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May 1, 2017

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

VIA ELECTRONIC FILING

Re: Minnesota Energy Resources Corporation and Interstate Power and Light Company Annual Former Manufactured Gas Plant Report

Docket Nos. G001/M-06-1166, G001,011/PA-14-107

Dear Mr. Wolf:

Minnesota Energy Resources Corporation (“MERC” or the “Company”) submits this 2016 Annual Former Manufactured Gas Plant (“FMGP”) Report to the Minnesota Public Utilities Commission (“Commission”) in compliance with the Commission’s December 8, 2014, Order Approving Sale Subject to Conditions in Docket No. G001,011/PA-14-107. In Docket No. G001,011/PA-14-107, the Commission approved MERC’s acquisition of Interstate Power and Light Company’s (“IPL”) Minnesota natural gas customers and assets, including the transfer of approximately \$2.6 million incurred and unrecovered FMGP costs as a regulatory asset and MERC’s assumption of responsibility for continued cleanup at the Austin FMGP site. MERC also agreed to continue to submit annual compliance filings in the FMGP remediation docket, Docket No. G001/M-06-1166.

The Commission, in its April 13, 1995, Order in Docket No. G001/M-94-633, required IPL to file for the Rochester and Albert Lea sites “an analysis of the Miscellaneous Deferred Debits Account, which includes the amount of cash outlays for the prior calendar year by month and its cumulative cash outlays to date by year for MGP costs.” Additionally, in its April 2, 1996, Order in Docket No. G001/M-95-687, the Commission required IPL to file for the Austin, New Ulm, and Owatonna sites “an analysis of the Miscellaneous Deferred Debits Account, which includes the amount of its expenditure for MGP cleanup activities for the prior calendar year,” and to “explain and show the types of costs by site subaccount for what monies were recovered from insurance companies and other parties. Interstate shall prepare a schedule detailing planned or anticipated further activities for insurance and third party recovery of costs extending in time to when Interstate expects all remediation to be complete, suits resolved, and all cost recovery efforts completed.”

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The transaction between MERC and IPL closed on April 30, 2015, and IPL's customers were transferred to MERC effective May 1, 2015. MERC also assumed responsibility for any further remediation and monitoring at the Austin FMGP site effective May 1, 2015.

MERC submitted an annual report on May 2, 2016, covering MERC's activities at the Austin FMGP site for the period May 1, 2015, through December 31, 2015, and also covered IPL's activities at the remaining FMGP sites for the period January 1, 2015, through April 30, 2015. Because MERC did not assume responsibility for and is not involved in the activities at the other FMGP sites (Rochester, Albert Lea, New Ulm, and Owatonna), this 2016 annual report accounts only for MERC's spending at the Austin FMGP site for the period January 1, 2016, through December 31, 2016.

Please contact me at (651) 322-8965 if you have any questions.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee

Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Interstate Power and Light Company's Annual Filing Related to Deferral of and Recovery of Expenses Associated with Former Manufactured Gas Plants

Docket No. G001/M-06-1166

In the Matter of a Request for Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Minnesota Energy Resources Corporation

Docket No. G001,011/PA-14-107

INTRODUCTION

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this 2016 Annual Former Manufactured Gas Plant ("FMGP") Compliance Report to the Minnesota Public Utilities Commission ("Commission") in compliance with the Commission's December 8, 2014, Order Approving Sale Subject to Conditions in Docket No. G001,011/PA-14-107.

In Docket No. G001,011/PA-14-107, the Commission approved MERC's acquisition of Interstate Power and Light Company's ("IPL") Minnesota natural gas customers and assets, including the transfer of approximately \$2.6 million incurred and unrecovered FMGP costs as a regulatory asset and MERC's assumption of responsibility for remediation at the Austin FMGP site. MERC also agreed to continue to submit annual compliance filings in the FMGP remediation docket, Docket No. G001/M-06-1166.

In its April 13, 1995, Order Allowing Deferral of Costs and Requiring Filings in Docket No. G001/M-94-633, the Commission ordered:

On or before May 1, 1996, and annually by May 1 thereafter, Interstate shall file an analysis of the Miscellaneous Deferred Debits Account, which includes the amount of its expenditures for MGP cleanup activities for the prior calendar year. The annual report shall explain and show the types of costs by site subaccount and what amounts were recovered from insurance companies and other parties.

Interstate shall prepare a schedule detailing planned or anticipated further activities for insurance and third party recovery of costs extending in time to when Interstate expects all remediations to be complete, suits resolved, and all cost recovery efforts completed.

The transaction between MERC and IPL closed on April 30, 2015, and IPL's customers were transferred to MERC effective May 1, 2015. MERC also assumed responsibility for any further remediation and monitoring at the Austin FMGP site effective May 1, 2015.

On May 2, 2016, MERC submitted an annual report covering MERC's activities at the Austin FMGP site for the period May 1, 2015, through December 31, 2015. The 2015 Annual Report also covered IPL's activities at the remaining FMGP sites for the period January 1, 2015, through April 30, 2015. Because MERC did not assume responsibility for and is not involved in the activities at the other FMGP sites (Rochester, Albert Lea, New Ulm, and Owatonna), this 2016 annual report accounts only for MERC's spending at the Austin FMGP site for the period January 1, 2016, through December 31, 2016.

Included with this filing are the following attachments:

- Attachment A: MERC expenditures related to Austin FMGP site (January 1, 2016 – December 31, 2016)
- Attachment B: MERC FMGP costs and recoveries (January 1, 2016 – December 31, 2016); this attachment includes the recoveries for 2016 approved by the Commission in Docket No. G011/GR-15-736 and the FMGP Note owing to IPL for past FMGP cleanup costs
- Attachment C: Summaries of MERC activities conducted at the Austin FMGP site (January 1, 2016 – December 31, 2016)

Consistent with IPL's historic reporting on FMGP site activity and expenditures, Attachment A reflects expenditures in the following categories:

- "RI" includes general expenses related to Minnesota Pollution Control Agency ("MPCA") required remediation investigation activities conducted at the site, such as soil and groundwater samplings and analysis.
- "Cleanup" relates to MPCA required remediation activities.
- "Legal" relates to work provided by law firms in relation to FMGP remediation activities.

- “Other” refers to the expenses MERC has incurred related to external consultants’ work (i.e., reporting, etc.).

Previously, IPL has reported on its recoveries from insurance carriers and other third parties related to FMGP remediation costs. Because MERC acquired responsibility for ongoing remediation of the Austin FMGP site from IPL, MERC does not have any available insurance coverage that could apply to this liability. Additionally, with respect to potentially responsible third parties, MERC is not aware of any other operators who could have responsibility with respect to ongoing remediation of the Austin FMGP site.

CONCLUSION

MERC respectfully requests the Commission accept this compliance filing.

Dated: May 1, 2017

Respectfully submitted,

BRIGGS AND MORGAN, P.A.

By: /s/ Kristin M. Stastny
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Attorney for Minnesota Energy
Resources Corporation

ATTACHMENT A

Minnesota Energy Resources Corporation

Deferred Cash Outlays

<u>Year/Month</u>	<u>Cost Category</u>	<u>Austin Plant</u>	<u>Description of Other Costs</u>
Jan-16	RI: Cleanup: Legal: Other:	\$ 6,005	Year end Environmental Liability Assessment, and Data Review from Natural Resource Technology Inc. Monitoring Maintenance Permit from the Minnesota Department of Health
Feb-16	RI: Cleanup: Legal: Other:	\$ 1,020	Data Review from Natural Resource Technology Inc.
Mar-16	RI: Cleanup: Legal: Other:	\$ 530	Environmental Liability Assessments from Natural Resource Technology Inc.
Apr-16	RI: Cleanup: Legal: Other:	\$ 2,417	Project Administration and 1st Qtr Environmental Liability Assessments from Natural Resource Technology Inc. Well maintenance permit from the Minnesota Department of Health.
May-16	RI: Cleanup: Legal: Other:	\$ 3,107	Project Administration and Environmental Liability Estimate from Natural Resource Technology Inc.
Jun-16	RI: Cleanup: Legal: Other:	\$ 2,003	Project Administration and Environmental Liability Estimate from Natural Resource Technology Inc.
Jul-16	RI: Cleanup: Legal: Other:	\$ 5,155	Quality Assurance Project Plan and 2nd Qtr Environmental Liability from Natural Resource Technology Inc.
Aug-16	RI: Cleanup: Legal: Other:	\$ 7,406	Data Review and Subcontractor Procurement from Natural Resource Technology Inc.
Sep-16	RI: Cleanup: Legal: Other:	\$ 6,514	Quality Assurance Project Plan from Natural Resource Technology Inc.

Oct-16	RI: Cleanup: Legal: Other:	\$ 4,614	Quality Assurance Project Plan, Subcontractor Procurement, and 3rd Qtr Environmental Liability from Natural Resource Technology Inc.
Nov-16	RI: Cleanup: Legal: Other:	\$ 20,471	Quality Assurance Project Plan, Subcontractor Procurement, and Environmental Liability Estimate from Natural Resource Technology Inc. Soil Borings by Raimonde Drilling Corp.
Dec-16	RI: Cleanup: Legal: Other:	\$ 67,425	Quality Assurance Project Plan, Subcontractor Procurement, and Environmental Liability Estimate from Natural Resource Technology Inc. Soil Borings by Raimonde Drilling Corp. Environmental Testing by Pace Analytical Services Inc. Waste Disposal by Covanta Environmental Solutions.
	2016 Total:	<hr/> \$ 126,666	
	RI: Cleanup: Legal: Other:	\$ 126,666	
	2016 Totals:	<hr/> \$ 126,666	

Deferred Cash Outlays

<u>Year</u>	<u>Cost Category</u>	<u>Austin Plant</u>
2016	RI:	\$ 126,666
	Cleanup:	
	Legal:	
	Other:	
	2016 Totals:	\$ 126,666

Minnesota Energy Resources Corporation
MGP Costs and Recoveries

Line No.		(a) MGP Costs	(b) Total Insurance Recoveries	(c) Litigation Expenses	(d) Net Insurance Recoveries	(e) Costs less Ins. Recoveries
1	2016	\$ 126,666				\$ 126,666

ATTACHMENT B

<u>Line No.</u>	<u>FMGP Note</u>	<u>Expenses</u>	<u>Recoveries</u>	<u>Costs less Recoveries</u>
1	2015	\$ 2,602,565.00	\$ 31,163.91	\$ 2,633,728.91
2	2016	<u>\$ 126,666.07</u>	<u>\$ 557,742.00</u> *	<u>\$ (431,075.93)</u>
3		<u>\$ 2,602,565.00</u>	<u>\$ 557,742.00</u>	<u>\$ 2,202,652.98</u>

*Reflects the rate recovery approved by the Commission in Docket No. G011/GR-15-736 effective January 1, 2016

Attachment C

Summaries of MERC Activities Conducted at the Austin Former Manufactured Gas Plant Site January 1, 2016 – December 31, 2016

Austin FMGP Site

Phase II Site Investigation Work Plan was finalized by MERC and approved by the Minnesota Pollution Control Agency (“MPCA”) in the summer of 2016. Following approval, MERC submitted a Quality Assurance Project Plan (“QAPP”) that was approved in the fall of 2016. MERC began investigation activities outlined in the Phase II Investigation Work Plan in November of 2016.

January

Received and reviewed previously-collected analytical data for Site evaluation.

February

No activities.

March

Comments from the MPCA were received on March 4, 2016, for the Phase II Investigation Work Plan – Revision 0. A call was held between MERC and the MPCA on March 28, 2016, to discuss the comments.

April

Reviewed and addressed MPCA comments on the Phase II Investigation Work Plan – Revision 0.

May

Revision 1 of the Phase II Investigation Work Plan was completed and submitted to the MPCA on May 13, 2017.

June

Via email, the MPCA approved the Phase II Investigation Work Plan – Revision 1 on June 10, 2016. Initiated drafting QAPP – Revision 0.

July

Continued working on the QAPP – Revision 0. Drafted a request for quote (“RFQ”) for services outlined in the Phase II Investigation Work Plan – Revision 1.

August

Completed QAPP – Revision 0. Finalized RFQ for Site investigation activities. Reviewed historical data in preparation for Site investigation.

September

On September 1, 2016, QAPP – Revision 0 was submitted to the MPCA. The MPCA provided comments on the QAPP – Revision 0 on September 26, 2016, and MERC began addressing the comments. Coordination with subcontractors and laboratories for upcoming Site investigation activities.

October

MERC submitted QAPP – Revision 1 to the MPCA on October 21, 2016. Continued coordination and planning with subcontractors and laboratories for upcoming Site investigation activities.

November

The MPCA approved QAPP – Revision 1 on November 3, 2016. During the week of November 14th, upland soil investigation activities and the 1st quarter of groundwater sampling event were completed. Additional rounds of groundwater sampling (3), soil vapor investigation, and sediment investigation in the Cedar River are planned for 2017.

December

Received and reviewed analytical results from Site investigation activities. Drafted boring logs from subsurface soil investigation.

Austin Site Environmental Investigation/Remediation Current Status

An interim response action has been completed for the onsite portion of the Austin site as summarized in the Response Action Work Plan submitted to the MPCA in 2012. The plan outlined the remaining activities for groundwater at the site, which consisted of eight quarters of groundwater monitoring and institutional controls. The quarterly monitoring program identified the presence of dense non-aqueous phase liquid (DNAPL). A Phase II Site Investigation Work Plan was submitted to the MPCA and investigation activities were initiated in November of 2016. Investigation is currently ongoing.

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Interstate Power and Light Company and
Minnesota Energy Resources Corporation

Docket No. G001,011/PA-14-107

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 1st of May, 2017, on behalf of Minnesota Energy Resources Corporation, I electronically filed a true and correct copy of the enclosed compliance filing on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 1st of May, 2017.

/s/ Kristin M. Stastny
Kristin M. Stastny

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