Entry #16 - Record use of cash proceeds to pay down ST Debt

Notes Payable	231	Notes Payable	\$	26,300,000	
Cash	131	Cash			\$ 26,300,000

Entry #17 - 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			\$	418,083,000	\$	418,083,000
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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	\$ 92,392,000
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	\$ (13,603,000)
186	Miscellaneous deferred debits	\$ (1,294,000)
231	Notes Payable	\$ 26,300,000
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	\$ 34,500,000
409.1	Income taxes, utility operating income	\$ 33,162,000
411.1	Provision for deferred income taxes-credit, utility operating income	\$ (22,000,000)
421.1	Gain on disposition of property	\$ (8,855,000)
		<u>\$ -</u>

**Second Revised Response of
Interstate Power and Light Company and
Southern Minnesota Energy Cooperative
to
Minnesota Department of Commerce,
Division of Energy Resources
Information Request No. 63**

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: September 8, 2014

Response Due:

Information Requested By: Eilon Amit, Mark Johnson, John Kundert

Date of Second Revised Response: March 19, 2015

Author: Michael Bremel

Author's Title: Dir Wholesale Svcs & Acct Mgt

Author's Telephone No.: (608) 458-5195

Subject:

Reference: Page 10 of Responsive Comments

Information Request No. 63

The Petitioners state the book value of the Minnesota electric assets and adjustments as of December 31, 2012 the purchase price would be approximately \$118 million plus customary working capital and closing adjustments.

- a. Please provide a similar estimate of the purchase price on December 31, 2014.
- b. Does the \$118 million figure listed include the \$8.55 million gain on asset sale discussed in DOC Information Request #57?

Second Revised Response:

a.

Example of Computation of the Estimated Closing Purchase Price			
	Description	Est. Amount (\$000s)	
		2012	2014
1.	Base Purchase Price	\$ 115,437	\$ 117,933
2.	Construction Work in Progress	2,701	7,690
3.	PPE Adjustments	TBD	TBD
4.	Casualty Repair Expense	TBD	TBD
5.	Adjusted Base Purchase Price	118,138	125,622

- b. The \$118 million figure reflected in the Joint Petition (and discussed in the response to DOC Information Request 57 and above) includes the estimated \$8.855 million IPL gain on sale (after IPL's estimated Transaction Costs and before Tax impacts).

For clarification, the \$16.9 million Acquisition Price over Net Book Value included in the response to DOC Information Request 57 reflects the total SMEC Purchase Price from which the estimated \$8.855 million IPL gain on sale is determined (after adjustment for estimated IPL Transaction Costs).

3/19/15 ERRATA to Petitioners' November 10, 2014 Initial Comments, Docket No. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322 identified by underscore and ~~strikethrough~~

a. "Premium" Above Asset Value.

MMUA tries to create a fact issue by professing confusion that two different terms – “acquisition premium” and “gain on sale” – have two different values.¹ Quite simply, the acquisition premium is the difference between the purchase price and IPL’s net plant value, i.e., \$16.9 million. The \$8.855 million “IPL gain on sale” is included in the acquisition premium and represents the gain on the sale of its assets after paying ~~taxes and~~ transaction costs and before reflecting the impact of taxes. There is no inconsistency and no weight to MMUA’s comments.

The purchase price was negotiated at arm’s length between the parties. No material facts about the purchase price are in dispute, and it is a matter for Commission judgment as to whether the price to be paid constitutes the “reasonable value of the property” pursuant to Minn. Stat. § 216B. SMEC and the SMEC Member Cooperatives retained the firm of Burns & McDonnell to conduct an inspection of IPL’s assets, and the SMEC Member Cooperatives performed their own due diligence reviews of the assets. SMEC and the SMEC Member Cooperatives were satisfied that they were paying a reasonable price for IPL’s assets.² This MMUA argument is also refuted by the fact that there are net customer benefits after recovery of all costs as discussed in Section II.3.B above.

b. Reasonableness of Purchase Terms and Costs.

MMUA questioned the absence of a separate value for the Wholesale Power Agreement, but that is not significant.³ SMEC did not place a value on the Wholesale Power Agreement as such. Rather, SMEC prudently included the cost of purchase power and transmission in its analysis of the economics of the entire Transaction. SMEC’s analysis of the cost of purchase power and transmission, along with all other components of the sale, proved that the Transaction was economically beneficial to SMEC and the SMEC Member Cooperatives, and would also provide benefits to customers.

¹ MMUA Reply Comments, p. 2

² Response to MMUA IR No. 8.

³ MMUA Reply Comments, p. 3