

April 15, 2014

VIA ELECTRONIC FILING

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
Metro Square Building
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 and Southern Minnesota Energy Cooperative
MPUC Docket No. _____

Dear Dr. Haar:

Enclosed please find the Joint Petition of Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC). This Joint Petition is being filed with the Minnesota Public Utilities Commission pursuant to Minn. Stat. § 216B.50 and Minn. Rules 7825.1800. IPL and SMEC jointly request the Commission approve the sale of IPL's Minnesota electric distribution system and assets, and transfer of service rights and obligations in Minnesota, to SMEC pursuant to an Asset Purchase and Sale Agreement dated September 3, 2013, and First Amendment to Asset Purchase and Sale Agreement dated October 28, 2013.

Additionally, the Joint Petition contains trade secret information. The specific information, for which IPL claims is trade secret, is described in the Statement Providing Justification For Trade Secret Information. The Joint Petition is presented as follows:

- Original Filing;
- Joint Petition for Approval of the Asset Purchase and Sale Agreement and First Amendment to Asset Purchase and Sale Agreement;
- Attachments A through U;
- Statement Providing Justification for Trade Secret Information; and
- Affidavit of Service.

Please feel free to direct any questions regarding the Joint Petition to the undersigned.

Respectfully submitted,

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COMPANY

By: /s/ Erik C. Madsen
Its Authorized Representative

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Enclosures

cc: All parties of record

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

**Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

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

MPUC Docket No. _____

ORIGINAL FILING

Pursuant to Minn. Stat. § 216B.50 and Minnesota Rules 7825.1800, Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) jointly request the Minnesota Public Utilities Commission approve the sale of IPL's Minnesota electric distribution system and assets and transfer of service rights and obligations in Minnesota to SMEC. This sale and transfer is made in accordance with the Asset Purchase and Sale Agreement dated September 3, 2013, by and between IPL and SMEC, and First Amendment to Asset Purchase and Sale Agreement dated October 28, 2013.

The filing includes the following attachments:

- One paragraph summary of the filing in accordance with Minn. Rules pt. 7829.1300.
- Joint Petition for Approval, which contains a description of the filing, the impact on the Joint Petitioners and affected ratepayers, and the reasons for the filing, provided in accordance with Minn. Rules 7829.1300, subp. 4(F).
- Affidavit of Service.

In addition, the following information is provided, in accordance with Minn. Rules
pt. 7829.1300, subp. 4:

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Date of Filing: April 15, 2014

Proposed Effective Date: Immediately upon approval

Controlling Statute for Time
in Processing the Filing: Minn. Stat. § 216B.50 and Minn. Rules
7825.1800 govern the substantive criteria for
the filing. There is no preset time period for
review. The petitioners request approval that
will allow the sale closing on the Transaction
by December 31, 2014.

If additional information is required, please contact Samantha C. Norris at (319) 786-4236, Richard J. Johnson at (612) 877-5275, or Harold P. LeVander, Jr. at (651) 222-6321.

Dated: April 15, 2014

Respectfully submitted,

and

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

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Power and Light Company and
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MPUC Docket No. _____

SUMMARY OF FILING

Please take notice that on April 15, 2014, pursuant to Minn. Stat. § 216B.50 and Minnesota Rules 7825.1800, Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) filed with the Minnesota Public Utilities Commission (Commission) a petition for approval of the sale of IPL's Minnesota electric distribution system and assets and transfer of service rights and obligations to SMEC pursuant to an Asset Purchase and Sale Agreement dated September 3, 2013 and First Amendment to Asset Purchase and Sale Agreement dated October 28, 2013. The purchase price would be approximately \$118 million plus customary working capital and closing adjustments. IPL and SMEC request an Order from the Commission approving the sale as consistent with the public interest.

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

MPUC Docket No.: _____

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

**JOINT PETITION OF INTERSTATE POWER AND LIGHT COMPANY
AND SOUTHERN MINNESOTA ENERGY COOPERATIVE
FOR
APPROVAL OF ASSET PURCHASE AND SALE AGREEMENT
AND TRANSFER OF SERVICE RIGHTS AND OBLIGATIONS**

TABLE OF CONTENTS

I.	INTRODUCTION AND OVERVIEW	1
II.	THE JOINT PETITIONERS and CUSTOMERS	7
	A. Interstate Power and Light Company.....	7
	B. Southern Minnesota Energy Cooperative	8
	C. SMEC Member Cooperatives	8
III.	DESCRIPTION OF THE TRANSACTION	10
	A. Summary	10
	B. Electric APA and Wholesale Power Agreement.....	12
IV.	POST TRANSACTION OPERATIONS, POWER SUPPLY, AND RATES.....	17
	A. Assets Acquired.....	17
	B. Post-Closing Operations	18
	C. Arrangements for Power Supply	20
	D. SMEC and SMEC Member Cooperative Rates After Closing.....	22
	1. SMEC Rates During The Three-Year Initial Period.....	22
	2. Class Cost of Service Studies During Three-Year Initial Period....	24
	3. Two-Year Transition Period	25
	4. Commission Authority	26
	E. SMEC Terms of Service and Special Rates	26
	1. Customer Service Rules	26
	2. Special Services and Rates Programs.....	27
	3. Net Metered Customers	27
	F. Service Reliability and Quality	28

G.	Other Regulatory Requirements	30
1.	Customer Protection	30
2.	Distributed Generation	31
3.	Renewable Energy.....	32
4.	Energy Conservation Improvements.....	32
H.	Transition Plan For Customer Services	33
V.	THE TRANSACTION IS CONSISTENT WITH THE PUBLIC INTEREST	33
A.	The Standard For Review.....	33
1.	Consistency With Public Interest Does Not Require Affirmative Benefits	34
B.	Summary of Customer Benefits and Customer Protections.....	35
C.	The New SMEC Rates And Rate Plan Are Reasonable And Provide Substantial Customer Benefits And Protections	36
1.	SMEC Rates During The Three-Year Initial Period Are Lower Than Likely IPL Rates	36
2.	The Use of SMEC Member CCROSS And Proposal For The Two-Year Transition Period Provide Additional Significant Customer Protection	38
3.	Cost Factors Favor SMEC Member Cooperatives	40
D.	IPL's Costs Will Increase and IPL Retail Rates Are Expected To Increase Absent The Transaction.....	43
1.	Future Rates Are The Appropriate Measure For The Commission's Public Interest Determination.....	44
2.	IPL Costs Have Increased Substantially Since IPL's Last Minnesota Rate Case	45
3.	IPL's Estimated Revenue Requirement Has Increased By Approximately \$10.2 Million Since IPL's Last Electric Rate Case.....	47

4.	IPL Transmission and Power Production Costs Will Continue to Increase, Requiring Annual Revenue Increases Through 2017	49
E.	Comparison of Existing IPL Rates and Existing Cooperative Rates for Legacy Areas Does Not Reasonably Represent The Future.....	51
F.	Customer Service Quality	53
G.	Cooperative Business Model	54
H.	Smooth Transition.....	55
I.	Employees	56
VI.	MINNESOTA FILING REQUIREMENTS	57
A.	Minn. Rules, Part 7825.1800	57
B.	Minn. Rules 7825.1800 Subpart B	57
1.	Minn. Rules 7825.1400, items A to J.....	58
2.	Purchase Price.....	61
3.	The Terms for Payment and Other Considerations.....	62
C.	Minn. Rules, Part 7825.1800, Subpart C	62
D.	Minn. Rules, Part 7825.1800, Subpart D	63
VII.	RECOMMENDED PROCESS	63
A.	Written Comments and Replies Will Fully Develop A Record	63
B.	Customer Notice	64
C.	The Joint Petitioners Seek To Close By December 31, 2014	64
VIII.	OTHER ISSUES AND CONSIDERATIONS	65
A.	Reconciliation of Outstanding Commission Dockets.....	65
B.	IUB Approval.....	65

C.	FERC Filings.....	66
D.	Other Consents To Transaction.....	66
E.	Future Regulatory Authority	67
F.	Reservation By The Joint Petitioners.....	68
G.	Trade Secret Information Protection	68
IX.	CONCLUSION AND REQUESTED COMMISSION ACTION.....	69

ATTACHMENTS

Attachment A	List of the Minnesota Communities Served by IPL
Attachment B	SMEC Articles of Incorporation and Bylaws
Attachment C	Business Profile Of Each SMEC Member Cooperative
Attachment D	Trade Secret Electric APA, Schedules, and Wholesale Power Supply Agreement
Attachment E	Map Of Current SMEC Member Cooperative And IPL Service Areas In Minnesota
Attachment F	IPL RES-5 Embedded Cost Full-Requirements Tariff On File With FERC
Attachment G	Proposed SMEC Rate Plan
Attachment H	Power Supply and Transmission Costs and Comparison of IPL Rates With SMEC's Proposed Initial Period Rates
Attachment I	Projected Benefits To Former IPL Customers During 2014- 2017
Attachment J	Current IPL Revenue Requirement
Attachment K	Comparison of Current SMEC and IPL Rates
Attachment L	IPL Directors' Resolution Approving The Transaction
Attachment M	SMEC Directors' Resolution Approving The Transaction
Attachment N	Directors' Resolutions Of The SMEC Member Cooperatives Approving The Transaction.
Attachment O	IPL 2012 Balance Sheet, Income Statement, and Statement of Changes in Financial Position
Attachment P	Proforma SMEC 2015 Balance Sheet and Income Statement
Attachment Q	2013 Balance Sheets, Income Statements, and Statements of Changes in Financial Position For SMEC Member Cooperatives
Attachment R	List of Transferred Franchises
Attachment S	Original Cost of Property and Depreciation and Amortization Reserves

Attachment T	Summary of Outstanding IPL Commission Dockets
Attachment U	Trade Secret Copies of Consents From SMEC Member Wholesale Power Suppliers

I. INTRODUCTION AND OVERVIEW

Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) (collectively the Joint Petitioners or Parties) jointly request the Minnesota Public Utilities Commission (Commission) approve the sale of IPL's Minnesota electric distribution system and assets to SMEC and transfer of retail electric service rights and obligations in Minnesota (the Transaction), as further explained in this Joint Petition. This sale and transfer is made in accordance with the Asset Purchase and Sale Agreement dated September 3, 2013, by and between IPL and SMEC, and First Amendment to Asset Purchase and Sale Agreement dated October 28, 2013, (collectively the Electric APA). This request is made pursuant to Minn. Stat. § 216B.50 and Minn. Rules 7825.1800.

The Transaction. As further explained in this Joint Petition, upon completion of the Transaction (following approval by the Commission):

- IPL will transfer to SMEC the local distribution assets used to supply power and electric service to all of IPL's approximately 42,600 retail customers in Minnesota.
- IPL will transfer to SMEC all of IPL's transferrable rights and obligations to provide power and electric service to those electric customers.
- All rights and obligations to serve customers in IPL's current electric service areas in Minnesota will be divided among, and transferred to, the twelve electric distribution cooperatives that formed, and are members of, SMEC (the SMEC Member Cooperatives).

- All current IPL retail customers in Minnesota will receive service from one of the individual SMEC Member Cooperatives, and become members of the individual SMEC Member Cooperatives from which those customers will receive service.
- IPL and SMEC will enter into a Wholesale Power Supply Agreement (the Wholesale Power Agreement) under which IPL will provide to SMEC all of the electricity required to provide service to customers located within the areas in Minnesota that will be acquired from IPL, subject to the terms and conditions of that agreement. SMEC will, in turn, provide all needed electricity to the SMEC Member Cooperatives for those customers in the areas in Minnesota acquired from IPL.
- Transmission services needed to provide such electricity will be obtained from Transmission service providers, including Dairyland Power Cooperative (DPC), ITC Midwest, LLC (ITC Midwest) and Northern States Power Company (NSP) under the Transmission providers' applicable tariffs, in the same manner as IPL currently obtains such service. To the extent that IPL acts on behalf of SMEC or SMEC Member Cooperatives with the Midcontinent Independent System Operator (MISO), all charges billed to IPL by MISO will be billed by IPL to SMEC on a pass-through basis.
- Immediately following the closing, IPL will withdraw from providing retail electric service in Minnesota and will cease to be a Minnesota public utility providing service in Minnesota.

Commission Approval. Commission approval of the Transaction is required under Minn. Stat. § 216B.50 which authorizes approval of transfers such as the Transaction if the Commission finds the sale is consistent with the public interest.

Consistency with the Public Interest. As further explained in this Joint Petition, the standard for review of this proposed Transaction is consistency with the public interest. The Commission has regularly applied this standard and has recognized that it is not necessary that the transfer affirmatively benefit ratepayers or the public, or otherwise promote the public interest, but a transfer may not contravene the public interest, and must be shown to be compatible with the public interest. As further demonstrated in this Joint Petition, SMEC's acquisition of IPL's electric distribution business is fully compatible and consistent with the public interest.

SMEC Member Cooperatives. The SMEC Member Cooperatives are already providing electric distribution service to approximately 135,000 members located in southern Minnesota. The Transaction will result in continued high quality service to IPL's current Minnesota customers, as the SMEC Member Cooperatives can draw on: (i) their current operating experience, which includes excellent service and customer satisfaction records; and (ii) their financial and technical resources that are already being used to provide reliable and cost-effective electric distribution service.

IPL Minnesota Customers. The IPL Minnesota customers will become member-owners of one of the SMEC Member Cooperatives and be afforded all of the rights and benefits of electric cooperative membership, including: (i) service from a not-for-profit, tax exempt electric service provider, (ii) voting rights to elect the board of directors of the SMEC Member Cooperative to which they belong, (iii) local control and direct input

on the policies, rates and terms of service based on board of directors representation, and (iv) assignment of patronage capital accounts.

The Wholesale Power Agreement. The Wholesale Power Agreement limits its scope to customers in the areas that will be acquired from IPL. Accordingly, the Wholesale Power Agreement does not include the supply of electricity by IPL to the SMEC Member Cooperatives for their existing areas or customers. Thus, the power supply arrangements with generation and transmission providers for the existing areas and customers of the SMEC Member Cooperatives will not be altered by the Transaction or the Wholesale Power Agreement. IPL rates for power supply under the Wholesale Power Agreement and transmission rates for DPC, ITC and NSP are subject to regulation by the Federal Energy Regulatory Commission (FERC). IPL has authority to act on behalf of SMEC and SMEC Member Cooperatives in regards to MISO and MISO charges for transmission services provided for the benefit of SMEC and SMEC Member Cooperatives. All MISO transmission and MISO-related charges billed to IPL will be billed to SMEC on a pass-through basis by delivery and interconnection point.

Rates. As described more fully in Section IV.D. of this Joint Petition, the SMEC rates for the former IPL customers in the areas acquired from IPL (Acquired Areas) will be determined as follows:

- During the Three-Year Initial Period (the 36-month period following the closing), rates for the Acquired Areas will reflect: (i) IPL base rates in effect on the date of the closing, including monthly customer charges; (ii) a \$0.002/kWh (or \$2.00/MWh) credit to customers' bills to pass on anticipated economies available to SMEC in the operation of distribution service, including lower

borrowing costs available through cooperative financing sources and cooperative exemption from federal and state income taxes; (iii) conversion of IPL's Energy Supply Cost Recovery (ESCR) clause, which reflects changes in the cost of fuel and purchased energy from the amount included in base rates, to a Power Cost Adjustment (PCA) clause, designed to adjust for all changes in the cost of power supply and transmission from the amount included in base rates as determined in IPL's last rate case; and (iv) other less significant changes as described more fully below. Further, as described in this Joint Petition, the SMEC rates during the Three-Year Initial Period are expected to be lower than the increased rates that could be justified by IPL in the near term, absent the Transaction, which would reflect the increasing costs of providing retail electric service during the four years since IPL's last Minnesota electric rate case.

- During the Two-Year Transition Period (the twenty-four-month period that follows the Three-Year Initial Period) the SMEC Member Cooperatives will maintain separate base rates for the Acquired Areas and the areas that they already serve (Legacy Areas), which will be based on the revenue requirements for the Acquired Areas and Legacy Areas (determined under class cost of service studies described below) unless those separate base rates, determined on an individual basis, can be combined without increasing revenues by more than 5 percent, as further described in this Joint Petition.

Cost of Service Studies. During the Three-Year Initial Period, the SMEC Member Cooperatives will prepare class cost of service studies (CCOSS) for their

existing area (Legacy Area) and IPL-acquired area (Acquired Area) for purposes of developing rates during the Transition Period and longer range rate plans.

Commission Authority. The Commission will have authority to enforce the commitments which SMEC and each of the SMEC Member Cooperatives have made, as described in this Petition.

Withdrawal From Retail Service By IPL. Upon the closing of the Transaction, IPL requests approval: (i) to withdraw from the provision of retail electric service in all areas it currently serves in Minnesota and terminate its retail electric service rights and obligations in Minnesota; and (ii) to terminate and cancel its intrastate electric service tariffs in Minnesota. IPL will continue to own certain generation facilities in Minnesota.

Scheduling. The Joint Petitioners hope to close the Transaction by December 31, 2014 in order to provide certainty to all parties, stakeholders, and customers. Therefore, IPL and SMEC respectfully request the establishment of a schedule for completion of the review of this Joint Petition that would, if possible, allow a closing by December 31, 2014. The closing is dependent on approval by the Iowa Utilities Board (IUB) of the sale and FERC approval of the Wholesale Power Agreement, which are anticipated to be received consistent with a closing by December 31, 2014. Closing of the Transaction is not dependent on Commission review of the proposed transfer of IPL's Minnesota natural gas distribution assets and customers to Minnesota Energy Resources Corporation (MERC).

Joint Petition Contents. The remainder of this Joint Petition is organized as follows:

- Section II provides a description of the Joint Petitioners and Customers.

- Section III provides a further description of the Transaction.
- Section IV explains the post-Transaction operations, power supply, and rates.
- Section V identifies the information required under the Commission's Rules.
- Section VI describes the public interest standard for review of the Transaction and shows that the Transaction is consistent with the public interest.
- Section VII identifies a proposed process for Commission review.
- Section VIII identifies other considerations related to the Transaction.
- Section IX contains a summary and requested action by the Commission.

II. JOINT PETITIONERS AND CUSTOMERS

A. Interstate Power and Light Company

IPL is an Iowa corporation and an investor-owned utility, headquartered at 200 First Street, SE, in Cedar Rapids, Iowa. IPL is a separate legal entity and first-tier wholly owned subsidiary of Alliant Energy Corporation, a public utility holding company. As of year-end 2012, IPL provided retail electric and natural gas distribution services to approximately 527,000 electric customers and 234,000 natural gas distribution customers in Iowa and southern Minnesota. The customers served by IPL include approximately 42,600 electric customers in 84 communities in Minnesota for which transfer to SMEC is requested in this Joint Petition. IPL's electric customer base in Minnesota is relatively small, but covers a large geographical area. A list of the Minnesota communities served by IPL is contained in **Attachment A**.

B. Southern Minnesota Energy Cooperative

SMEC is an electric cooperative association organized under Minn. Stat. § 308A.01, et seq. (the Minnesota Cooperative Law). SMEC is a non-profit, tax-exempt organization under Internal Revenue Code § 501(c)(12).

SMEC was organized by the SMEC Member Cooperatives for the following purposes: (i) to create a single counterparty to IPL to effect the Transaction; (ii) to own, operate, and maintain the electric facilities purchased from IPL for up to three years until transfer to the individual SMEC Member Cooperatives (which may vary between SMEC Member Cooperatives), and to establish the initial rates and terms of service under which service will be provided to current IPL customers (during the Three-Year Initial Period); (iii) to enter into the subsequent sale transactions with the SMEC Member Cooperatives to distribute the IPL assets down to the SMEC Member Cooperatives; and (iv) to perform and administer the power supply contracts both with IPL and with the SMEC Member Cooperatives during the terms of those power supply contracts. **Attachment B** sets forth the SMEC articles of incorporation and bylaws.

C. SMEC Member Cooperatives

Each of the SMEC Member Cooperatives are rural electric cooperatives and are tax-exempt organizations under Internal Revenue Code § 501(c)(12). Eleven of the SMEC Member Cooperatives are located in southern Minnesota, and one (Sioux Valley Energy) is located in southeastern South Dakota. The SMEC Member Cooperatives provide retail electric service collectively to 135,000 members within their respective and adjacent assigned service territories in Minnesota. A brief business profile of each

of the twelve SMEC Member Cooperatives, including a description of managerial, technical, and financial qualifications, is attached to this Joint Petition as **Attachment C**.

The SMEC Member Cooperatives and the approximate numbers of current IPL customers proposed to receive distribution services from the SMEC Member Cooperatives are as follows:

SMEC Member Cooperative	Estimated number of IPL customers to obtain service
Minnesota Valley Electric Cooperative, Jordan, MN;	3,444
Steele-Waseca Cooperative Electric, Owatonna, MN;	1,569
People's Energy Cooperative, Oronoco, MN;	6,939
Tri-County Electric Cooperative, Rushford, MN;	2,588
Freeborn-Mower Cooperative Services, Albert Lea, MN;	15,180
BENCO Electric Cooperative, Mankato, MN;	3,864
Brown County Rural Electrical Association, Sleepy Eye, MN;	536
South Central Electric Association, St. James, MN;	2,030
Redwood Electric Cooperative, Clements, MN;	2,098
Federated Rural Electric Association, Jackson, MN;	1,708
Nobles Cooperative Electric, Worthington, MN	1,748
Sioux Valley Energy, Colman, SD.	881
Total	42,585

The SMEC Member Cooperatives are not parties to this proceeding. However, each of the SMEC Member Cooperatives will provide information relevant to this proceeding and consent to the Commission's authority to enforce the commitments which each of the SMEC Member Cooperatives have made, as described in this

Petition, and as the SMEC Member Cooperatives may otherwise consent during the course of this proceeding.

III. DESCRIPTION OF THE TRANSACTION

A. Summary

The Transaction is intended to accomplish the sale by IPL of all of its electric distribution assets located in Minnesota (the Minnesota Electric Assets) to SMEC pursuant to the Electric APA. The Electric APA, along with the related Wholesale Power Agreement are provided as **Trade Secret Attachment D**. The Electric APA contains customary contractual provisions for asset sale transactions of this type.

The sale of the Minnesota Electric Assets to SMEC is a cash transaction. IPL will not receive any securities from SMEC as consideration for this sale. Additionally, SMEC will not issue any securities that would be subject to the Commission's jurisdiction to finance this purchase of the Minnesota Electric Assets.

Upon Commission approval, IPL's physical electric distribution assets will be transferred to SMEC and the IPL electric service area will be transferred to the respective SMEC Member Cooperatives, with distribution system support services provided by the SMEC Member Cooperatives to all of IPL's former Minnesota electric distribution customers. This Transaction will lead to increased customer density and economies of scale for the SMEC Member Cooperatives that will enhance the efficiency, reliability and cost-effectiveness of their electric distribution service operations. A map showing the current IPL and SMEC Member Cooperative service

areas in Minnesota is provided in **Attachment E**. SMEC will provide power to former IPL distribution customers only.

Upon completion of the Transaction, it is intended that: (i) IPL will withdraw from the provision of retail electric service in all areas it currently serves in Minnesota; (ii) IPL shall also terminate and cancel its electric service tariffs in Minnesota as of the date of closing of the Transaction; and (iii) IPL will no longer be subject to the Commission's jurisdiction regarding the provision of electricity at retail in Minnesota. IPL will provide wholesale power to SMEC under the Wholesale Power Agreement subject to regulation by FERC.

SMEC and the SMEC Member Cooperatives committed to offering employment to all current IPL Minnesota employees who work in connection with the electric distribution system. The offers will be for positions with substantially equivalent job duties and responsibilities of the positions held by such employees, at compensation and benefits rates that are generally comparable to what the employees are receiving at IPL on the aggregate level, and will be based generally on the location of the employee within the service territory of each SMEC Member Cooperative.

IPL has also entered into an agreement to sell all of its natural gas distribution assets located in Minnesota (the "Minnesota Gas Assets") to MERC, a Delaware corporation and subsidiary of Integrys Energy Group, which is currently providing gas service contiguous to IPL's Minnesota gas service territory. The sale of the Minnesota Electric Assets to SMEC and the Minnesota Gas Assets to MERC are separate and are not mutually interdependent. Thus, the sale of the Minnesota Electric Assets to SMEC is not contingent upon IPL completing the sale of the Minnesota Gas Assets to MERC.

Accordingly, IPL and SMEC do not believe there is any basis for the schedule of this proceeding to be affected by the schedule in the proceeding to review the sale of the Minnesota Gas Assets to MERC.

IPL and SMEC request that the Commission adopt a schedule for this proceeding and grant approval of the sale of the Minnesota Electric Assets to SMEC so as to allow the sale of the Minnesota Electric Assets to be effective by December 31, 2014. Such a timetable would provide certainty to all parties, stakeholders, and customers. IPL is also required to obtain the approval of the Transaction from the IUB and approval of the Wholesale Power Agreement from FERC, as described in Section VIII of this Joint Petition. No filing is required with the Federal Trade Commission or the U.S. Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

B. Electric APA and Wholesale Power Agreement

The following provides a description of the assets being sold under the Electric APA:

- Transaction Structure. The Electric APA is structured as a sale of assets with IPL selling to SMEC the Minnesota Electric Distribution Assets.
- Purchase Price. The purchase price to be paid by SMEC to IPL was determined by arm's length negotiations. Based on the book value of the Minnesota Electric Assets and adjustments as of December 31, 2012, if Closing occurred today the purchase price would be approximately \$118 million plus customary working capital and closing adjustments. The purchase price will be paid by SMEC to IPL in immediately available funds at Closing, with a post-closing true-up of customer

accounts receivable collections and other customary working capital adjustments.

- Assumed Liabilities. IPL retains liability for pre-closing conditions, events and liabilities related to the Minnesota Electric Assets and related business. SMEC assumes liabilities for post-closing conditions, events and liabilities related to the Minnesota Electric Assets.
- Due Diligence. There are no remaining issues as a result of the due diligence review process outlined in the Electric APA.
- Representations and Warranties. The representations and warranties in the Electric APA are customary for asset sale transactions of this type. Among other things, IPL's representations and warranties to SMEC relate to: organizational and authority matters; third-party consents; environmental matters; the acquired contracts and leases; and compliance with laws and permits. SMEC's representations and warranties to IPL generally relate to: organizational and authority matters; matters requiring third-party consents; compliance with law and permits; and litigation matters.
- "As-Is" Deal. IPL is selling the Minnesota Electric Assets to SMEC pursuant to the Electric APA on an "AS IS" basis subject to certain limited IPL representations and warranties as to condition of and title to certain assets.
- Covenants. The Electric APA includes customary covenants, including covenants related to obtaining regulatory approvals and third-party consents; confidentiality; cooperation; taxes, prorations and closing costs; maintenance of

the Minnesota Electric Assets and business prior to closing; capital expenditures; no solicitation of other offers; and provision of transitional services if required.

- Indemnification. The Electric APA includes customary indemnification obligations on both Parties with respect to claims relating to the Transaction. Claims for indemnification arising out of breaches of representations and warranties must be made within 12 months after closing, subject to customary exceptions (e.g., representations and warranties of IPL regarding ERISA, benefit plans, and environmental matters survive for 30 months after closing).
- Limitations on Liability. A Party seeking indemnification will have no reimbursable claim of any breach of representations or warranties until incurred losses exceed 3% of the final purchase price (but only in the amount of such excess) and the aggregate liability of a Party for any breach of representations or warranties shall not exceed 13% of the final purchase price, exclusive of the 3% threshold. Neither the 3% threshold nor the 13% cap apply to claims which arise out of a Party's fraud or any breach of the representations or warranties regarding the entity's organization and existence or the execution, delivery and enforceability of the Electric APA and other customary exceptions.
- Conditions to Closing. Conditions to closing include: (i) receipt of approvals from the Commission, the IUB and, FERC; (ii) obtaining necessary third-party consents; and (iii) performance by each Party of their respective obligations to be performed prior to closing.

SMEC's additional conditions to closing include: (i) the commitment by the National Rural Utilities Cooperative Finance Corporation (CFC) or other lender to

lend to SMEC sufficient funds to pay the final purchase price being in effect; (ii) receiving a satisfactory title policy and survey at SMEC's expense; (iii) no material adverse effect regarding the due diligence issues and disclosure schedule updates having been addressed in accordance with the Electric APA.

- Termination. The Electric APA provides that it may be terminated under certain circumstances, including the following:
 - by either Party if there has been a material breach of the Electric APA which is not cured within 180 days after written notice of the breach;
 - by either Party in the event of (i) failure to obtain certain necessary regulatory approvals or third-party consents on terms acceptable to that Party in the Party's sole discretion; or (ii) a court order or injunction prohibiting closing;
 - by either Party in the event that closing has not occurred within 18 months of the signing of the Electric APA for reasons other than pending regulatory review (which could extend the closing deadline to 30 months);
 - by SMEC (i) if there has been a material adverse effect which remains in effect; and (ii) if IPL has elected not to repair or replace certain casualty losses that in the aggregate exceeds two percent of the base purchase price of approximately \$118 million plus customary working capital and closing adjustments; and
 - by IPL if there is a termination of or material adverse change to the CFC lending commitment to SMEC.

- Wholesale Power Agreement. The Wholesale Power Agreement provides that IPL will sell to SMEC the power needed to operate an electric distribution service business for customers in the area currently receiving electric distribution service from IPL. SMEC in turn will provide to each SMEC Member Cooperative the electric power needed for that SMEC Member Cooperative to provide electric service to the customers located in the areas acquired from IPL. The term of the Wholesale Power Agreement is 10 years from the date of closing, with a 5-year termination notice. Pricing under the Wholesale Power Agreement is based on IPL's existing FERC-approved formula rates. The price paid by SMEC to IPL under the Wholesale Power Agreement will be adjusted for the customer credits resulting from the remaining balances of the gain on Seller's sale of transmission assets to ITC Midwest and for the Sutherland regulatory asset. The Wholesale Power Agreement will have no impact on IPL's integrated resource plan (IRP) for the term of the agreement because IPL's total load will not be changed as a result of the Transaction; IPL will continue to provide power to the same Minnesota customers and areas in Minnesota before and after the Transaction.
- Transmission Services. SMEC will take transmission delivery directly from DPC, ITC Midwest and NSP under interconnection agreements between SMEC and DPC, ITC Midwest and NSP. IPL will have authority to act on SMEC's behalf to procure and pay for all transmission and ancillary services necessary for the delivery of power and energy supplied pursuant to the Wholesale Power Agreement. All transmission and related charges billed to IPL shall be billed to SMEC on a pass-through basis by delivery and interconnection point.

IV. POST-TRANSACTION OPERATIONS, POWER SUPPLY, AND RATES

A. Assets Acquired

SMEC will acquire all assets owned or leased by IPL that are used and usable in the operation of IPL's electric distribution operations located in southern Minnesota (the System) including:

- i. Tangible personal property and fixtures located at the System's electrical substations in southern Minnesota;
- ii. All real property in southern Minnesota associated with the operation of the System;
- iii. Permits and rights to the use of land that are associated with the operation of its System;
- iv. Inventory of materials and supplies located at IPL southern Minnesota service centers;
- v. Vehicles and other equipment located in southern Minnesota and used for the operation of the System;
- vi. All permits of IPL under agreements with third parties or issued by governmental authorities used in the operation of the System;
- vii. Contracts, other than power purchase agreements, that are associated specifically with the operation of the System;
- viii. Books and records related to the provision of retail electric service to customers by the System; and
- xi. Any rights granted by state, local, and any other authority to IPL pertaining the System, including any franchise agreements.

B. Post-Closing Operations

Subject to regulatory approvals, at closing, SMEC will finance the purchase of the assets acquired from IPL by drawing down on a five-year bridge loan commitment in the amount of \$140,000,000 that it has obtained from CFC. The bridge loan will be secured by a mortgage from SMEC on the assets acquired from IPL. Each of the SMEC Member Cooperatives will guarantee a share of the CFC loan to SMEC based on that SMEC Member Cooperative's share of the assets located within the SMEC Member Cooperative's portion of the service area acquired from IPL, which will be purchased from SMEC by the SMEC Member Cooperative in a subsequent transaction.

SMEC will operate the acquired IPL distribution system as one system for a transitional period of up to three years providing economies of scale during that time. The SMEC Member Cooperatives will bill customers within the respective areas acquired from IPL at the rates established by SMEC under Section IV. D. below, and the SMEC Member Cooperatives will remit the revenues collected to SMEC. SMEC will contract with SMEC Member Cooperatives for the provision of the operating, maintenance, and related services necessary to provide electric distribution service. SMEC will pay the SMEC Member Cooperatives for the provision of these services and, in addition, SMEC will pay the other ownership costs of the system, including taxes, interest, depreciation, debt services, and a margin on operations to meet the covenants of its loan agreement and mortgage to CFC.

The current IPL customers (who will become members of the respective SMEC Member Cooperatives) will pay a common SMEC rate as described in Section IV.D., below, for the first three years after closing. The SMEC Member Cooperative in whose

area the IPL customer/member is located will bill the IPL customer/member for electric service, and the IPL customer/member will pay that bill to the SMEC Member Cooperative. The SMEC Member Cooperative will remit revenues to SMEC, so that SMEC can pay for the costs associated with operating the system during the three-year transitional period. Any margin realized by SMEC will be allocated to the SMEC Member Cooperatives on the basis of patronage. As each SMEC Member Cooperative purchases its share of SMEC's assets, that Member Cooperative will retain the billed revenues from the IPL customers/members to pay the costs of its operation of the purchased assets from SMEC.

Each SMEC Member Cooperative shall purchase from SMEC its respective shares of the assets acquired from IPL no later than three years from the date of closing, at a time chosen by the SMEC Member Cooperative. The purchase price for the assets will be prescribed in an agreement between SMEC and the SMEC Member Cooperatives. SMEC will apply the proceeds of such sales to reduce its outstanding indebtedness to CFC. When all SMEC Member Cooperatives have purchased their respective shares of the assets acquired from IPL, and are released from their respective CFC loan guarantees, SMEC will have paid its entire indebtedness to CFC. SMEC Member Cooperatives expect to finance these asset purchases from SMEC through traditional lenders such as Rural Utility Service (RUS), CFC, or CoBank of Denver, CO (CoBank).

This asset purchase by one or more SMEC Member Cooperatives will not adversely affect the interests of the other Member Cooperatives that have not yet purchased their respective shares of SMEC's assets. SMEC Member Cooperatives will

be released from their CFC loan guarantees when they purchase their respective shares of the assets acquired from IPL. At closing, IPL's approximately 42,600 customers will become members of the SMEC Member Cooperatives in whose service territories they are located.

C. Arrangements for Power Supply

SMEC will purchase wholesale electric service from IPL to serve the acquired customers and associated electric load of the new customer-members of SMEC under the Wholesale Power Agreement for a minimum term of 10 years. For the Three-Year Initial Period, the expense associated with purchasing power supply and transmission delivery services from IPL will be SMEC's sole responsibility. After the Three-Year Initial Period, SMEC will enter into separate wholesale power supply agreements with SMEC Member Cooperatives for their power supply requirements to service the acquired customers and load. SMEC will administer these contracts and will charge the SMEC Member Cooperatives their proportionate shares of the wholesale electric costs, plus a reasonable fee to administer the contract.

The Wholesale Power Agreement is a full-requirements agreement between IPL and SMEC for electric supply to customers in the areas acquired from IPL with an initial term of ten (10) years and a five- (5) year prior written notice of termination, which notice may not be given until the fifth anniversary of the effective date of the Wholesale Power Agreement. The pricing terms for the energy and capacity under the Wholesale Power Agreement shall be the same as provided in IPL's applicable tariff, currently FERC Rate Schedule RES-5 tariff, which is included in **Attachment F**.

The Wholesale Power Agreement provides that the power supplied by IPL thereunder will provide a pro rata share of the renewable energy of the retail-regulated IPL system. IPL agrees to negotiate in good faith to assist SMEC in obtaining incremental renewable energy contracts or credits in order to comply with Minnesota's renewable energy standard applicable to SMEC Member Cooperatives in effect at the time such power is supplied. SMEC shall bear the full cost for such incremental renewable energy contracts or credits, which will meet the renewable energy requirements for electric cooperatives.

Pricing of the Wholesale Power Agreement will be based on the IPL RES-5 embedded cost full-requirements FERC tariff, which uses accounts from the FERC Form 1 as the basis to calculate the IPL system production capacity and system energy cost-of-service. The "Capacity Rate" is billed on a dollar per kilowatt month (\$/kW/Month) basis and the "Energy Rate" is billed on a dollar per megawatt hour (\$/MWh) basis. Both components true-up to actual costs incurred. The Capacity Rate true-up occurs on and after July 1 of each year following the annual filing of the FERC Form 1 for the previous year, and the Energy Rate true-up occurs monthly. All the costs included in the RES-5 rate are the same costs reviewed, audited and included in retail electric rates. The costs that are included in the RES-5 formula computation are subject to audit by external auditors, internal auditors and FERC. The formula and Form 1 information is publicly available on the FERC website.

Power and energy will be delivered to SMEC distribution substations through the same transmission facilities that provide delivery prior to the sale by the same transmission service providers (including DPC, ITC and NSP). IPL will have authority to

act on SMEC's behalf to procure appropriate transmission services from MISO, receiving and paying bills from MISO and passing the associated charges through to SMEC. The transmission charges from MISO are based on DPC, ITC Midwest and NSP's MISO transmission tariffs which are on file with and regulated by FERC.

D. SMEC and SMEC Cooperative Member Rates After Closing

The following Section summarizes the Rate Plan of SMEC and its Members for the five years after the closing, and for rates thereafter. A detailed discussion of the Rate Plan is provided in **Attachment G**.

1. SMEC Rates During The Three-Year Initial Period

For the Three-Year Initial Period, SMEC and the SMEC Member Cooperatives will adopt IPL's retail base rates for the Acquired Areas, including the fixed monthly customer charges as approved by the Commission in the last IPL electric rate case¹, at the IPL levels in effect on the date of closing, subject to the following modifications:

- *New PCA clause.* IPL's existing ESCR clause will be replaced by a PCA clause that will reflect and track changes in the cost of purchased power and transmission delivery service that will be used by SMEC and the SMEC Member Cooperatives to provide service in the areas acquired from IPL from a base level of \$0.07110/kWh. As developed in **Attachment H, Schedule 1**, the \$0.07110/kWh base level reflects the level of power supply and transmission delivery cost included in IPL's current base rates plus the Renewable Energy Recovery (RER) surcharge. The replacement of IPL's ESCR with a PCA is

¹ In the Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Service in Minnesota, No. E-001/GR-10-276.

expected to produce an estimated average system increase in rates of approximately \$0.00832/kWh, or 9.2 percent, in 2015.

- *Credit to Energy Charges.* A credit of \$0.002/kWh will be applied to energy usage to reflect expected operational efficiencies, a lower borrowing rate, and exemption from federal and state income taxes. This represents an estimated average rate decrease of approximately 2.2 percent in 2015.
- *Roll-in of RER.* The present IPL RER surcharge of \$0.00222/kWh will be rolled into the base rates. The roll-in is revenue neutral.
- *Conservation Improvement Program (CIP) Costs.* IPL's current CIP rider, will be maintained, with surcharges or credits to customers to reflect actual CIP expenses that are above or below the level included in base rates. The level of CIP costs recovered in base rates will be decreased from \$0.00269/kWh to \$0.00140/kWh, which more closely approximates the SMEC and SMEC Member Cooperative CIP obligation and the CIP expenditures that are anticipated. This adjustment is unlikely to have a long-term net revenue impact, but will limit short term over-collections and subsequent refunds.
- *ATA Credit.* The IPL Alternative Transaction Adjustment (ATA) credit mechanism, used to refund a portion of the gain realized from IPL's sale of transmission assets to ITC-Midwest, will be retained as a separate rate component. The amount refunded will be equal to the amount refunded by IPL to SMEC under the Transmission Adjustment in the Wholesale Power Agreement.

- *SGS-4 Costs.* SMEC's purchased power cost under the Wholesale Power Agreement will include an adjustment to recover development costs associated with the cancelled Sutherland Generating Station Unit 4 (SGS-4) generating unit, amortized over 10 years. This adjustment is similar to the adjustment authorized by the Commission in IPL's last electric rate case, albeit over a shorter period of time.

The net effect of this rate proposal, for customers in the area acquired from IPL (including the conversion to the PCA and credit to energy charges) is projected to be an increase of approximately \$0.00632/kWh, or 7.0 percent, in 2015. A comparison of the IPL rates scheduled to be in effect July 6, 2014 with SMEC's proposed Initial Period Rates is provided in **Attachment H, Schedule 2.**

2. Class Cost of Service Studies During Three-Year Initial Period

During the Three-Year Initial Period, each SMEC Member Cooperative will prepare CCOSS as part of developing a long range Rate Plan. The CCOSS will determine the cost to serve 1) the Legacy Area, 2) the Acquired Area, and 3) the Combined Area. The SMEC Member Cooperatives' Legacy Area and Acquired Area CCOSS's will reflect the area-specific costs for purchased power and distribution facilities. Other costs common to both the Legacy Areas and Acquired Areas, such as Customer Accounting, Customer Service and Information, Sales, A&G and fixed costs related to General Plant, will be allocated to each area and then to each rate class based on appropriate allocation factors. The allocations will be made in a non-discriminatory manner. Finally, margin requirements in the Acquired Area will be determined in exactly the same manner as in the Legacy Area. For example, if the

revenue requirements in the Legacy Area reflect a Times Interest Earned Ratio (TIER) target of 2.0, that is what the revenue requirements for the Acquired Area will reflect.

Based on the results of these CCOSS's, each SMEC Member Cooperative will develop a plan to either: 1) continue to serve its Acquired Area and Legacy Area under separate cost based area rate structures, or 2) merge the rates of its Acquired Area and Legacy Area over time, or 3) some combination (i.e., a combination of some Acquired Area and Legacy Area based rates and some consolidated rates). The key to this determination will be the impact of the plan on the bills of the affected customers, including the limitations on rate impacts discussed below.

3. Two-Year Transition Period

The Two-Year Transition Period will extend for 24 months from the end of the Three-Year Initial Period. The SMEC commitments for the Two-Year Transition period will replace the SMEC commitments for the Three-Year Initial Term.

During the Transition Period, for rates that do not meet the criteria for merging rates (as outlined below):

1. Each SMEC Member Cooperative will maintain separate rates for its Acquired Area and Legacy Area; and
2. The rates for the Acquired Area and Legacy Area will be designed to recover, in total, sum of the class revenue requirements for the Acquired Area, as determined by the CCOSS described above. The same approach will be used for the Legacy Area, with the total revenue requirements of the Acquired Area and Legacy Area being kept separate.

A SMEC Member Cooperative may merge one or more Legacy Area and Acquired Area rates, determined on a rate-by-rate basis, during the Two-Year Transition Period, provided that:

1. No rates will be merged unless the projected revenue produced by the Legacy Area and Acquired Area rates in question are within 5 percent of each other; and
2. No rate will be increased by more than 5 percent per year, excluding the operation of the PCA mechanism, to facilitate the merger of a Legacy Area and Acquired Area rate.

4. Commission Authority

The Commission will retain authority and jurisdiction to require SMEC and each SMEC Member Cooperative to perform the applicable terms and conditions set forth above during the Three-Year Initial Period and Two-Year Transition Period.

E. SMEC Terms of Service and Special Rates

1. Customer Service Rules

IPL has a Minnesota tariff setting forth its customer service rules and regulations for Minnesota electric customers. These rules and regulations conform with Minn. Rules 7820.0200-0560, which are applicable to regulated electric utilities. Each of the SMEC Member Cooperatives has its own policies governing the terms and conditions of electric service. These policies address the same subjects as IPL's customer service rules. The current IPL customers will become subject to each of the SMEC Member Cooperative's Member service rules. The SMEC Member Cooperatives, however, will

apply and carry forward after closing the terms of any IPL customer service rule. Customer prepayments, deposits, contributions in aid of construction, and any similar fees, charges, or payments will be transferred at closing from IPL to SMEC, and thereafter from SMEC to the SMEC Member Cooperatives. Accordingly, SMEC or the SMEC Member Cooperatives will be responsible for refunds or credits to customers of any, such as prepayments, deposits, contributions in aid of construction, and any similar fees, charges, or payments following the closing.

After regulatory approvals are obtained, SMEC Member Cooperatives will conduct information forums for IPL customers to acquaint them with the service rules of SMEC Member Cooperatives.

2. Special Services and Rates Programs

The SMEC Member Cooperatives currently offer several programs designed to promote energy conservation and manage load. These programs include among others: Off Peak Generation, Interruptible Water Heating, Electric Dual Fuel/Off Peak, Heat Pump Heating and Cooling, Cycled Air Conditioning, and energy efficiency grants and loans to business members. Since the SMEC Member Cooperatives will adopt IPL's rates for the Initial Period, the SMEC Member Cooperatives will not offer the IPL customers the SMEC Member Cooperatives' own special rate programs. During the Transition Period, however, the SMEC Member Cooperatives will offer the IPL customers the Members' own special rate programs as are then appropriate.

3. Net Metered Customers

IPL has 27 net metered customers. The SMEC Member Cooperatives will maintain the current net metered status of these customers after closing. New SMEC

customers/members in the Acquired Areas requesting net metering after closing will comply with the net metering rules for electric cooperatives contained in Minnesota Statutes Section 216B.164.

F. Service Reliability and Quality

As described in Section IV.B. of this Petition, SMEC will contract with the SMEC Member Cooperatives for the operation, maintenance, and related services necessary to operate the assets acquired from IPL during the Three-Year Initial Period during which SMEC retains ownership of those assets.

Managerial and Technical Resources. The SMEC Member Cooperatives possess the managerial and technical skills necessary to provide electric services to the customers that they will acquire from IPL. The business profiles of each of the SMEC Member Cooperatives are attached to this Joint Petition as **Attachment C**. These profiles provide information on the qualifications and experience of the CEOs of each of the SMEC Member Cooperatives and demonstrate their executive, administrative, and technical competence. The CEOs have staffed their organizations with the necessary management and administrative employee teams that handle electric utility operations, including power supply, planning and engineering, member services, energy conservation, billing and collections, human resources, and local economic development. Most of the management and administrative staffs are long-term employees of their respective SMEC Member Cooperatives with substantial experience in utility operations.

The SMEC Member Cooperatives are committed to providing reliable electric service to the IPL customers that they will acquire. Continued high quality service will

be provided to current IPL customers by the combination of the existing productive and well-qualified line crew workers of the SMEC Member Cooperatives and the IPL employees currently providing those customers. Offers of employment will be made to current IPL employees as described in Section V.J., below. The production and maintenance employees of the SMEC Member Cooperatives are represented by Local Union No. 949, or Local Union No. 160, or Local Union No. 426 of the International Brotherhood of Electrical Workers. These employees must pass the industry standard four-year apprenticeship program before being certified as a journeyman line worker. They are skilled at operating the sophisticated, technical equipment in today's utility business.

Financial Resources. The SMEC Member Cooperatives have strong financial positions that will facilitate continued quality service for the current IPL customers. They have total assets on a consolidated basis of \$807 million. They hold excellent creditworthy status from their long-term lenders, RUS, CFC, and CoBank. The SMEC Member Cooperatives also hold excellent creditworthy status from all suppliers of electric utility facilities, materials and equipment. The SMEC Member Cooperatives retire their patronage equities (capital credits) on an annual basis and have retired a total of \$194 million on a consolidated basis since they were organized in the late 1930s.

The SMEC Member Cooperatives have ready access to short- and long-term capital from RUS, CFC, and CoBank. The long-term lending rates of these financial institutions vary with the market and are all competitively priced. For example, the RUS current long term interest rate is 3.38%. These loans are amortizable over a period of

35 years. In addition, SMEC has a commitment from CFC for a short term (up to 5 years) bridge loan to make this purchase with an interest rate of 1.59 percent. On or before the end of the Initial Period, each of the Member Systems will take out loans with one or more of the three lenders listed to purchase the facilities from SMEC.

G. Other Regulatory Requirements

Electric cooperatives are subject to most of the same statutes that govern regulated electric utilities regarding customer protection, distributed generation, and net metering, renewable energy, and energy conservation.

1. Customer Protection

Minn. Stat. § 216B.096 sets forth the Cold Weather Rule for regulated electric utilities. Minn. Stat. § 216B.097 sets forth a separate but substantially similar Cold Weather Rule for electric cooperatives. Minn. Stat. § 216B.0975 prohibits regulated electric utilities and electric cooperatives from disconnecting residential service during periods of excessive heat. Regulated electric utilities and electric cooperatives must notify cities in their respective service territories of service disconnections during the cold weather months under Minn. Stat. § 216B.0976. Minn. Stat. § 216B.098 describes several customer protection provisions such as budget billing, payment agreements, undercharges, and medically necessary equipment, which apply both to regulated electric utilities and electric cooperatives. Both regulated electric utilities and electric cooperatives are subject to the same rules regarding customer deposits, Minn. Stat. § 325E.02; delinquency charges, Minn. Stat. § 325E.021; landlord/tenant utility bills, Minn. Stat. § 325E.025; unauthorized use of utility meters, Minn. Stat. § 325E.026; and utility payment arrangements for military service personnel, Minn. Stat. § 325E.028.

The Commission has jurisdiction to resolve complaints over an electric cooperative's service standards and practices brought by the Commission on its own motion, the governing body of any political subdivision, another public utility, the Department of Commerce, or 50 consumers of the electric cooperative. Minn. Stat. § 216B.17, subd. 6a. Finally, members of electric cooperatives can elect to place their cooperative under Commission rate regulation under Minn. Stat. §216B.026.

2. Distributed Generation

Minn. Stat. § 216B.1611, subd. 1, required the Commission to establish standards for utility tariffs for the interconnection and parallel operation of distributed generation fuel by natural gas or a renewable fuel not to exceed 10 megawatts of interconnected capacity. Following the Commission's Order² establishing such standards, regulated electric utilities are required to file a distributed generation tariff, consistent with the Commission's Order. Minn. Stat. § 216B.1611, subd. 2. required electric cooperatives to adopt a distributed generation tariff that addressed the issues included in the Commission's Order. SMEC member electric cooperatives have adopted distributed generation tariffs. .

Minn. Stat. § 216B.1612 addresses community-based energy development tariffs (C-BED). Subdivision 4 thereof requires regulated electric utilities to file a C-BED tariff for Commission approval that is as consistent as possible with the tariff specified in Subdivision 3. SMEC member electric cooperatives have adopted C-BED tariffs. .

Minn. Stat. § 216B.164 is Minnesota's mini-PURPA provision for cogeneration and small power production. This section had originally applied both to regulated

² ORDER ESTABLISHING STANDARDS, *In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities*, Docket No. E-999/CI-01-1023 (September 28, 2004)

electric utilities and electric cooperatives, but the 2013 Legislature amended this section in several respects for regulated electric utilities only. These amendments included the expansion of eligibility for net metering from a 40 kW limit to a 1,000 kW limit; the aggregation of customer meters; a limitation on cumulative generation of net metered facilities; a limitation on the generating capacity of individual systems; and an alternative tariff for interconnected solar photo-voltaic generation.

3. Renewable Energy

Minn. Stat. § 216B.169 applies to regulated electric utilities and to electric cooperatives. This section requires that the utilities offer customers an option to determine that a certain amount of electricity generated or purchased on behalf of the customer is renewable energy or energy generated by a high efficiency, low emissions, distributed generation source such as fuel cells or micro turbines fueled by a renewable fuel.

Minn. Stat. § 216B.1691 establishes future renewable energy standards for electric utilities, electric cooperatives, and municipal power agencies that generate electric energy for sale at retail. Regulated electric utilities and the Generation and Transmission (G&T) cooperatives that sell wholesale power to electric cooperatives are governed by the same renewable energy standards, except that regulated electric utilities are required to include a 1% solar component of their generating portfolio. Minn. Stat. § 216B.1691, Subd. 2.

4. Energy Conservation Improvements

Minn. Stat. § 216B.241 addresses conservation improvements that electric utilities, including the SMEC Member Cooperatives, are required to make. Subdivision

1(a) thereof applies to regulated electric utilities and requires that it spend and invest 1.5% of its gross operating revenues in the state for energy conservation improvement. Subdivision 1(b) thereof applies to electric cooperatives and requires that they spend and invest 1.5% of their gross operating revenues in the state for energy conservation improvements. A G&T cooperative may invest in energy conservation improvements on behalf of its retail member cooperatives on an aggregate basis. The energy savings goals contained in subdivision 1(c) apply both to regulated electric utilities and electric cooperatives.

H. Transition plan for customer services

IPL customers will be provided a Commission-approved notice of the proposed Transaction, including information regarding how to submit comments to the Commission for consideration in connection with evaluation of the Transaction. IPL and SMEC will work with Commission staff to develop that notice. IPL and SMEC will also notify customers of the change in service providers through a Commission-approved customer notice after the transfer.

V. THE TRANSACTION IS CONSISTENT WITH THE PUBLIC INTEREST

A. The Standard for Review

Minn. Stat. § 216B.50 requires Commission review and approval of the Transaction. Minn. Stat. § 216B.50 provides, in relevant part, that:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility in this state, without first being authorized to do so by the commission. Upon the filing of an application for the approval and consent of the commission thereto the commission shall investigate, with or without public hearing, and in the case of a public hearing, upon such notice as the commission may

require, and if it shall find that **the proposed action is consistent with the public interest** it shall give its consent and approval by order in writing. In reaching its determination the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated. (Emphasis added)

The public interest standard included in Minn. Stat. § 216B.50 has been consistently interpreted and applied by the Commission in prior cases.

1. Consistency With Public Interest Does Not Require Affirmative Benefits

In prior cases, the Commission has established that the public interest standard contained in Minn. Stat. § 216B.50 "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest." See *In the Matter of the Proposed Merger of Minnegasco, Inc. With and Into ARKLA, Inc.*, Order Approving Merger, Docket No. G-008/PA-90-604 (1990). The Commission reconfirmed this standard in its approval of the merger in *In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated, a Merger of Northern States Power Company and Western Gas Utilities, Inc, and Related Affiliated Interest Agreements*, Docket No. 0- 002/PA-99-1268, stating:

The statute does not require that the proposed merger affirmatively benefit ratepayers or the public, or otherwise promote the public interest. The merger may not contravene the public interest, however, and must be shown to be compatible with it.

Most recently, the Commission applied this standard in *In the Matter of the Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Resources Corporation*, Docket No. G-007,011/M-05-1676 (2006). Aquila, Inc. and MERC jointly requested that the Commission approve the sale of the Minnesota assets of Aquila's two divisions, Aquila

Networks-PNG and Aquila Networks-NMU, to MERC pursuant to an Asset Purchase Agreement dated September 21, 2005. The request was subject to Commission review and approval pursuant to Minn. Stat. § 216B.50 and Minn. Rules, Part 7825.1800, which require the Commission find that the proposed transaction is consistent with the public interest before granting approval.

The purchase price was approximately \$288 million, and, at the time of the transaction, Aquila was a major provider of natural gas distribution service in Minnesota, serving approximately 200,000 Minnesota customers, who were subsequently transferred to MERC. The Commission approved the transaction on June 1, 2006, stating:

Based on the record established herein, the Commission concludes that the sale of Aquila's Minnesota utility properties to Minnesota Energy Resources Corp as detailed in the Petition is consistent with the public interest under certain conditions detailed in Section V of this Order.

As further described below, this Joint Petition demonstrates that the Transaction is also consistent with the public interest.

B. Summary of Customer Benefits and Customer Protections

As the following discussion will show, the Transaction includes a number of customer benefits and customer protections including the following:

- SMEC and the SMEC Member Cooperatives will provide significant rate protections for the Three-Year Initial Period and for the Two-Year Transition Period, which is significantly longer in duration than in many prior sale proceedings.

- As described above, the SMEC Member Cooperatives will operate under uniform rates established by SMEC for the Three-Year Initial Period, including maintaining the current IPL levels of monthly customer charges. These rates will reflect increases in Power Supply and Transmission costs and will reflect a credit to energy charges based on economies achieved by SMEC and the SMEC Member Cooperatives.
- SMEC and the SMEC Member Cooperatives will provide ongoing cost advantages that will provide further assurance and benefits to customers, including: (i) lower borrowing costs; (ii) lower costs of capital; (iii) exemption from federal and state income taxes; and (iv) other operating efficiencies.
- Rates during the years following the closing are likely to be higher for IPL customers if IPL retains ownership and operation than they would be if ownership and operation are transferred to SMEC and the SMEC Member Cooperatives.
- Service quality will be maintained and there are factors that may facilitate some improvements in service quality.

C. The New SMEC Rates And Rate Plan Are Reasonable And Provide Substantial Customer Benefits and Protections

1. SMEC Rates During the Three-Year Initial Period Are Lower Than Likely IPL Rates

As explained above, SMEC proposes to adopt IPL's rates in effect on the date of the closing (including monthly customer charges) for the Acquired Areas, with only a few modifications. As previously described, the SMEC rates for the Acquired Areas will reflect: (i) a mechanism to track changes in costs for Power Supply and Transmission

occurring since the last IPL rate case;³ (ii) a \$2.00/MWh credit to customers' energy charges based on the economies available to SMEC in the operation of distribution service; and (iii) other less significant changes that do not appreciably affect overall revenue. The net change resulting from SMEC's proposed modifications is expected to be an average increase of 7.0 percent in 2015.

However, as explained below, IPL anticipates that, but for the Transaction: (i) IPL would file for a base rate increase in 2014 of approximately \$10.2 million (13.4 percent, along with a Transmission rider that could recover annual increases in Transmission costs, beginning in 2015; and (ii) IPL would likely file for an additional base rate increase in 2017 of approximately \$20 million to reflect, in part, the Marshalltown Generating Station, a 600 MW gas-fired power plant currently under construction.

A comparison of the increases for the current IPL customers between continued ownership and operation by IPL and SMEC ownership and operation through 2017 is shown in the following table:

Comparison of Projected Revenue Increases--Total System
(\$ Millions)

Description	2013	2014	2015	2016	2017
Base = 2013 Customer Cost	\$ 77.00				
		Rate Case		Rate Case	
IPL Rates		\$ 80.5	\$ 88.2	\$ 92.4	\$ 100.2
% Change from Prior Year		4.5%	9.6%	4.8%	8.5%
SMEC proposal			\$ 81.4	\$ 85.1	\$ 89.5
% Change			5.7%	4.5%	5.2%
Annual Benefit (Detriment)		\$ 3.5	\$ 6.8	\$ 7.3	\$ 10.7
% Benefit		4.5%	8.8%	9.5%	13.9%
Cumulative Benefit		\$ 3.5	\$ 10.3	\$ 17.6	\$ 28.3

³ *Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Utility Service in Minnesota*, Docket No. E-001/GR-10-276

As shown in the table above, the former IPL customers will realize significant benefits under SMEC's proposed Three-Year Initial Period rates of approximately \$28 million by 2017. A description of the benefits that will be received by former IPL customers during the years 2014 through 2017, including benefits by customer class, is provided in **Attachment I**. As described above, the Commission will have authority to enforce the commitments which SMEC and each of the SMEC Member Cooperatives have made and which underlie this benefit.

2. The Use of SMEC Member CCOSS and Proposal For The Two-Year Transition Period Provide Additional Significant Customer Protection

As previously described, all of the SMEC Member Cooperatives will develop three sets of CCOSS to identify the cost to serve: 1) their respective Legacy Areas; 2) their respective Acquired Areas; and 3) their respective Combined Areas. The costs of purchased power (i.e., power supply and transmission delivery) will be directly assigned to the SMEC Member Cooperatives' respective Legacy Areas and Acquired Areas as appropriate, as will costs attributable to distribution delivery (i.e., Operation and Maintenance (O&M), depreciation, property taxes, interest expense and margin requirements). Margin requirements will be determined in the same way in both the Legacy Areas and Acquired Areas based on the direct assigned interest, debt service, and/or rate base for each area. Thus, it is intended that each Legacy Area and Acquired Area will be responsible for recovery of its own direct assigned cost of purchased power and distribution delivery, including margin requirements. As a result, the efficiency benefits of a higher density distribution system in the Acquired Areas will remain with the Acquired Areas and not be diluted by combining with the Legacy Areas.

All other costs deemed to be common to both areas will be allocated to each of the SMEC Member Cooperatives' respective Legacy Areas and Acquired Areas based on non-discriminatory allocators. Thus, the revenue requirements assigned to each respective Legacy Areas and Acquired Areas will be developed in a fair and equitable manner and will not discriminate against either Legacy Areas or Acquired Areas.

Further, as previously discussed, during the Two-Year Transition Period, for rates that do not meet the criteria for merging rates (as outlined below):

1. Each SMEC Member Cooperative will maintain separate rates for its Acquired Area and Legacy Area; and
2. The rates for the Acquired Area and Legacy Area will be designed to recover, in total, the sum of the class revenue requirements of the Acquired Area, as determined by the CCOSS described above. The same approach will be used for the Legacy Area, with the total revenue requirements of the Acquired Area and Legacy Area being kept separate.

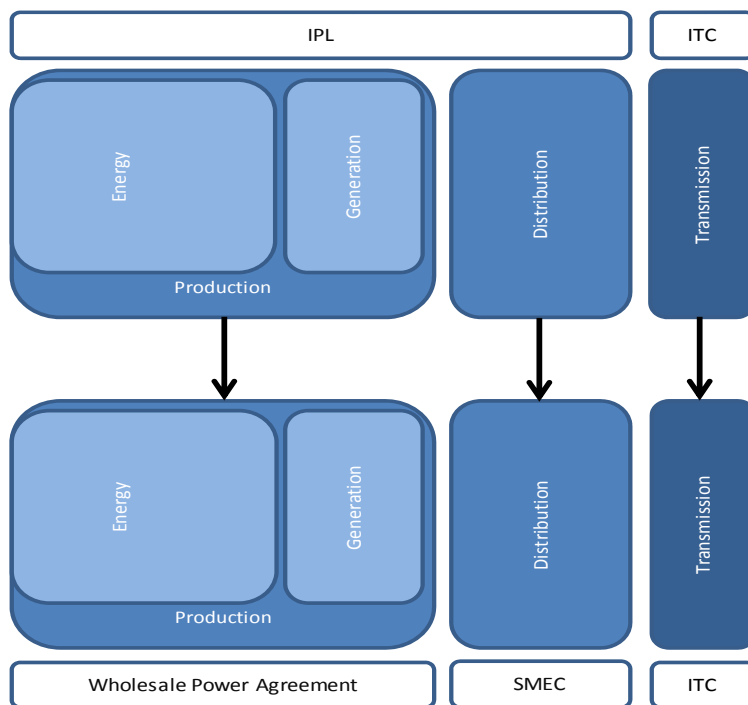
A SMEC Member Cooperative may merge one or more Legacy Area and Acquired Area rates, determined on a rate-by-rate basis, during the Two-Year Transition Period, provided that:

1. The projected revenue produced by the respective Legacy Area and Acquired Area are within 5 percent of each other; and
2. No rate will be increased by more than 5 percent per year, determined on a rate-by-rate basis to facilitate a merger of rates, excluding the impact of the PCA mechanism,

3. Cost Factors Favor SMEC Member Cooperatives

Current cost factors and long run cost factors favor SMEC Member Cooperatives over IPL's cost factors on a net basis. The costs of providing service fall into three categories: (i) Power Supply; (ii) Transmission; and (iii) Distribution. The costs of Power Supply and Transmission typically comprise 70% to 80% of the total cost of providing service. Current cost factors and long run cost factors favor SMEC Member Cooperatives over IPL's cost factors on a net basis because: (i) several factors will tend to provide lower Distribution costs for SMEC than for IPL; and (ii) the cost drivers for Power Supply and Transmission will be generally as favorable for SMEC as for IPL because the underlying sources of Power Supply and Transmission costs will be the same. Customers will continue to realize the benefits of load diversity as part of the IPL Production system.

The three categories of costs will flow through to SMEC and the SMEC Member Cooperatives as follows:



Power Supply and Transmission Costs. Allocation of production and energy costs and the upward pressures on those costs will be essentially the same whether IPL or the SMEC Member Cooperatives provide service. The costs and cost pressures are essentially the same because the sources of production and energy costs are the same and the major drivers of the costs are the same. Those major drivers of costs increases include: (i) environmental controls; and (ii) performance improvements.

Transmission cost and the upward pressures on those costs will be essentially the same whether IPL or the SMEC Member Cooperatives provide service. Those costs and upward pressures are the same because: (i) the same facilities and transmission service providers will be used by either IPL or the SMEC Member Cooperatives to provide service; (ii) the costs for IPL or the SMEC Member Cooperatives are based on charges from MISO. Upward pressure on transmission costs are the result of

investments and improvements being made by the same transmission service providers, including significantly ITC Midwest.

Distribution Costs. While the costs and cost pressures on production and energy costs and transmission costs will be essentially the same, several factors may indicate that the SMEC Member Cooperatives costs should be no greater and may possibly be lower than if IPL retained ownership and operation of the Acquired Areas.

The cost of owning the distribution facilities should be lower under Cooperative ownership by the SMEC Member Cooperatives for several reasons.

First, the cost of capital for SMEC Member Cooperatives will be lower than the cost of capital for IPL. SMEC will have a 100% debt structure and the cost of debt is estimated to be 1.59%. Accordingly, a margin based on a Times Interest Earned Ratio (TIER) of 2.0, would bring that cost to 3.18%. However, in a cooperative (which would include SMEC and the SMEC Member Cooperatives), all margins at the end of the year are allocated back to the member-ratepayers, which would include the current IPL electric customers in Minnesota.

The cost of capital for the SMEC Member Cooperatives when the distribution facilities are transferred from SMEC to the SMEC Member Cooperatives, currently estimated to be 3.38%, will also be lower than the cost of capital for IPL. In contrast, the IPL cost of capital from the last general rate case is 8.1% and the projected cost of capital if IPL filed for a base rate increase in 2014 would be 7.98% (using the Return on Equity of 10.35 percent authorized in IPL's last electric rate case), as shown on **Attachment J, Schedule E.**

Second, SMEC and the SMEC Member Cooperatives are exempt from federal and state income taxation. The result of this exemption is that there is no tax cost related to the return on investments in distribution facilities owned by SMEC or later by the SMEC Member Cooperatives. The effect of this tax exemption will be significant. As shown in **Attachment J, Financial Summary**, the tax cost related to earnings on investment results in the application of a 1.706 gross revenue conversion factor.

While each of the SMEC Member Cooperatives have their own depreciation rates, those rates have been established pursuant to RUS guidelines, and for the most part are comparable to IPL's depreciation rates. Thus, the depreciation expense recorded by the Cooperatives is not expected to be appreciably different from what would have been recorded by IPL.

In summary, when all of the relevant factors have been considered, there are a number of reasons (e.g., lower cost of capital, no income tax obligation, economies of scale) to believe that the revenue requirements for the SMEC Member Cooperatives in their Acquired Areas will be no greater and possibly lower than if IPL retained ownership and operation of the Acquired Areas was retained by IPL.

D. IPL's Costs Will Increase and IPL Retail Rates Are Expected To Increase Absent The Transaction

As explained in this Section, the electric rates paid by IPL customers in Minnesota would likely be subject to significant increases if IPL continued to own and operate its electric retail service assets and business in Minnesota instead of making the transfer to SMEC. As explained in Section V. C. below, a comparison of the *future* SMEC rates to the *future* IPL rates shows that IPL customers will obtain significant cost savings if the Transaction is approved.

1. Future Rates Are The Appropriate Measure For The Commission's Public Interest Determination

Potential rate impacts of a proposed utility sale or acquisition of utility assets are typically part of the Commission's public interest determination. The evaluation of such rate impacts for IPL customers should be based on a comparison of what the rate levels would likely be with and without the Transaction. That comparison should be based on *future* IPL rates and *future* SMEC rates, because the future rates reflect the two alternatives that most likely would be in effect for IPL customers, depending on whether the Transaction occurs or not. The current IPL rates, which are based on the 2009 test year, do not reflect current or future IPL costs or the IPL rates that would be in effect following the Transaction. There is no bar to the Commission considering future rates, including future IPL rates in making its public interest determination under Minn. Stat. Section 216B.50.

The current estimate of IPL's 2013 revenue requirement is sufficient to enable the Commission to evaluate IPL's likely future rates if the Transaction did not occur. This information regarding IPL's likely future rates, along with the rate information provided by SMEC, enables the Commission to make a comparison of future rates (with and without the Transaction) when making its public interest determination.

IPL will provide additional information pertaining to its current estimate of the revenue requirement and its future costs as the Commission may direct. IPL intends to request guidance from the Commission at a preliminary stage of this proceeding to assure that the Commission is provided the type and level of information that the Commission may deem necessary to make its public interest determination. In this regard, while IPL would likely have made a rate case filing in 2014 absent the

Transaction, IPL does not intend to make such a filing at this time, in order to preserve the resources of the Parties, interveners, and the Commission. However, such a filing may be made if deemed necessary in connection with the proceeding or if otherwise considered to be appropriate.

2. IPL Costs Have Increased Substantially Since IPL's Last Minnesota Rate Case

IPL filed its last electric rate case in 2010,⁴ based on a 2009 test year. IPL's Minnesota electric customers have not had an increase in base rates since that time. However, the costs of providing service to IPL customers have increased substantially since 2010, as have the costs of providing service to most other Minnesota utilities' electric customers.

These cost increases reflect substantial levels of investment in transmission and generation assets, along with increases in operating costs. While IPL no longer owns the transmission facilities used to provide service to its customers, it has nevertheless faced increased transmission costs that are reflected in charges from MISO to IPL rather than in IPL's own investments. IPL's transmission costs have increased by approximately \$5.4 million since the 2009 test year that was reflected in IPL's last Minnesota electric rate case.

IPL's investments in generation facilities have also increased substantially since the 2009 test year reflected in IPL's last electric rate case.

IPL has implemented several environmental projects on its generating fleet that will enable it to continue to produce cost-effective energy while providing significant reductions in Particulate Matter (PM), Mercury (Hg), Nitrous Oxide (NO_x), and Sulfur

⁴ *Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Utility Service in Minnesota*, Docket No. E-001/GR-10-276

Dioxide (SO₂). Reductions in these pollutants are required to be in compliance with existing and future rules set forth by the Environmental Protection Agency (EPA).

IPL's investments in its generation fleet include significant investments in: (i) the Neal Generating Station Unit 3 (Neal 3), scheduled to be in service in May 2014; (ii) the Ottumwa Generating Station Scrubber/Baghouse, scheduled to be in service in November 2014; and (iii) several environmental projects in IPL's Tier II Coal Plants which are scheduled to be in service in 2014.

Next, the installation of these environmental projects will result in reduced operating efficiency of generating facilities. To mitigate this reduction in efficiency, IPL identified high value performance upgrade projects that would improve the reliability and efficiency of the generating units as well as increase their capacity. These performance upgrade projects include: (i) projects at Ottumwa, scheduled to be in service in 2014; and (ii) projects at Neal 3 & 4, also scheduled to be in service in 2014.

The increases in transmission and generation costs coupled with relatively flat sales and static rate levels has been reflected in persistent unreasonably low returns in Minnesota since 2009, as shown below:

Year	MN Elec ROE (not Weather Normalized)	Weather Normalized MN Elec ROE
2009	10.02%	11.41%
2010	-2.55%	-3.29%
2011	1.81%	0.99%
2012	1.24%	0.53%
2013	-1.20%	0.43%

3. IPL's Estimated Revenue Requirement Has Increased By Approximately \$10.2 Million Since IPL's Last Electric Rate Case

IPL may have filed a Minnesota rate case in 2013 but for the beginning of discussions that led to the Transaction. Absent the finalization of this Electric APA in 2013, IPL would have filed for rate relief to achieve interim rates by July 2014 with final rates in place for the entire 2015 calendar year.

IPL's current estimate of its revenue requirement is based on 2013 actual results with certain estimated known and measureable changes for 2014. Significant drivers of this estimate of the revenue requirement include:

Revenue Requirement In \$ Millions

MN Electric Rate Case Elements	MN Electric Revenue Requirement
Capital Investments	\$10.0
Accumulated Deferred Income Taxes	-5.0
Transmission	5.4
DAEC Adjustment	-2.2
Sales	2.0
Revenue Requirement Change from TY09 Rates	\$10.2

Attachment J provides a current estimate of the IPL electric revenue requirement based on a 2013 historical test year using actual financial results with pro-forma adjustments for known and measureable changes. The information included in **Attachment J** includes the following:

- A **Financial Summary**, which provides the overall financial summary, including the primary components of the revenue requirement.
- **Schedule A**, which shows the Income Statement results and revenue requirements after pro-forma adjustments are made to the test year results.

- **Schedule B**, which shows pro-forma adjustments to the income statement for:

- Weather Normalization
- Post Test Year Capital Additions
- Eliminate Impacts of DAEC Sale
- Adjust Uncollectible Expense to a 5-Year Average
- EAC Over Recovery
- Transmission Expense
- 4-Year Average VPP
- Rate Case Expense (3-year Recovery)
- Eliminate Officer Travel and Entertainment Costs
- Exclude 100% Advertising Costs
- Remove Long Term Equity Incentive Compensation Costs
- 2014 Increase in Salaries and Wages
- Tax Out-Of-Period
- Remove Test Year Amortizations
- Interest Synchronization

Schedules B-1 through B-15 show each of the pro-forma adjustments presented in Schedule B.

- **Schedule C**, which provides the 2013 year-end rate base adjusted for pro-forma adjustments.
- **Schedule D**, which shows the pro-forma adjustments to the rate base for:
 - Post Test Year Capital Additions
 - Reverse Impacts of the DAEC Sale

Schedule D-1 and D-2 shows pro-forma adjustments for known and measurable capital additions expected to be placed in service in 2014.

Schedule D-2 show the pro-forma adjustments to eliminate the impacts of the Duane Arnold Energy Center sale.

- **Schedule E**: Schedule E shows the thirteen month average cost of capital

structure for the period December 31, 2012 through December 31, 2014, using a return on equity (ROE) of 10.35 percent, consistent with what was approved in IPL's last Minnesota electric rate case.

4. IPL Transmission and Power Production Costs Will Continue to Increase, Requiring Annual Revenue Increases Through 2017

Absent the Transaction, in the near term (2015 through 2017) IPL expects additional cost pressures beyond the 2013 test year related to a variety of factors including transmission costs, environmental investments, performance upgrade investments and new generation facilities.

IPL's transmission costs are expected to increase each year through at least 2017, as the increased investment in transmission facilities necessary to provide reliable service, reduce system congestion, and grow renewable energy resources will continue. While IPL no longer owns the transmission facilities used to provide service to its service areas in Iowa and Minnesota, investments are being made by the transmission facility owners which result in increased costs imposed on IPL through MISO billings. The following table sets forth IPL's estimates of transmission cost increases since the 2009 test year and through 2017:

**IPL's Minnesota Transmission Costs
(\$ millions)**

Year	2009	2013	2014	2015	2016	2017
MN costs	\$10.8	\$14.3	\$16.2	\$17.5	\$19.2	\$20.8
Increase		\$3.5	\$1.9	\$1.3	\$1.7	\$1.6

The Commission has authorized other Minnesota utilities to implement riders to

timely recover costs associated with transmission line projects,⁵ including costs incurred by utilities for using transmission facilities owned by other entities. As shown above, IPL will incur increases in transmission costs for use of transmission facilities owned by other entities. Thus, absent the Transaction, IPL would seek a transmission rider allowing it to recover its increased transmission costs.

IPL will also continue to incur costs as a result of the retirement of older and smaller generating units that cannot support the expensive environmental controls necessary to achieve compliance with EPA requirements. To replace this retired generating capacity and to meet future needs, IPL will be constructing a new Gas Turbine Combined Cycle plant in Marshalltown, IA.⁶ The plant is scheduled to be in operation by the second quarter of 2017 and will result in a \$7 million increase in Minnesota production revenue requirements. Assuming that the Commission authorized IPL to recover transmission- and energy-related costs through riders, IPL anticipates that another base rate case would not need to be filed until 2017, when IPL would apply to recover its investment in the Marshalltown Generating Station as well as other investments made since 2014.

The Table below summarizes the impacts of anticipated rate increases for IPL's current customers if the Transaction did not occur. The Table shows: (i) the impact of a test year 2013 rate case, with known and measurable changes, being filed in 2014; (ii) the rate effects of forecasted increases in transmission and energy costs to be recovered in riders; and (iii) the impact of a general rate case filed in 2017:

⁵ Minn. Stat. Section 216B.2425 and 216B.243

⁶ As approved by the Iowa Utilities Board in *In re Interstate Power and Light Company*, Docket Nos. GCU-2012-0001 and RPU-2012-0003

**Projected IPL Revenue Increases
(\$ millions)
2014-2017**

	2013	2014	2015	2016	2017
Present Revenue (Base)	\$77				
IPL Rates		\$80.5	\$88.2	\$92.4	\$100.2
Increase from prior year		\$3.50	\$7.7	\$4.2	\$7.8

- Assumes IPL rates that would be in effect July 1, 2014
- Revenues include forecast for variable fuel increases

E. Comparison of Existing IPL Rates and Existing Cooperative Rates for Legacy Areas Does Not Reasonably Represent the Future

A comparison of IPL's current rates with the SMEC Member Cooperatives current rates for their Legacy Areas is not very meaningful as the SMEC Member Cooperatives rates for their Legacy Areas are largely designed around the revenue requirements and characteristics of rural, low load density systems. In contrast, the existing IPL's rates are based on a 2009 test year and are largely designed around the revenue requirements and characteristics of a more urban, higher load density system. Even in instances where the SMEC Member Cooperatives have urban or city rates, they often are for smaller towns or housing developments. For example, Freeborn-Mower, which will acquire IPL's customers in the City of Albert Lea, MN, has a special set of rates for the town of Sargeant, MN (population 61, per the 2010 census) compared to the City of Albert Lea, MN (population 18,016, per the 2010 census). The current rates for Sargeant are not representative of the future rates for Albert Lea.

In addition, there are timing differences between the power supply and transmission costs that are included in IPL existing rates as compared to the SMEC

Member Cooperatives' current rates for their Legacy Areas that make the current IPL rates not comparable to the current SMEC Member Cooperative rates.⁷ As mentioned previously, power supply and transmission delivery costs comprise approximately 70 to 80 percent of the SMEC Member Cooperatives' total revenue requirements. There are also significant timing differences between IPL and the SMEC Member Cooperatives as to when new plant is added (i.e., plant additions at the generation and transmission level tend to be lumpy) by IPL and by the current G&T cooperative suppliers to the SMEC Member Cooperatives. Except for fuel costs, the power supply and transmission delivery costs reflected in IPL's current rates reflect costs as of 2010. In contrast, the SMEC Member Cooperatives rates typically include an automatic adjustment mechanism that tracks the cost of purchased power (i.e., power supply and transmission delivery), so that aspect of the SMEC Member Cooperatives rates are more current and better reflect current costs.

As to the existing SMEC Member Cooperative rates for C&I customers, SMEC Member Cooperatives generally do not serve very many C&I customers, and even fewer large C&I customers. Further, more often than not, SMEC Member Cooperatives develop special contract rates for large C&I customers that are tailored to the service and load characteristics of a single, or a few, specific large C&I customers. SMEC Member Cooperatives also offer such options as Peak Alert rates to reduce the rates of large C&I customers who can reduce usage during time periods when coincidental

⁷ For example, IPL's 2014 rates along with the weighted average ESCR factor for 2013 recovered approximately \$0.06746/kWh in power supply and transmission delivery cost, compared to \$0.07388/kWh of real cost, a difference of \$0.00642/kWh. Thus, there is an inherent bias of approximately \$0.00642/kWh in any comparison of IPL's July, 2014 rates and the Cooperatives' current rates due to timing differences.

billing demand is set by the G&T's providing power and energy to SMEC Member Cooperatives.

Finally, in a number of instances during the past two years, the SMEC Member Cooperatives have either made cash refunds or set aside revenue to be used to defer future rate increases (margin stabilization plan) when margins were greater than desired.

For the reasons set forth above, a comparison of IPL's current rates to the current rates of the SMEC Member Cooperatives does not provide meaningful information regarding the issue of how IPL and SMEC Member Cooperative rates would compare in the future. However, to provide a full record in this proceeding, SMEC has prepared a series of comparisons of IPL's current rates with the corresponding rates of SMEC Member Cooperatives, which are included in **Attachment K**.

F. Customer Service Quality

The SMEC Member Cooperatives will ensure a level of customer service quality consistent with applicable Minnesota law and the best interests of the members of each cooperative. As described earlier in this Joint Petition regarding customer protection standards, the SMEC Member Cooperatives are subject to essentially the same rules as regulated electric utilities. These rules include the Cold Weather Rule, budget billings, customer deposits, payment arrangements, customers with medically necessary equipment, and customers in military service among many others. With reference to the utility's own customer service rules, the acquired customers from IPL will be subject to the customer service policies of the particular acquiring cooperative.

The SMEC Member Cooperatives have been recognized for providing top quality customer service. The Individual Cooperative Business Profiles show ratings from the American Consumer Satisfaction Index ranging from 79 to 91. By comparison, the average rating for all electric utilities is 77.4. In addition, the SMEC Member Cooperatives have comparatively high CAIDI, SAIFI, and SAIDI ratings. These ratings, plus the management, technical, and financial capacity of the SMEC Member Cooperatives to provide quality service discussed above, demonstrate that there will be no adverse effect on cooperative operations or on IPL's customers.

Finally, cooperative members have a remedy if they are unsatisfied with the customer service policies of their cooperative. Minn. Stat. § 216B.17, Subd. 6a provides that 50 members of a cooperative can file a complaint with the Commission concerning the service standards and practices of a cooperative. After a hearing, the Commission can determine whether the service standard or practice is reasonable, and modify it, if it is not. Cooperative members also have a remedy under Minn. Stat. §216B.026 to place their cooperative under the rate regulation of the Commission.

G. Cooperative Business Model

The cooperative business model for providing retail electric service is consistent with the public interest. The members of the cooperative who purchase electric service from the cooperative are also its owners. An electric cooperative charges rates for service based only on the cost of providing that service. Any revenues received by the cooperative in excess of the cost of service are allocated each year to the cooperative's members based on their patronage, which is credited to a capital account for each member. These allocations are known as patronage equities or capital credits.

Each year a portion of the capital in each members account is retired in cash based on the financial condition of the cooperative. As stated earlier in this Joint Petition, SMEC Member Cooperatives have paid back to their members/owners over \$194 million in capital retirements, since they were organized in the late 1930's.

In a cooperative, the members hold the governance rights for the organization. The members elect members to serve on the Board of Directors at annual meetings. The directors are directly responsible to the members in making all business decisions, including the rates to be charged for service.

SMEC Member Cooperative directors are elected by the members from districts that are approximately equal in size. The SMEC Member Cooperatives will revise the director districts to include the IPL customers, so that all director districts after the acquisition of IPL's assets are approximately equal in number of members.

Cooperatives have no incentive to charge rates beyond the cost of providing service. Members can remove directors who they believe are not managing the organization in the best interests of the members. Immediately upon transfer of the service territory, the IPL customers will become members of one of the SMEC Member Cooperatives, and they will have the full rights and benefits of ownership and control of the cooperative as described above.

H. Smooth Transition

IPL and SMEC will cooperate to ensure a seamless and orderly transition of customers from IPL to the SMEC Member Cooperatives. IPL and SMEC call centers, customer service, billing, and information technology departments will have transferred all of the necessary data and customer information to enable effective resolution of

customer concerns. At the close of the Transaction, the SMEC Member Cooperative customer service departments will field all calls from the acquired customers. IPL, SMEC, and the SMEC Member Cooperatives will work together to complete a final meter read to ensure accurate customer usage information is transferred for the transition to SMEC Member Cooperative billing. IPL, SMEC, and the SMEC Member Cooperatives will continue to work together after the Transaction closes to resolve all issues that have not yet been resolved.

I. Employees

SMEC and the SMEC Member Cooperatives agreed to offer employment to all IPL employees who work in IPL's electric distribution business in Minnesota under the following terms: (1) the offers will be for positions with substantially equivalent job duties and responsibilities of the positions held by such employees; (2) the offers will include compensation and benefits that are generally comparable, on the aggregate level, to the employee's current compensation and benefits; (3) the offers will be for positions near the employees' current work location and/or home; and (4) the offers are contingent on successful drug/alcohol screening and other certifications or tests as required by the position and set forth in the Electric APA. In addition, SMEC and the SMEC Member Cooperatives agreed to will credit the hired employees with accrued sick leave up to the maximum accrual allowed by the applicable employing member cooperative and to credit the employees with the vacation balances those employees accrued at IPL prior to closing. Finally, SMEC is obligated to pay severance based on IPL's union and non-union severance policies for the IPL employees who do not accept the employment

offer of SMEC or the cooperatives or who do not pass the applicable pre-employment requirements.

VI. MINNESOTA FILING REQUIREMENTS

A. Minn. Rules, Part 7825.1800

The Transaction is a transfer of property subject to the filing requirements of Minnesota Rule 7825.1800, which provides in part:

Petitions for approval to acquire property shall contain one original and three copies of the following information, either in the petition or as exhibits attached thereto:

- B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.
- C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.
- D. Other pertinent facts or additional information that the commission may require.

The Joint Petition meets these requirements as demonstrated below.

B. Minnesota Rules 7825.1800, Subpart B

The following subsections include the information required under Minnesota Rules 7825.1800, Subpart B.

1. Minn. Rules 7825.1400, items A to J.

Minnesota Rule 7825.1800, Subpart B cross-references Minn. Rules, Part 7825.1400, items A to J, which read as follows:

- A. A descriptive title.
- B. A table of contents.
- C. The exact name of the petitioner and address of its principal business office.
- D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.
- E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.
- F. The purpose for which the securities are to be issued.
- G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.
- H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.
- I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.
- J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

The requirements of Minnesota Rule 7825.1400, items A to J are met in this Joint Petition as noted below:

(A) *A descriptive title.*

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

(B) *A table of contents.*

Provided above.

(C) *The exact name of the petitioner and address of its principal business office.*

Provided in Sections II. A. and II. B and C.

(D) *Name, address and telephone number of the person authorized to receive notices and communications with respect to the petition.*

For IPL:

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- (E) *A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.*

Verification pages from SMEC and IPL are attached to this Joint Petition.

- (F) *The purpose for which the securities are to be issued.*

Not applicable, as this Transaction is a property acquisition for cash and does not involve the issuance of securities by either petitioner.

- (G) *Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made, and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.*

Attachment L provides the IPL directors' resolutions approving the Transaction. **Attachment M** provides the SMEC directors' resolutions approving the Transaction. **Attachment N** provides the directors' resolutions of the SMEC Member Cooperatives approving the Transaction.

- (H) *A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minn. Stat. § 216B.48, subd. 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.*

Not applicable, as this is a property acquisition for cash and does not involve the issuance of securities.

- (I) *A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.*

Not applicable, as this Transaction is a property acquisition for cash and does not involve the issuance of securities.

- (J) *A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.*

For IPL, **Attachment O** includes the balance sheet, income statement and statement of changes in financial position (cash flow statement) for the 12 months ended December 31, 2012. For SMEC, **Attachment P** includes a proforma balance sheet and income statement for 2015. **Attachment Q** includes the balance sheets, income statements and statements of changes in financial position (cash flow statement) for the SMEC Member Cooperatives for the 12 months ended December 31, 2013.⁸

2. Purchase Price

Minn. Rules, Part 7825.1800, Subpart B requires a statement of the purchase

⁸ SMEC and IPL request a variance from the requirements of Minnesota Rule 7825.1400; subpart J requiring that this information be “dated no earlier than six months prior to the date of the petition.” Minnesota Rule 7929.3200 provides that “the Commission shall grant a variance to its rules when it determines that the following requirements are met:

- A. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. Granting the variance would not adversely affect the public interest; and
- C. Granting the variance would not conflict with standards imposed by law.

IPL’s 2013 year-end financial statements for its Minnesota jurisdiction are not yet publicly available and IPL believes that the preparation of mid-year statements to support this Petition would impose an excessive burden in this context. IPL will provide its 2013 year-end statements for its Minnesota jurisdiction when they have been publicly available.

SMEC does not have financial statements for any prior periods because the Transaction is SMEC’s first business venture and the Transaction has not been completed. Accordingly, SMEC has provided a pro-forma financial statement based on the projected balance sheet as of the beginning of operations and an income statement reflecting projected results from the first 12 months of operations (2015). SMEC submits that its proposal meets the requirements for a variance of Minnesota Rule 7825.1400; subpart J.

price. The purchase price is approximately \$118 million plus customary working capital and closing adjustments.

3. The Terms for Payment and Other Considerations

Minn. Rules, Part 7825.1800, Subpart B requires a statement of the terms of payment and other considerations. The terms of payment and other considerations include (i) payment of the estimated purchase price by wire transfer at closing, with update and true up within 60 days; and (ii) entering into the Wholesale Power Agreement.

C. Minn. Rules, Part 7825.1800, Subpart C

As noted above, Minn. Rules, Part 7825.1800, Subpart C requires petitioners to provide:

A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

The Electric APA and its schedules, including the Wholesale Power Agreement, **(Attachment D)**, provide a complete description of the assets involved in the Transaction. A listing of the communities serviced by IPL is contained in **Attachment A**. A list of transferred franchises is contained in **Attachment R**. The original cost of the property involved in the Transaction, along with depreciation and amortization reserves, is provided at **Attachment S**.

D. Minn. Rules, Part 7825.1800 D

Minn. Rules, Part 7825.1800 D requires petitioners to provide “other pertinent facts or additional information that the commission may require.” The Joint Petitioners will provide such additional information as the Commission may request.

VII. RECOMMENDED PROCESS

A. Written Comments and Replies Will Fully Develop A Record

The Joint Petitioners have complied with the filing requirements of Minn. Rules 7825.1800. The Joint Petition provides all of the information necessary for the Commission to fully evaluate whether the proposed Transaction is consistent with the public interest. The Joint Petition contains IPL’s estimate of the revenue requirement that would be presented in a 2014 general rate case in the absence of the Transaction. IPL believes that this information, along with supplemental information that IPL will provide upon request, is sufficient for the Commission to make a determination of public interest under Minn. Stat. Section 216B.50 and that the Commission is not restricted to considering only IPL’s current rates. Accordingly, IPL does not intend to make a general rate filing at this time. IPL may seek clarification of the Commission’s position regarding making a determination of future IPL rates and may make further filings as may be appropriate to meet applicable standards and requirements.

The Joint Petitioners will also provide any additional information requested by the Commission and other stakeholders. Asset purchase filings under Minn. Stat. § 216B.50 have historically been reviewed under a written comment and reply process, including information requests, and a written comment and reply process, with

information requests, will enable a full evaluation in this case as well. Further, there is no right to a contested case hearing under statute or rule.⁹ Accordingly, the Joint Petitioners believe that there is no need or basis for a contested case proceeding.

B. Customer Notice

IPL customers will be provided a Commission-approved notice of the proposed Transaction, including information regarding how to submit comments to the Commission for consideration in connection with evaluation of the Transaction. IPL and SMEC will work with Commission staff to develop that notice. IPL and SMEC will also notify customers of the change in service providers through a Commission-approved customer notice after the transfer is approved.

C. The Joint Petitioners Seek to Close by December 31, 2014

The closing of the Transaction is conditioned upon, among other things, receipt of the required regulatory approvals from the Commission. The Joint Petitioners seek to close the Transaction by December 31, 2014. Timely completion of the Transaction would facilitate the interests of all parties in implementing a seamless transition, consistent with the public interest in providing certainty to all parties, stakeholders, and customers. Therefore, IPL and SMEC respectfully request the establishment of a schedule for completion of the review of this Joint Petition, if possible, that would allow a closing of the Transaction by December 31, 2014.

The closing of the Transaction is not subject to Commission approval of the closing of the proposed transfer of Minnesota Gas Assets and customers to

⁹ Neither Minn. Stat. § 216B.50 nor the associated rules in Minn. Rules Ch. 7825, which provides the basis for the Commission's decision in this matter, provide a right to a hearing in this matter.

MERC, which has been presented to the Commission for approval in a separate proceeding.

VIII. OTHER ISSUES AND CONSIDERATIONS

A. Reconciliation of Outstanding Commission Dockets

Attachment T provides a summary of outstanding Commission dockets and upcoming Commission regulatory filings involving IPL.

B. IUB Approval

A filing will need to be made with the IUB, pursuant to Iowa Code § 476.76 and 199 IAC chapter 32, regarding the sale of IPL's Minnesota Electric Assets to SMEC. IPL believes that this sale constitutes a reorganization pursuant to Iowa Code § 476.76 and 199 IAC chapter 32. Iowa Code § 476.76(1) defines reorganization to include, among other things, the direct or indirect disposition of "the whole or any substantial part of a public utility's assets." The proposed sale to SMEC involves a substantial part of IPL's assets.

The IUB has enacted rules to administer its statutory mandate under Section 476.76 which are found in chapter 32 of division 199 of the IAC. In particular, IUB rule 199-32.2(1) states "unless an application pursuant to Iowa Code section 476.77 and this chapter has been filed or a waiver obtained pursuant to rule 32.8 (476), no public utility shall acquire or lease assets directly or indirectly, with a value in excess of 3% of the utility's Iowa jurisdictional utility revenue during the immediately preceding calendar year or five million dollars, whichever is greater." IPL's 2012 Iowa jurisdictional utility revenue was \$1.5 billion, thus the IPL threshold for Iowa Code section 476.77 is \$45

million (3% of \$1.5 billion), and the price for the sale of the Minnesota Electric Assets to SMEC exceeds this amount. As a ruling from the IUB is required within 6 months of filing, IPL plans to file with the IUB in the second quarter of 2014.

C. FERC Filings

FERC approval of the sale of the Minnesota Electric Assets to SMEC is not necessary, pursuant to section 203 of the Federal Power Act (FPA) because the Minnesota Electric Assets do not constitute “facilities subject to the jurisdiction” of FERC, as discussed below. However, IPL will obtain FERC approval of the Wholesale Power Agreement pursuant to Section 203 of the FPA.

Section 203(a)(1) prohibits a public utility from selling, leasing or otherwise dispose of facilities subject to the jurisdiction of FERC, “or any part thereof of a value in excess of \$10,000,000” without first securing an order from FERC authorizing such sale, lease or disposition. FERC has jurisdiction over “the transmission of electric energy in interstate commerce” and “the sale of electric energy at wholesale in interstate commerce.” 16 U.S.C. § 824(b)(1). However, FERC does not have jurisdiction over facilities used in local distribution. *Id.* In Order No. 888, FERC also expressly disclaimed jurisdiction over the service of delivering bundled electric energy to end users. Order No. 888, FERC Stats. & Regs. at 31,782-31, 783.

D. Other Consents to Transaction

All of the SMEC Member Cooperatives are borrowers from RUS, CFC and CoBank. The rules of these lenders require that they consent to the terms of the wholesale power purchase agreement between SMEC and its members.

The SMEC Member Cooperatives currently purchase their wholesale power from a G&T in which they are members along with other distribution cooperatives. Since they are all-requirements purchasers of wholesale power from their respective G&T cooperatives, or a provision of the Wholesale Power Contract requires it, the following SMEC Member Cooperatives require, and have obtained, consent from G&T cooperative power suppliers to enter into the 10-year wholesale purchase power agreements with SMEC that are an essential part of this transaction (with SMEC obtaining the power needed for the SMEC Cooperative Members to serve load in the areas acquired from IPL under the Wholesale Power Agreement with IPL:

SMEC Cooperative Member	Current G&T Provider	Type of Service	Written Consent Obtained
Steele-Waseca Electric Cooperative	GRE	Wholesale	Yes
BENCO Electric	GRE	Wholesale	Yes
Brown County Rural Electrical Association	GRE	Wholesale	Yes
Nobles Cooperative Electric	GRE	Wholesale	Yes
People's Energy Cooperative	Dairyland	Wholesale	Yes
Tri-County Electric Co-op	Dairyland	Wholesale	Yes
Freeborn-Mower Co-op Service	Dairyland	Wholesale	Yes
Sioux Valley Energy	L&O	Wholesale	Yes
*South Central Electric Association	East River	Wholesale	Yes
*Redwood Electric Co-op	East River	Wholesale	Yes

*Required by a provision in the Wholesale Power Contract.

Copies of the written consents from the applicable G&T's are included in **Trade Secret Attachment U.**

E. Future Regulatory Authority

Effective on the closing of the Transaction, assuming Commission approval, all of the current Minnesota IPL customers will become members of one of the SMEC Member Cooperatives. Electric cooperatives are not subject to rate regulation by the Commission. Minn. Stat. §216B.02, Subd. 4. However, the Commission will retain

authority to enforce the obligations and commitments of SMEC and the SMEC Member Cooperatives during the Three-Year Initial Period and the Two-Year Transition Period. Cooperative members of the SMEC Member Cooperatives may also elect to have their respective Cooperatives become subject to electric rate regulation by the Commission pursuant to Minn. Stat. §216B.026.

With respect to customer service standards and practices, the SMEC Member Cooperatives are subject to the complaint jurisdiction of the Commission under Minn. Stat. §216B.17, Subd. 6a. The Commission would have the authority to enforce reasonable conditions for its approval of the Transaction if they were violated by SMEC or any of the SMEC Member Cooperatives.

The SMEC Member Cooperatives are also subject to the obligations regarding customer protection, distributed generation and net metering, renewable energy, and energy conservation as described in Section IV. G., above.

F. Reservation by the Joint Petitioners.

IPL and SMEC respectfully reserve the right to withdraw from this Joint Petition and from the performance of the proposed Transaction in the event that the Commission modifies the proposals made by IPL and SMEC or requires other terms and conditions in connection with this Joint Petition.

G. Trade Secret Information Protection

Some of the information provided in this filing is privileged or trade secret information as defined in Minn. Stat. § 13.37, subd. 1(b) and the Commission's Revised Procedures for Handling Trade Secret and Privileged Data dated September 1, 1999. Pursuant to Minn. Rule 7829.0500, the information has been clearly marked with the

caption "Trade Secret Information" or "Privileged Information", and the requisite number of public and private copies of the filing are being provided. A Statement of Justification for the treatment of this data as protected accompanies this filing. The Joint Petitioners request that such trade secret information and privileged information not be disclosed to any Party, other than the appropriate and relevant Minnesota governmental agencies, without the Joint Petitioners' prior written consent or pursuant to a Commission-issued protective order.

IX. CONCLUSION AND REQUESTED COMMISSION ACTION

Based on all of the information provided in this Joint Petition, the Parties request that the Commission:

1. Find that the Transaction is consistent with the public interest;
2. Approve the sale and acquisition of utility property and other aspects of the Transaction, as described in this Joint Petition and pursuant to the terms and conditions of the Electric APA;
3. Approve the transfer of the rights and obligations to provide electric service to the current IPL customers from IPL to the respective SMEC Member Cooperatives;
4. Approve the withdrawal by IPL from the provision of retail electric service in all areas it currently serves in Minnesota as of the date of closing of the Transaction.
5. Approve the termination and cancellation of the IPL electric service tariffs in Minnesota as of the date of closing of the Transaction.

6. Grant such other necessary and appropriate approvals and authorizations as are consistent with the intent of the foregoing.

Dated: April 15, 2014

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

By /s/ Erik C. Madsen
Its Authorized Representative

Erik C. Madsen
Director, Regulatory Affairs

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Attorneys on Behalf of Interstate Power and
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SOUTHERN MINNESOTA ENERGY COOPERATIVE

By /s/ Brian Krambeer
Its Authorized Representative

Brian Krambeer
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Attorneys for Southern Minnesota Energy
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VERIFICATION

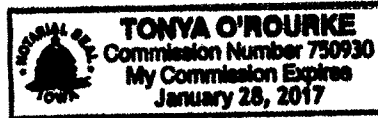
STATE OF IOWA)
) ss.
COUNTY OF LINN)

Erik C. Madsen verifies that he is Director, Regulatory Affairs, of Interstate Power and Light Company; that he has read the Petition for Approval of Asset Purchase and Sale Agreement and Transfer of Service Rights and Obligations; and that he verifies the information contained therein is true and correct to the best of his knowledge.

/s/ Erik C. Madsen
Erik C. Madsen
Director, Regulatory Affairs
Interstate Power and Light Company

Subscribed and sworn to before me
this 14th day of April, 2014.

/s/ Tonya O'Rourke
Notary Public, State of Iowa



VERIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF FILLMORE)

Brian Krambeer verifies that he is President of Southern Minnesota Energy Cooperative; that he has read the Joint Petition for Approval of Asset Purchase and Sale Agreement and Transfer of Service Rights and Obligations; and that he verifies the information contained therein is true and correct to the best of his knowledge.

[Handwritten Signature]
/s/ _____
Brian Krambeer
President
Southern Minnesota Energy Cooperative

Subscribed and sworn to before me
this 11 day of April, 2014.

[Handwritten Signature]
/s/ _____
Notary Public, State of Minnesota



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

**Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Dan Lipschultz
Betsy Wergin**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

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

MPUC Docket No. _____

STATEMENT PROVIDING JUSTIFICATION FOR TRADE SECRET INFORMATION

Pursuant to the Minnesota Public Utilities Commission's (Commission) revised Procedures for Handling Trade Secret and Privileged Data, Minn. Stat. § 13.37 and Minn. Rule 7829.0500, Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) (collectively the Joint Petitioners) have marked specific information contained within the Joint Petitioner's Request for approval of the sale of IPL's Minnesota electric distribution system and assets and transfer of service rights and obligations in Minnesota (the Joint Petition) as Trade Secret.

The Joint Petition contains trade secret information, as defined by Minn. Stat. § 13.37 subd. 1(b), in that the data is the subject of efforts by IPL that are reasonable under the circumstances to maintain its non-disclosure, and derives independent economic value, actual or potential, from not being generally known to, and being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. The Joint Petitioner's respectfully request that Trade Secret designation be afforded to information IPL holds as non-public proprietary information maintained in confidence in the ordinary course of business.

IPL requests that certain sensitive employee information be treated as trade secret. Disclosure of employee names, compensation, and employment related information that is not known to the public would compromise employee privacy and would give other potential employers an advantage and compromise IPL's ability to negotiate future contracts on terms and conditions most favorable to IPL and its customers. This information can be found in the following locations: Schedules 3.14 and 5.4 of Attachment D to the Joint Petition.

In addition, Attachment U to the Joint Petition has been designated as trade secret as the nature of the commitments and consents made by non-parties to this docket are

commercially sensitive to those parties. Public disclosure could provide an economic advantage to their competitors.

Finally, information regarding the exact location of IPL's substations has been redacted from Schedules 2.1(a), 2.1(f), and 5.7 of Attachment D to the Joint Petition. That information directly relates to critical infrastructure that should be protected from the public domain in order to ensure continuity of electric service to IPL's customers as well as protection of the electric grid.

Accordingly, the Joint Petitioner's believe the marked information contained in the Joint Petition meets the definition of trade secret under Minn. Stat. § 13.37.

AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss
COUNTY OF LINN)

**In Re: In the Matter of a Request for the
Approval of the Asset Purchase and
Sale Agreement Between Interstate
Power and Light Company and
Southern Minnesota Energy
Cooperative**

MPUC Docket No. _____

Tonya A. O'Rourke, being first duly sworn on oath, deposes and states:

That on the 15th day of April, 2014, copies of the foregoing Affidavit of Service, together with the Original Filing, Joint Petition for Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Southern Minnesota Energy Cooperative in the above referenced matter, were served upon the parties on the attached Service List, via efileing, overnight delivery, electronic mail, and/or first class mail, proper postage prepaid from Cedar Rapids, Iowa.

/s/ Tonya A. O'Rourke
Tonya A. O'Rourke

Subscribed and Sworn to Before Me
this 15th day of April, 2014.

/s/ Kathleen J. Faine
Kathleen J. Faine
Notary Public
My Commission Expires on February 20, 2015.

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Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	GEN_SL_Interstate Power and Light Company_Interstate Power and Light Company General Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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