

February 26, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota, 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E001/M-16-89

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of Interstate Power and Light Company's Petition for Approval of a Variance to Certain Minnesota Public Utilities Commission Rules and Orders Governing Annual Electric Automatic Adjustment Reports

The petition was filed on January 28, 2016 by:

Samantha C. Norris
Senior Attorney
Alliant Energy Corporate Services, Inc.
200 First Street SE
P.O. Box 351
Cedar Rapids, Iowa 52406-0351

The Department recommends **approval** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ SAMIR OUANES
Rates Analyst

SO/It
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. E001/M-16-89

I. SUMMARY OF PROPOSAL

On January 28, 2016, Interstate Power and Light Company (IPL or the Company) submitted a petition (Petition) requesting that the Minnesota Public Utilities Commission (Commission) approve a modification to the information it includes in its next Annual Automatic Adjustment (AAA) Report covering the period July 1, 2015 through July 31, 2015.

Due to the Commission-approved sale of its electric distribution system and assets to Southern Minnesota Energy Cooperative (SMEC) on July 31, 2015, the Company is no longer an electric public utility within the State of Minnesota as of that date. As a result, IPL is requesting a variance to the following Rules and Orders:

- Minnesota Rules, Part 7825.2820;
- Minnesota Rules, Part 7825.2830;
- Order Points 7.A.1, 7.A.3, 7.B and 7.C of the December 21, 2006 *Order Establishing Accounting Treatment for MISO Day 2 Costs*, Docket No. E001/M-05-406 (2006 Order);
- Order Points 5-12 of the August 23, 2010 *Order Authorizing Ongoing Use of Fuel Clause Adjustment and Setting Reporting Requirements*, Docket No. E001/M-08-528 (2010 Order);
- Order Point 28 of the April 6, 2012 *Order Acting on Electric Utilities' Annual Reports and Requiring Additional Filings*, Docket Nos. E999/AA-09-961 and E999/AA-10-884 (2012 Order); and
- Order Point 20 of the August 16, 2013 *Order Acting on Electric Utilities' Annual Reports, Requiring Refund of Certain Curtailment Costs, and Requiring Additional Filings*, Docket No. E999/AA-11-792 (2013 Order).

II. DEPARTMENT ANALYSIS

Minnesota Rules 7825.2390 through 7825.2920 require electric utilities implementing automatic adjustments in the recovery of fuel purchases to file annual automatic adjustment reports for the previous year commencing July 1 and ending June 30 by September 1 of each year.

As stated by Minnesota Rules, Part 7825.2390, “the purpose of parts 7825.2390 to 7825.2920 is to enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most recent general rate case.”

The Department notes that IPL filed its current AAA report covering the July 2014-June 2015 period on August 31, 2015 (Docket No. E999/AA-15-611).

The Company's next AAA report to be filed by September 1, 2016 would normally cover the July 2015-June 2016 period. However, since IPL is no longer an electric public utility within the State of Minnesota as of the July 31, 2015 closing date of the sale to SMEC, the Company's FYE16 AAA report will be limited to covering the month of July 2015 only.

As a result of the limited scope of its FYE16 AAA report, IPL is requesting a variance to several of the filing requirements contained in Minnesota Rules and Orders.

Minnesota Rules, Part 7829.3200 allows the Commission to grant a variance to its rules when it determines that the following three 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 provided the following support for these variance requirements:

(a) Enforcement of the rule would impose an excessive burden upon the applicant or to others affected by the rule.

In the absence of this variance, IPL would be required to provide information for a one-month period that would provide little to no value to stakeholders and would not relate to any past or future automatic adjustment request. Additionally, requiring IPL to make the filings noted in this Petition would cause IPL to expend additional time and expense to gather and analyze information that has little value and no relevance to any future filing. For those reasons, denying the variance and

requiring IPL to make the filings listed above, would impose an excessive burden on IPL.

(b) Granting the variance would not adversely affect the public interest.

Granting IPL's requested variance would not adversely affect the public interest. As noted above, the information is of limited scope, would not reveal any trends or issues, and does not relate to any past or future automatic adjustment request. As the information described above has no discernable value, granting the variance would not adversely affect the public interest.

(c) Granting the variance would not conflict with standards imposed by law.

IPL's requested variance would not conflict with the law. The rules and orders are designed to allow public utilities to request automatic adjustments and the utilities' stakeholders and regulators to evaluate those requests. Because IPL is no longer a public utility in Minnesota, the information required by the filings do not relate to any past or future automatic adjustment request, and the information is of no value, as stated earlier, IPL's requested variance is consistent with Commission rules and is not contrary to Minnesota law.

In the next section, the Department discusses IPL's request for a variance to the rules.

In Section IV, the Department discusses IPL's request for a variance to Commission Orders.

III. VARIANCE TO MINNESOTA RULES

1. *Minnesota Rules, Part 7825.2820: Independent Auditor's Report*

Minnesota Rules, Part 7825.2820 states that:

By September 1 of each year, all gas and electric utilities shall submit to the commission an independent auditor's report evaluating accounting for automatic adjustments for the prior year commencing July 1 and ending June 30 or any other year if requested by the utility and approved by the commission.

In addition to the support for its request for a variance to Minnesota Rules and Orders noted in Section II above, IPL stated:

The purpose of this rule is to “enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most recent general rate case.” Minn. R. 7825.2390. IPL requests a variance of this requirement.

As IPL is no longer a public utility in Minnesota and will not be requesting any adjustments its rates, there would be no value or use to any information resulting from an auditor's review and report on one month's (July 2015) worth of data. Similarly, providing the report will not meet or further the purpose of the rule. Because there is no use of value for such a report, it is burdensome and unnecessary to require IPL to incur the time and expense of undergoing an auditor's review.

The Department agrees with the Company that “it is it is burdensome and unnecessary to require IPL to incur the time and expense of undergoing an auditor's review” for the following two reasons.

First, July 2015 is the Company's last monthly adjustment in its Minnesota rates since IPL is no longer an electric public utility within the State of Minnesota as of July 31, 2015.

Second, IPL's July 2015 fuel clause adjustment (FCA) is based on actual April and May 2015 data, which are already covered by the independent auditor's report for the July 2014 - June 2015 period in the Company's FYE15 AAA report.

The Department concludes that IPL's request for a variance to Minnesota Rules, part 7825.2820 meets the conditions for a variance in Minnesota Rules, Part 7829.3200.

2. *Minnesota Rules, Part 7825.2830: Five-Year Projection of Fuel Costs*

Minnesota Rules, Part 7825.2830 states that:

By September 1 of each year, electric utilities shall submit to the commission a five-year projection of fuel costs by energy source by month for the first two years and on an annual basis thereafter.

In addition to the support for its request for a variance to Minnesota Rules and Orders noted in Section II above, IPL stated:

As above, the purpose of this requirement is to “enable regulated gas and electric utilities to adjust rates to reflect changes in the cost of energy delivered to customers from those costs authorized by the commission in the utility's most

recent general rate case.” Minn. R. 7825.2390. IPL requests a variance of this rule.

As IPL is no longer a public utility in Minnesota, IPL’s submission of a five-year projection of its fuel costs is no longer required. In addition, any such information would not be designed to meet the purpose of the rule, which is to allow regulated utilities (which IPL is not) to adjust their rates (which IPL will not do).

The Department agrees with the Company that “any such information [IPL’s submission of a five-year projection of its fuel costs] would not be designed to meet the purpose of the rule, which is to allow regulated utilities (which IPL is not) to adjust their rates (which IPL will not do).”

The Department concludes that IPL’s request for a variance to Minnesota Rules, part 7825.2830 meets the conditions for a variance in Minnesota Rules, Part 7829.3200.

IV. VARIANCE TO COMMISSION ORDERS

The variance to the Commission Orders listed above include reporting requirements that were recommended by the Department and approved by the Commission to support the Department’s review of fuel and energy costs associated with the operation of the utility’s system, in addition to costs related to the Midcontinent Independent System Operator (MISO).¹

In addition to the support for its request for a variance to Minnesota Rules and Orders noted in Section II above, IPL explained in part that these reporting requirements “would be of limited use, particularly when it would not relate to any automatic adjustment request.”

The Department agrees that these reporting requirements do not relate to any automatic adjustment request after June 2015 for the following two reasons.

First, July 2015 is the Company’s last monthly adjustment in its Minnesota rates since IPL is no longer an electric public utility within the State of Minnesota as of July 31, 2015.

Second, IPL’s July 2015 FCA is based on actual April and May 2015 data, which are part of the record of the FYE15 AAA proceeding and included in the Company’s FYE15 AAA report. As such, any issues related to the April and May 2015 data will be addressed in the FYE15 AAA proceeding.

The Department recommends that the Commission approve IPL’s request for a variance to the Commission Orders listed under Section I above.

¹ The Department notes that the Commission required reporting on costs and revenues related to the MISO ancillary services market (2010 Order), the impacts of generation resources that are not network deliverable (2012 Order) and costs related to the congested transmission paths (2013 Order).

V. DEPARTMENT RECOMMENDATION

The Department recommends approval of the Petition.

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CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E001/M-16-89

Dated this 26th day of February 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_16-89_M-16-89
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_16-89_M-16-89
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_16-89_M-16-89
City	Clerk	sschulte@ci.albertlea.mn.us	City of Albert Lea	221 E Clark St Albert Lea, MN 56007	Electronic Service	No	OFF_SL_16-89_M-16-89
Daniel R	Culhane	DanielCulhane@alliantenergy.com	Alliant Energy Corporate Services, Inc.	4902 North Biltmore Ln Madison, WI 53718-2148	Electronic Service	No	OFF_SL_16-89_M-16-89
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	No	OFF_SL_16-89_M-16-89
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_16-89_M-16-89
David	Grover	dgrover@itctransco.com	ITC Midwest	901 Marquette Avenue Suite 1950 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-89_M-16-89
Annete	Henkel	mui@mnuilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St. Paul, MN 55101	Electronic Service	No	OFF_SL_16-89_M-16-89
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	No	OFF_SL_16-89_M-16-89

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jim	Krueger	jkrueger@fmcs.coop	Freeborn-Mower Cooperative Services	Box 611 Albert Lea, MN 56007	Electronic Service	No	OFF_SL_16-89_M-16-89
Anne	Lenzen	annelenzen@alliantenergy.com	Interstate Power & Light Company - Electric	200 1st St SE PO Box 351 Cedar Rapids, IA 52406-0351	Electronic Service	No	OFF_SL_16-89_M-16-89
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_16-89_M-16-89
Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_16-89_M-16-89
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_16-89_M-16-89
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_16-89_M-16-89
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_16-89_M-16-89
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_16-89_M-16-89
Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	OFF_SL_16-89_M-16-89
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_16-89_M-16-89

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_16-89_M-16-89
Ron	Spangler, Jr.	rlspangler@otpc.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_16-89_M-16-89
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_16-89_M-16-89
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_16-89_M-16-89