



85 7TH PLACE EAST, SUITE 500
SAINT PAUL, MINNESOTA 55101-2198
MN.GOV/COMMERCE
651.539.1500 FAX: 651.539.1547
AN EQUAL OPPORTUNITY EMPLOYER

March 2, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G001/AI-15-102

Dear Mr. Wolf:

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 Petition for Approval of Amendment to
Affiliated Interest Agreement.

The petition was filed on January 29, 2015 by:

Robyn Woeste
Regulatory Relations Manager
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.

Sincerely,

/s/ MARK JOHNSON
Financial Analyst

MJ/It
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E,G001/ AI-15-102

I. BACKGROUND

The Master Supply Agreement (Agreement) between Interstate Power and Light Company (IPL) and Wisconsin Power and Light Company (WPL), two regulated subsidiaries of Alliant Energy, was originally entered into on January 6, 2011, to be in effect for a period of three years (i.e., expiring in 2014). The terms of the Agreement included a renewal for an additional three-year period at the conclusion of the initial period, upon receiving all required regulatory approvals. The Minnesota Public Utilities Commission (Commission) approved the initial Affiliated Interest Agreement on September 26, 2011, in Docket No. E,G-001/AI-11-82.

On February 21, 2014, the Company submitted a petition seeking approval to renew the Agreement, effective as of January 22, 2014. One of the stipulations under the Agreement was that a Party under the Agreement may be in need of equipment that the other Party has in its inventory and in fixed assets; and to affect an exchange of that Equipment between the Parties, the Parties may enter into Purchase Orders for the purchase and sale of that equipment.

On July 2, 2014, the Commission issued its Order approving the renewal of the Agreement provided that IPL implement the following internal safeguards in an effort to ensure compliance:

- A) Ensure that relevant company personnel receive updated training on the scope of the Agreement, including training to ensure that such personnel are fully aware of the types of transactions that are not authorized under the Agreement;
- B) Establish internal notification to company personnel of any transactions that have dollar values near or above the limits in the Agreement; and
- C) Conduct periodic reviews of transactions and report to the Commission any transactions undertaken that are inconsistent with the terms of the Agreement.

In addition, the Commission directed IPL to continue to file annual reports with the Commission showing the list of items that were transferred in each direction under the Agreement and the cost of each transaction.

On January 29, 2015, IPL filed the instant petition seeking approval to amend Schedule A of the Agreement.

On February 13, 2015, IPL filed in the instant docket an amendment to the Agreement which incorporated the changes made in Schedule A.

II. SUMMARY OF FILING

In its January 29, 2015 petition, IPL proposed to amend Schedule A of the Agreement. Schedule A defined the types of Equipment transferrable under the Agreement. According to IPL, Schedule A did not explicitly include supplies related to natural gas service. IPL stated that this apparent oversight was only recently discovered. IPL stated that it is often beneficial—and sometimes critical—in the ordinary course of business for IPL to purchase natural gas supplies from WPL, and vice versa. Therefore, in order to ensure technical compliance with the terms of the Agreement, IPL proposed to amend Schedule A to make specific reference to natural gas equipment.

Additionally, IPL proposed to update the per-item price descriptions for three of the Equipment categories listed on Schedule A. According to IPL, these adjustments are meant to accurately reflect the current prices of certain supplies. IPL stated that it is not proposing to alter Schedule A with respect to either the prohibition on transfers of equipment priced over \$250,000 or the \$5,000,000 limitation on aggregate transfers during the calendar year. A revised copy of Schedule A is provided in Exhibit 2 (red-lined) and Exhibit 3 (clean) of the petition.

In its February 13, 2015 filing, IPL provided a copy of its Amendment to the Agreement which incorporated the changes made in Schedule A.

III. DEPARTMENT ANALYSIS

A. *AFFILIATED INTEREST FILING REQUIREMENTS*

In Docket No. E,G999/CI-98-651, the Commission provided minimum filing requirements for all affiliated interest filings that are consistent with Minn. Rule 7825.2200B. This docket also requires that within 30 days of executing a contract or arrangement with an affiliate, the utility must make a filing that includes the information in Minnesota Department of Commerce (Department) Attachment A.

Consistent with its previous filing, IPL provided the filing requirements on pages 5 through 9 of its petition. The Department reviewed IPL's petition and concludes that IPL complied with

the Commission's Order in Docket No. E,G999/CI-98-651, and with the filing requirements under Minnesota Rule 7825.2200B.

B. STATUTORY REQUIREMENTS

As amended in 1993, the Minnesota "affiliated-interest" statute provides:

No contract or agreement, including any general or continuing agreement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial or similar services, and no contract or arrangement for the purchase, sale, lease or exchange of any property, right, or thing, or for the furnishing of any service, property, right or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interest . . . is valid or effective unless and until the contract or arrangement has received the written approval of the commission.

Minn. Stat. §216B.48, subd. 3.

This statute provides two tests (the reasonableness and public-interest tests) for the Commission to apply to affiliated-interest contracts:

The commission shall approve the contact or arrangement . . . only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest. . . The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility.

Id.

As a result, IPL has the burden of proof to establish the reasonableness of the amended Agreement, and the Commission shall approve the amended Agreement only if it continues to be reasonable and consistent with the public interest.

C. ANALYSIS OF THE AGREEMENT AND REVISED ATTACHMENT A

The DOC analyzed IPL's Agreement extensively in our comments dated March 24, 2014. As a result, the DOC did not attempt re-analyze the Agreement in its entirety, but instead focused its analysis on the changes proposed to the equipment list and prices included in Attachment A.

As shown in Exhibit 2 of the petition, IPL proposed several changes to the equipment list and prices included in Attachment A. Specifically, IPL proposed to increase the upper end of the price ranges for transformers (from \$10,000 each to \$50,000 each), poles (from \$350

each to \$1,000 each), and substation circuit breakers (from \$300 each to \$500 each). In addition, IPL added equipment prices for gas hardware, gas pipe, and gas meter material (generally priced between \$5 and \$10,000 each). IPL did not propose any changes to the limits for individual transfers of equipment (capped at \$250,000) or total transactions for any calendar year (capped at \$5,000,000).

The Department reviewed IPL's proposed changes and concludes that they appear reasonable. The Department notes that these changes did not alter the intent of the Agreement, which requires equipment to be transferred between the parties at cost. As a result, the Department continues to conclude that the Agreement is consistent with the public interest. The Department recommends that the Commission approve IPL's proposed changes to Attachment A and the Agreement.

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Based on our review, the Department continues to conclude that IPL's Agreement appears reasonable and consistent with the public interest. As a result, the Department recommends that the Commission approve IPL's proposed changes to the Agreement and Attachment A.

/lt