STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

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

DOCKET NO. G-001, G-011/PA-14-107

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

REPLY COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL - ANTITRUST AND UTILITIES DIVISION

I. INTRODUCTION

The Office of the Attorney General – Antitrust and Utilities Division ("OAG") submits these Reply Comments in response to the initial submission of the Department of Commerce ("Department"), and in response to additional discovery provided by the Petitioners after the OAG's initial Comments were filed. The OAG will first provide updated estimates of the rate increase that would result from converting IPL customers to MERC's interim or proposed rates. The OAG will also discuss the estimates produced by the Department in its Comments. Finally, the OAG will discuss the 1979 case that the Petitioners believe supports their proposal to increase rates outside of a rate case. Ultimately, the OAG concludes that the large rate increases proposed by the Petitioners are not consistent with the public interest.

II. TRANSFERRING IPL CUSTOMERS TO MERC RATES WILL RESULT IN A SIGNIFICANT RATES INCREASE.

The OAG has discovered that the impacts of transferring IPL customers to MERC rates will be even greater than the estimates provided in the OAG's initial Comments.[1] The OAG provided detailed estimates in its Comments of the effect of converting IPL customers to MERC's current interim rates or the rates that MERC has proposed in its pending rate case.[2] The OAG developed its initial analysis based primarily on customer counts, customer charge, volumetric rate, and average usage provided by the Petitioners in Attachment F to the initial Petition. The OAG also requested that the Petitioners provide more data to ensure that the estimate was as accurate as possible. After receiving the Petitioners' response to this request, the OAG concluded that the data provided was both internally inconsistent, and inconsistent with the data included in Attachment F to the initial Petition. The Petitioners subsequently provided supplemental responses.[3] The Updated Tables attached as Exhibit A incorporate this additional information to provide updated estimates that reveal rate increases even greater than those calculated for the OAG's initial Comments.

Transferring IPL's residential customers to MERC's interim rates will increase their average annual bills by approximately 48%.[4] When compared to MERC's proposed rates, residential customers could see their bills increase by more than half, approximately 52.42%.[5] Small C&I customers would see rate increases of 42.15% if transferred to MERC's interim rates, or 41.41% under MERC's proposed rates. Interruptible customers would see increases of even greater

---

[1] The results of this updated analysis are included as Exhibit A, and the analysis conducted to complete the tables in Exhibit A is included as Exhibit B. The OAG will also file Exhibit B as a live spreadsheet.

[2] *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-13-617, OAH Docket No. 8-2500-31126.

[3] Response to OAG IR 012, Exhibit C.

[4] Updated Table 4, Exhibit A.

[5] *Id.*

magnitudes, including a rate increase of 355.66% if small volume interruptible customers are transitioned to MERC's interim rates.[6]

In addition to increased total bills, IPL customers would be subjected to massive customer charge increases. Residential customers would see their customer charge increased by more than 90%.[7] Small C&I customers would see increases of more than 200%.[8] Large customers would see customer charge increases that approach, and even exceed, 1000%.[9] Transitioning IPL customers to MERC's proposed rates, for example, would result in more than $50 of unavoidable cost increases every year for every resident,[10] including those who have limited ability to absorb increased costs such as seniors and low-income families.

IPL customers might attempt to mitigate their increased fixed costs by using less gas, but their ability to do so will be limited because distribution rates will also be increased.[11] Residential customers' distribution rates will increase by more than 30%, and small C&I customers will see increases of approximately 20%.[12] Large volume interruptible customers will see increases of nearly 100% under MERC's proposed rates, while small volume interruptible customers will see increases of 200% to 300%.[13] In addition to MERC's increased distribution charges, IPL customers would also have to pay higher fuel rates under either MERC's interim or proposed rates.[14]

The result of these increases is that, without including the cost of gas, IPL customers will pay approximately $1.8 million in additional costs per year to receive natural gas service. More than $1 million of this additional revenue would be paid by residential customers. When the cost of

---

[6] *Id.*
[7] Updated Table 2, Exhibit A.
[8] *Id.*
[9] *Id.*
[10] *Id.*
[11] Updated Table 3, Exhibit A.
[12] *Id.*
[13] *Id.*
[14] IPL's current fuel rate is $0.57079, while MERC's interim and proposed fuel rates are $0.62256 and $0.63590, respectively, for Residential and Small C&I customer classes. Response to OAG IR 012, Exhibit C; Revised OAG IR 005, 006, Exhibit D.

gas is included, IPL customers will pay more than $4 million in additional costs and residential customers will bear approximately $2.3 million of the additional costs assuming that they do not alter their gas use. Transferring IPL customers to MERC's rates would result in millions of dollars of additional revenue without requiring the Petitioners to establish a new revenue requirement.

The proposal's substantial rate increases raise several serious concerns. First, the Petitioners ask the Commission to authorize significant rate increases without following the general rate case procedures established in Minnesota Statutes section 216B.16. The rate case procedures are necessary to protect the interests of ratepayers and ensure that the Commission has the information necessary to ensure that utility rates are just and reasonable. The Petitioners argue that a rate increase is justified because IPL has not been generating enough revenue to recover its costs and the expense of filing a rate case would be inefficient. But the Petitioners' proposed solution to this problem is to attempt to increase rates for IPL customers without submitting their financial data to the scrutiny that is provided in a general rate case. At this point, neither the Commission nor interested parties have the necessary financial data that a utility is required to provide in order to substantiate a revenue deficiency. And even if the Commission had been provided with such data, it has not been subjected to the level of critical analysis that allows the Commission to determine whether the requested rate increases are just and reasonable.

In addition to the concerns raised by increasing rates outside of a rate case, the increases requested by the Petitioners are so great that they will likely result in rate shock. The most recent Xcel Energy rate case demonstrates the absurdity of the Petitioners' request.[15] Xcel Energy asked for authority to increase its customer charge from $7.11 for overhead residential customers and $9.11 for underground customers to $10.00 and $12.00, respectively, when Xcel had raised the

[15] *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-12-961 (2013).

customer charge by 15% only the year before.[16] The Commission rejected the recommendation of the Company, the Department, and the ALJ and limited the increase to less than one dollar because of concerns about rate shock.[17] The Commission concluded that the recommended increase, "coming on the heels of the prior increase, [was] simply too high," especially given that the "Commission must . . . avoid any increase that could result in rate shock."[18] Given the Commission's concern for rate shock in the Xcel case, which contemplated rate increases much smaller than a 90% increase to the customer charge in a single year and a 52.42% increase to average bills, it is clear that the rate increases proposed by the Petitioners could result in rate shock.

The Petitioner's proposal to transfer IPL customers to MERC rates would result in increased average bills, customer charge, and distribution charge for all customers. Residential customers would see a 52.42% increase in their average bills. MERC would recover millions of dollars in additional revenue from the IPL customers, and most of those costs would be borne by residential customers. Increases of this magnitude are unreasonable, especially when they are not supported by the financial data and analysis provided in a rate case. The Petitioners' proposal to transfer IPL customers to MERC rates is not consistent with the public interest.

III. THE COMMISSION SHOULD USE CURRENT RATES, RATHER THAN HYPOTHETICAL FUTURE RATES, TO ANALYZE THE CONSEQUENCES OF THE PETITIONERS' PROPOSAL.

The Department provided estimates of the effect of transferring IPL customers to MERC's rates in its Comments. The OAG has several concerns with the Department's analysis. First, the Department compared IPL's 2014 rates to MERC's rates and found that the proposed transfer would result in rate increases of 17.46% for residential; 9.57% for small C&I; 16.13% for large volume interruptible customers; and no change for large volume transportation customers. The Department did not provide an estimate for large C&I customers. The OAG has been unable to

---

[16] *Id.* at 29.
[17] *Id.*
[18] *Id.*

determine how the Department calculated these estimates because it appears that the Department incorrectly identified the source of its data.[19]

Second, in addition to calculating average annual bills, the Department produced a table described as a Comparison of MERC's Rates with IPL's Projected Rates.[20] For purposes of its comparison, the Department accepted IPL's claim that its current rates do not recover its full cost of service and developed hypothetical future rates that could result if IPL filed a rate case instead of completing the proposed transaction. The OAG recognizes that the Department was attempting to provide the Commission with a direct comparison between MERC's future rates and what IPL rates could be if the Petition is not approved. While this analysis may be theoretically helpful, there are significant limitations in projecting future rates based only on the data provided by Petitioners.

For example, in projecting IPL's future rates, it appears that the Department accepted at face value a 2014 revenue requirement projected by IPL. IPL has not provided the wealth of financial information that would be required to support a revenue requirement in a rate case. Further, the public agencies and other parties have not had the opportunity to conduct the critical analysis that is common in rate cases. It is likely that this type of critical analysis would uncover some costs that are not appropriate for full recovery.

After accepting IPL's claimed revenue requirement, the Department projected a new rate design for IPL customer classes based on the rate design that MERC has proposed in its pending rate case.[21] This is also problematic for several reasons. First, the Commission has not yet approved any final rates in MERC's pending rate case. Second, this method assumes that

[19] Specifically, the Department indicated that its data was based on Attachment A of the Petition, but Attachment A is simply a list of communities served by IPL and contains no relevant data. Attachment A to the Petitioners' Response to DOC IR 4 contains data about average customer bills, but does not provide the same level of detail as the data the OAG used to calculate its estimated rate increases. Even using the data provided in Attachment A to DOC IR 4, the OAG has been unable to replicate the Department's analysis. DOC IR 4, Exhibit E.

[20] In calculating its estimates, the DOC used data from the Supplemental Response to DOC IR 5, Exhibit F.

[21] It is unclear why the Department is assigning MERC's interim rate to MERC, but assigning MERC's proposed rate design to IPL for the purposes of its analysis.

integrating the IPL customers into MERC's system will not result in any change to MERC's revenue apportionment or rate design. While the Department's method has theoretical merit for a limited purpose, it is likely that the practical effect of the incomplete data provided by the Petitioners is that the Department's projection is too high.

If IPL can substantiate its claims that its current cost of service is much higher than is reflected in its current rates, it would be entitled to a rate increase in the future by filing a rate case. But at this point in time, and in this particular docket, IPL has not done so. Assuming that an IPL rate case would result in increased rates is not enough to justify increasing rates before a rate case has even been filed. Without a rate case, there is simply not enough information to establish what IPL's theoretical revenue requirement or rate design should be. And there is no guarantee that the due process rights of IPL customers will be protected without the procedural protections provided by Minnesota Statutes section 216B.16.[22]

Rather than analyzing an unsubstantiated future rate for IPL customers, the Commission should base its analysis on the rates that currently exist: IPL's current rates and MERC's interim and proposed rates. Doing so will allow the Commission to determine what the actual result of transferring IPL customers to MERC rates will be. The OAG has performed this analysis, and the results demonstrate that the Petitioner's proposal to transfer IPL customers to MERC rates would result in immediate and dramatic rates increases for all customers. The Petitioners have failed to establish that such a rate increase is consistent with the public interest.

IV. THE COMMISSION'S PRECEDENT DEMONSTRATES THAT IT IS NOT CONSISTENT WITH THE PUBLIC INTEREST TO INCREASE RATES OUTSIDE OF A COMPREHENSIVE RATE CASE.

The established method for increasing utility rates is to file a rate case under Minnesota Statutes section 216B.16. The Petitioners propose to increase rates without following these statutory

[22] *See* Minn. Stat. § 216B.16, subd. 4 ("The burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change.").

procedures, but the Petition does not identify any authority establishing that increasing rates for IPL customers without filing a rate case is consistent with the public interest. Instead, during discovery the Petitioners compared their proposed transaction to a 1979 case where the Commission increased rates in the course of authorizing a service area transfer. The OAG did not have an opportunity to respond in full to the Petitioners' late citation to this alleged authority at the time initial Comments were filed. Now that the OAG has had the opportunity to review the entire file, it is clear that the Commission's decision in *In the Matter of the Joint Petition of Minnesota Power and Light Co. and Rainy River Improvement Co. Requesting an Order Authorizing the Purchase of all of the Electric Utility Property of Rainy River by Minnesota Power and Light* ("*Rainy River*") is distinguishable from the proposal in this docket.[23] In fact, a careful evaluation of the *Rainy River* case, and a review of more recent Commission decisions like MERC's recent property acquisition in Docket No. G-008, 010/PA-93-92, demonstrates that it supports the OAG's position that the Petitioners' proposal to increase rates for IPL customers without the procedural protections of a rate case is not consistent with the public interest.

A. IN *RAINY RIVER*, THE COMMISSION DENIED A REQUEST TO IMMEDIATELY RAISE RATES FOR THE RAINY RIVER CUSTOMERS.

In 1978, the Rainy River Improvement Company filed a Petition before the Commission requesting authorization to sell all of its assets and transfer its service area to Minnesota Power & Light ("MP&L"). The Commission initially approved the transaction, and MP&L included facilities it would acquire from Rainy River in its 1978 general rate case filing,[24] but the

[23] *In the Matter of the Joint Petition of Minnesota Power and Light Company and Rainy River Improvement Company Requesting an Order Authorizing the Purchase of all of the Electric Utility Property of Rainy River by Minnesota Power and Light*, E-018, E-015/SA-78-1032 (hereinafter "*Rainy River*").
[24] Docket E-015/GR-78-514.

Commission rescinded its approval before the transaction was completed when it determined that implementing the transaction would increase rates for Rainy River customers.[25]

The Commission scheduled a public hearing in International Falls on July 25, 1979, and adopted in full the Findings and Conclusions of the Hearing Examiner.[26] The Examiner found that Rainy River was a wholly owned subsidiary of Boise Cascade Corporation, a paper manufacturer operating in International Falls.[27] Rainy River provided mostly hydro-power; it purchased 51% of its power directly from Boise's hydro generation, and contracted with Ontario Hydro for the remaining 49%.[28] In December, 1978, Rainy River learned that Ontario Hydro would not renew its contract, and Rainy River was faced with the sudden need to nearly replace half of its power requirements.[29] Ultimately Rainy River decided to sell its assets and service area to MP&L rather than attempt to secure additional power.

The Examiner found that the proposed sale would significantly increase utility rates for Rainy River's residential and commercial customers.[30] Comparatively, the purchase would have no impact on the rates of MP&L's existing customers.[31] Without the contract from Ontario Hydro, Rainy River had only a few options: it could dramatically increase its rates in order to fund the construction of additional generation facilities, it could purchase additional power from other generators at rates similar to those proposed by MP&L, or it could sell its assets and service area to a company like MP&L.[32] Based on these options, the Examiner concluded that a significant rate increase for the Rainy River customers was "virtually unavoidable."[33]

---

[25] *Rainy River,* Order Partially Rescinding Previous Order (April 17, 1979). OAG Comments, Exhibit A.
[26] *Rainy River*, Order Adopting Examiner's Report (Aug. 19, 1980). OAG Comments, Exhibit B.
[27] *Rainy River*, Report of Hearing Examiner, at 2 (Aug. 22., 1980). Exhibit G.
[28] *Id.*
[29] *Id.*
[30] *Id.* at 3.
[31] *Id.* at 3, 4.
[32] *Id.*
[33] *Id.* at 4.

The primary reason for the unavoidable increase was that Rainy River's hydro-power was significantly less expensive than coal and oil.[34] It was unlikely that Rainy River could secure additional hydro-power, so the replacement power would be much more expensive. Additionally, Rainy River's generating and transmission plant was old and had been built at a time when utility construction was more economically feasible; most of the costs had been fully amortized, and replacing the plant with modern upgrades would be extremely expensive.[35] The Examiner concluded that selling Rainy River's assets to MP&L was a strong alternative because neither Boise nor Rainy River had any particular expertise in the utility industry and their electricity generation business was a relic "from a bygone era."[36] For those reasons, the Examiner recommended approving the sale to MP&L.

After the Commission adopted in full the Examiner's findings, conclusions, and recommendation to approve the proposed purchase, it ordered MP&L to submit alternative proposals to mitigate "sudden and dramatic rate increase" from transferring the Rainy River customers to MP&L rates.[37] MP&L submitted a proposal to phase-in the rate increase over several years, and after receiving comments from parties in both the service area docket and MP&L's ongoing general rate case, Docket No. E-15/GR-80-76, the Commission issued its Order Concerning a Phase-In of Rates on December 16, 1980. The Commission concluded that the proposed sale would result in a rate increase of 34% for residential customers, while commercial and industrial customers could see a rate increase of up to 64%.[38] On the other hand, the Commission found that the sale would actually decrease the retail cost of service for the entire

[34] *Id.*at 3
[35] *Id.* at 3–4.
[36] *Id.*
[37] *Id*.
[38] *Id.* at 2–3.

MP&L system, and would reduce MP&L's revenue deficiency by $2 million.[39] The Commission concluded that it was appropriate for the Rainy River customers to share in some of the benefit that MP&L customers would receive from the transaction so the Commission ordered MP&L to phase-in the proposed rate increases to Rainy River customers over a period of three years beginning on January 1, 1981.[40]

B. THE *RAINY RIVER* CASE DEMONSTRATES THAT INCREASING UTILITY RATES OUTSIDE OF A RATE CASE IS NOT CONSISTENT WITH THE PUBLIC INTEREST.

The *Rainy River* case illustrates that requests to immediately increase rates outside of a rate case should be denied, and that even limited proposals to phase-in "virtually unavoidable" rate increases over many years should be granted only when there are extenuating circumstances. The Petitioners have not demonstrated that any of the extenuating circumstances present in *Rainy River* exist in this case.

In particular, after unexpectedly losing nearly half of its power generation, Rainy River needed to provide alternative power or its customers would go without power. But there is nothing sudden or unexpected about IPL's circumstances, and there is no danger that IPL customers will go without service. IPL claims that it requires a dramatic rate increase to meet its cost of service, but that situation is the result of IPL's judgment call not to file a rate case for nearly twenty years, rather than the unexpected loss of a major power supplier such as in *Rainy River*. Furthermore, IPL would be entitled to recover at least some portion of its rate case expenses through rates in addition to the nearly one million dollars in additional revenue it believes that it is entitled to.[41]

In addition, when the *Rainy River* case was filed in 1978, the Minnesota Public Utilities Act was relatively new. The current rate case procedures, contained in Minnesota Statutes section 216B.16, comprise 19 separate subdivisions; in 1974, section 216B.16 had only seven

[39] *Id.* at 3.
[40] *Id.* at 4.
[41] Response to DOC IR 5, Exhibit F.

subdivisions.[42] The procedures did not have provisions for construction work in progress until 1977,[43] and provisions to create a contested case by referring a docket to the Office of Administrative Hearings were not enacted until 1978, the very year that *Rainy River* was filed.[44] Section 216B.16 has been amended more than forty times since it was enacted in 1974 in order to ensure that the due process rights of ratepayers are protected when public utilities seek to increase rates. Many of the procedures that protect the due process rights of ratepayers today were not in place or not fully developed when the *Rainy River* case was decided.

The Petitioners in this case also ask the Commission to ignore the additional procedural steps that were taken in *Rainy River*. Once it determined that the *Rainy River* sale would increase rates, the Commission ordered the petitioners to submit alternative proposals, required public hearings and received an Examiner's report, and solicited comments in multiple dockets before reaching a decision. Even after all of these additional procedures, the Commission did not immediately increase rates as the Petitioners propose to do in this docket. Granting the Petitioners' request would depart from the additional procedures the Commission required in *Rainy River* as well as the procedures the legislature has established for increasing utility rates.

Further details serve to distinguish the Petitioners' proposal from the *Rainy River* case. In *Rainy River*, the utilities had established that the sale would decrease retail cost of service for the entire MP&L system and would reduce MP&L's revenue deficiency by $2 million,[45] but the Petitioners have not established any similar facts in this case. One reason that they have been unable to do so is that there has been no critical analysis of IPL's alleged revenue deficiency,[46] no

---

[42] Laws of Minnesota 1974, chapter 429 § 16.
[43] Laws of Minnesota 1977, chapter 359 §§ 1–6.
[44] Laws of Minnesota 1978, chapter 694 § 1.
[45] *Rainy River*, Order Concerning a Phase-In of Rates for Customers of Rainy River Improvement Company, at 3 (Dec. 16, 1980).
[46] IPL believes that a rate case would establish a revenue deficiency of approximately $970,000 based on a 2013 test year. But IPL specifically noted that it "does not have information available to calculate revenue requirements for IPL-

consideration the effect that transferring the IPL customers would have on MERC's revenue requirement, and no cost of service study. In *Rainy River*, the Commission had at least some of this information because MP&L had included the Rainy River assets in their ongoing rate case.[47] This information is totally absent from the Petitioners' current filing. In fact, the Petitioners' proposal does not identify any of the extenuating circumstances that justified the phase-in that was appropriate for Rainy River's power generation crisis in 1978. Instead, the *Rainy River* case demonstrates that the Petitioners' proposal to immediately increase utility rates is not consistent with the public interest.

C. THE COMMISSION'S RECENT PRECEDENT SHOWS THAT RATES SHOULD NOT BE INCREASED WHEN CUSTOMERS ARE TRANSFERRED BETWEEN UTILITIES .

In several recent cases, the Commission has expressed its preference for maintaining existing rates and keeping customers separate when they are transferred between utilities. For example, in *In the Matter of the Joint Petition of Minnegasco, a Division of Arkla, Inc., and Midwest Gas, a Division of Midwest Power Systems, Inc., for Authority to Exchange Assets, Utility Operations and Business*, Minnegasco agreed to exchange its natural gas properties in South Dakota for Midwest's natural gas properties in Minnesota.[48] The Commission ultimately approved the sale, but ordered that Midwest's former customers would "continue to be served under terms of Midwest's existing tariffs."[49] The Commission also noted that Minnegasco did not intend to consolidate the Midwest customers with its rates at the time of the exchange, and would do so in the future by filing a general rate case.[50] The Commission ordered Minnegasco to provide additional information in its next rate case in order to justify any consolidation, including an explanation of

---

Minnesota Gas jurisdiction for a 2014 test year," and that their claimed deficiency is simply an estimate. Response to DOC IR 5, Exhibit F.

[47] *Rainy River,* Order Partially Rescinding Previous Order (April 17, 1979).

[48] Docket No. G-008, 010/PA-93-92, 1993 WL 597808 (1993).

[49] *Id.* at 2.

[50] *Id.*

the "used and usefulness of the combined peak-shaving facilities, concerning alternative capacity available or acquired through the exchange," an explanation for the "impact on current Minnegasco customers demonstrating that they would not be harmed as a result of the consolidation," as well as all information "needed to quantify and verify exchange related savings and cost increases."[51]

The Commission took a similar position when MERC acquired new customers in a property acquisition docket. MERC purchased the assets of Aquila, Inc. and began to provide natural gas service to Aquila's customers in 2006.[52] As part of the sale, the Commission ordered MERC to "sell and offer to sell natural gas service in the transferred service areas pursuant to the same rates, terms and conditions as set forth in Aquila's current tariff."[53] MERC operated the Aquila customers as separate group until the Commission was provided with all of the information required to justify their consolidation in MERC's 2010 rate case.[54] In both of these cases, which are much more recent than *Rainy River*, the Commission ordered the utilities to keep the new customers separate and maintain their current rates until a rate case was filed to integrate them. The Commission should follow the same procedures in this case.

VI. CONCLUSION

If the Petitioners' proposal is granted, natural gas rates would immediately increase by 52.42% for residential customers and 41.41% for small commercial and industrial customers. Recent Commission precedent favors keeping ratepayers separate and maintaining current rates when customers are transferred between utilities. Even the so-called precedent cited by the Petitioners fails to support their request to increase rates for IPL customers. The OAG requests that, should the Commission approve the Petitioners' transaction, IPL customers be maintained

---

[51] *Id.* at 11.
[52] *In the Matter of the Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Res. Corp.*, Docket No. G-007,011/M-05-1676.
[53] *Id.* at 9.
[54] *In the Matter of the Application of Minnesota Energy Res. Corp. for Authority to Increase Rates for Natural Gas Serv. in Minnesota*, Docket No. G-007,011/GR-10-977, at 36.

separately and at their current rates until they can be integrated in a comprehensive rate case. The Commission should require the Petitioners to increase rates for IPL customers in the same way that all other utilities are required to increase their customers' rates – by filing a general rate case to ensure that ratepayers' due process rights are protected and that the Commission has the information required to ensure that utility rates are just and reasonable.

Dated: ________________________

Respectfully submitted,

LORI SWANSON
Attorney General
State of Minnesota

s/Ryan Barlow
RYAN BARLOW
Assistant Attorney General
Atty. Reg. No. 0393534

445 Minnesota Street, Suite 1400
St. Paul, Minnesota 55101-2131
(651) 757-1473 (Voice)
(651) 297-7206 (TTY)

ATTORNEYS FOR OFFICE OF THE ATTORNEY GENERAL-ANTITRUST AND UTILITIES DIVISION

EXHIBIT A

Exhibit A

These tables are updated to include information that was not available at the time the OAG filed its initial comments and to correct data entry errors. Average therm use per customer has been corrected to 834 therms per year for residential customers rather than the 843 therms per customer in initial Comments. Rates for IPL customers are drawn from Attachment F to the initial Petition and correctly use a CCRA of -$0.01350 rather than the incorrect CCRA of $0.01350 that was reflected in the Petition. MERC interim rates are based upon the approved interim tariffs for Docket 13-617. MERC's proposed rates have been updated to incorporate the changes that the Company agreed to in rebuttal testimony in Docket 13-617. The calculations used to develop these tables is provided in Exhibit B.

Updated Table 4
Average Annual Bill Comparison

Customer Class	IPL Current Annual Bill	MERC Interim Annual Bill	% Change MERC Interim	MERC Proposed Annual Bill	% Change MERC Proposed
Residential	$215.53	$318.99	48.00%	$328.50	52.42%
C&I < 1,500	$660.87	$939.44	42.15%	$934.54	41.41%
C&I > 1,500	$3,118.44	$3,949.70	26.66%	$3,802.45	21.93%
SVI - Sales	$2,664.94	$12,142.99	355.66%	$10,000.16	275.25%
LVI - Transportation	$34,404.34	$58,951.19	71.35%	$67,173.66	95.25%

Updated Table 1
Increase in Revenue Recovery

Customer Class	Customers	IPL Current Rates without Gas	IPL Current Rates with Gas	MERC's Proposed Rates without Gas	MERC's Proposed Rates with Gas
Residential	9411	$2,028,377.86	$ 6,508,379.57	$3,091,558.67	$ 8,826,029.93
C&I < 1,500	1192	$ 787,757.97	$ 2,979,947.74	$1,113,969.56	$ 3,920,006.27
C&I > 1,500	10	$ 31,184.36	$ 124,793.92	$ 38,024.52	$ 157,846.20
SVI – Sales	48	$ 127,916.88	$ 1,707,817.54	$ 480,007.45	$ 2,367,073.92
LVI – Transportation	2	$ 68,808.68	$ 68,808.68	$ 134,347.32	$ 134,347.32
TOTALS	10663	**$3,044,045.75**	**$11,389,747.46**	**$4,857,907.52**	**$15,405,303.65**
	Incremental rate difference (w/o Gas Costs) =				$ 1,813,861.77
	Incremental rate difference (with Gas Costs) =				$ 4,015,556.19

Updated Table 2
Customer Charge Comparison

Customer Class	IPL Current	MERC Interim	% Change to MERC Interim	MERC Proposed	% Change to MERC Proposed
General Service - NNG Residential	$ 5.00	$ 9.59	91.80%	$ 9.50	90.00%
General Service - NNG C&I < 1,500	$ 5.00	$ 16.36	227.20%	$ 18.00	260.00%
General Service - NNG C&I > 1,500	$ 5.00	$ 39.49	689.80%	$ 45.00	800.00%
SVI - NNG Sales	$ 14.00	$ 169.26	1109.00%	$165.00	1078.57%
LVI - NNG Transportation	$100.00	$ 197.47	97.47%	$295.00	195.00%

Updated Table 3
Distribution Charge Comparison

Customer Class	IPL Volumetric Charge	MERC Interim Volumetric	% Change to MERC Interim	MERC Proposed Volumetric	% Change to MERC Proposed
General Service NNG Residential	$0.18649	$0.24450	31.11%	$0.25720	37.92%
General Service NNG C&I < 1,500	$0.18649	$0.23064	23.67%	$0.22301	19.58%
General Service NNG C&I > 1,500	$0.18649	$0.21194	13.65%	$0.19893	6.67%
SVI - NNG Sales	$0.03500	$0.14174	304.97%	$0.11242	221.20%
LVI - NNG Transportation	$0.03499	$0.06186	76.79%	$0.06957	98.83%

EXHIBIT B

	Original Attachment F			OAG's Initial Comments					OAG's Reply Comments				
	IPL Current Rates	MERC Interim Rates	% Diff	IPL Current Rates	MERC Interim Rates	% Diff	OAG's MERC Proposed Final Rates	% Diff	IPL Current Rates (with MERC revised 005)	MERC Interim Rates	% Diff	OAG's MERC **Rebuttal** Final Rates (with MERC revised 006)	% Diff
Residential													
# of customers	9,411	9,411	0.000%	9,411	9,411	0.000%	9,411	0.000%	9,411	9,411	0.000%	9,411	0.000%
Average Use/customer	834	834	0.000%	843	843	0.000%	843	0.000%	834	834	0.000%	834	0.000%
Customer Charge	$ 5.00	$ 9.59	91.800%	$ 5.00	$ 9.59	91.800%	$ 11.00	120.000%	$ 5.00	$ 9.59	91.800%	$ 9.50	90.000%
Fuel	$ 0.57079	$ 0.62256	9.070%	$ 0.57079	$ 0.62256	9.070%	$ 0.63590	11.407%	$ 0.57079	$ 0.62256	9.070%	$ 0.73062	28.002%
Therm Charge (less base fuel)	$ 0.19769	$ 0.22290	12.752%	$ 0.19769	$ 0.22290	12.752%	$ 0.22848	15.575%	$ 0.19769	$ 0.22290	12.752%	$ 0.23560	19.176%
CCRA	$ 0.01350	$ 0.01719	27.333%	$ 0.01350	$ 0.01719	27.333%	$ 0.02432	80.148%	$ (0.01350)	$ 0.01719	-227.333%	$ 0.01719	-227.333%
GAP	$ 0.00230	$ 0.00441	91.739%	$ 0.00230	$ 0.00441	91.739%	$ 0.00390	69.565%	$ 0.00230	$ 0.00441	91.739%	$ 0.00441	91.739%
Total Volumetric Charge	$ 0.21349	$ 0.24450	14.525%	$ 0.21349	$ 0.24450	14.525%	$ 0.25670	20.240%	$ 0.18649	$ 0.24450	31.106%	$ 0.25720	37.916%
Annual Bill w/o Gas Costs	**$ 225.00**	**$ 301.00**	**33.778%**	**$ 239.97**	**$ 321.00**	**33.767%**	**$ 348.40**	**45.185%**	**$ 215.53**	**$ 318.99**	**48.003%**	**$ 328.50**	**52.417%**
Annual Bill with Gas Costs	**$ 714.00**	**$ 838.00**	**17.367%**	**$ 721.15**	**$ 846.01**	**17.314%**	**$ 884.46**	**23.874%**	**$ 691.57**	**$ 838.21**	**21.204%**	**$ 937.84**	**35.611%**
Small C&I													
# of customers	1,192	1,192	0.000%	1,192	1,192	0.000%	1,192	0.000%	1,192	1,192	0.000%	1,192	0.000%
Average Use/customer	3,222	3,222	0.000%	3,222	3,222	0.000%	3,222	0.000%	3,222	3,222	0.000%	3,222	0.000%
Customer Charge	$ 5.00	$ 16.36	227.200%	$ 5.00	$ 16.36	227.200%	$ 18.00	260.000%	$ 5.00	$ 16.36	227.200%	$ 18.00	260.000%
Fuel	$ 0.57079	$ 0.62256	9.070%	$ 0.57079	$ 0.62256	9.070%	$ 0.63590	11.407%	$ 0.57079	$ 0.62256	9.070%	$ 0.73062	28.002%
Therm Charge (less base fuel)	$ 0.19769	$ 0.20904	5.741%	$ 0.19769	$ 0.20904	5.741%	$ 0.22817	15.418%	$ 0.19769	$ 0.20904	5.741%	$ 0.20141	1.882%
CCRA	$ 0.01350	$ 0.01719	27.333%	$ 0.01350	$ 0.01719	27.333%	$ 0.02432	80.148%	$ (0.01350)	$ 0.01719	-227.333%	$ 0.01719	-227.333%
GAP	$ 0.00230	$ 0.00441	91.739%	$ 0.00230	$ 0.00441	91.739%	$ 0.00390	69.565%	$ 0.00230	$ 0.00441	91.739%	$ 0.00441	91.739%
Total Volumetric Charge	$ 0.21349	$ 0.23064	8.033%	$ 0.21349	$ 0.23064	8.033%	$ 0.25639	20.095%	$ 0.18649	$ 0.23064	23.674%	$ 0.22301	19.583%
Annual Bill w/o Gas Costs	**$ 697.00**	**$ 870.00**	**24.821%**	**$ 747.86**	**$ 939.44**	**25.617%**	**$ 1,042.09**	**39.343%**	**$ 660.87**	**$ 939.44**	**42.152%**	**$ 934.54**	**41.410%**
Annual Bill with Gas Costs	**$ 2,587.00**	**$ 2,945.00**	**13.838%**	**$ 2,587.00**	**$ 2,945.33**	**13.851%**	**$ 3,090.96**	**19.480%**	**$ 2,499.96**	**$ 2,945.33**	**17.815%**	**$ 3,288.60**	**31.546%**
Large C&I													
# of customers	10	10	0.000%	10	10	0.000%	10	0.000%	10	10	0.000%	10	0.000%
Average Use/customer	16,400	16,400	0.000%	16,400	16,400	0.000%	16,400	0.000%	16,400	16,400	0.000%	16,400	0.000%
Customer Charge	$ 5.00	$ 39.49	689.800%	$ 5.00	$ 39.49	689.800%	$ 45.00	800.000%	$ 5.00	$ 39.49	689.800%	$ 45.00	800.000%
Fuel	$ 0.57079	$ 0.62256	9.070%	$ 0.57079	$ 0.62256	9.070%	$ 0.63590	11.407%	$ 0.57079	$ 0.62256	9.070%	$ 0.73062	28.002%
Therm Charge (less base fuel)	$ 0.19769	$ 0.19034	-3.718%	$ 0.19769	$ 0.19034	-3.718%	$ 0.16713	-15.459%	$ 0.19769	$ 0.19034	-3.718%	$ 0.17733	-10.299%
CCRA	$ 0.01350	$ 0.01719	27.333%	$ 0.01350	$ 0.01719	27.333%	$ 0.02432	80.148%	$ (0.01350)	$ 0.01719	-227.333%	$ 0.01719	-227.333%
GAP	$ 0.00230	$ 0.00441	91.739%	$ 0.00230	$ 0.00441	91.739%	$ 0.00390	69.565%	$ 0.00230	$ 0.00441	91.739%	$ 0.00441	91.739%
Total Volumetric Charge	$ 0.21349	$ 0.21194	-0.726%	$ 0.21349	$ 0.21194	-0.726%	$ 0.19535	-8.497%	$ 0.18649	$ 0.21194	13.647%	$ 0.19893	6.671%
Annual Bill w/o Gas Costs	**$ 3,302**	**$ 3,595**	**8.873%**	**$ 3,561**	**$ 3,950**	**10.91%**	**$ 3,744**	**5.125%**	**$ 3,118**	**$ 3,950**	**26.66%**	**$ 3,802**	**21.934%**
Annual Bill with Gas Costs	**$ 12,922**	**$ 14,159**	**9.573%**	**$ 12,922**	**$ 14,160**	**9.578%**	**$ 14,173**	**9.677%**	**$ 12,479**	**$ 14,160**	**13.465%**	**$ 15,785**	**26.486%**
Small Volume Interruptible													
# of customers	48	48	0.000%	48	48	0.000%	48	0.000%	48	48	0.000%	48	0.000%
Average Use/customer	71,341	71,341	0.000%	71,341	71,341	0.000%	71,341	0.000%	71,341	71,341	0.000%	71,341	0.000%
Customer Charge	$ 14.00	$ 169.26	1109.000%	$ 14.00	$ 169.26	1109.000%	$ 165.00	1078.571%	$ 14.00	$ 169.26	1109.000%	$ 165.00	1078.571%
Fuel	$ 0.46137	$ 0.44029	-4.569%	$ 0.46137	$ 0.44029	-4.569%	$ 0.44825	-2.844%	$ 0.46137	$ 0.44029	-4.569%	$ 0.55107	19.442%
Therm Charge (less base fuel)	$ 0.04620	$ 0.12014	160.043%	$ 0.04620	$ 0.12014	160.043%	$ 0.11049	139.149%	$ 0.04620	$ 0.12014	160.043%	$ 0.09082	96.580%
CCRA	$ 0.01350	$ 0.01719	27.333%	$ 0.01350	$ 0.01719	27.333%	$ 0.02432	80.148%	$ (0.01350)	$ 0.01719	-227.333%	$ 0.01719	-227.333%
GAP	$ 0.00230	$ 0.00441	91.739%	$ 0.00230	$ 0.00441	91.739%	$ 0.00390	69.565%	$ 0.00230	$ 0.00441	91.739%	$ 0.00441	91.739%
Total Volumetric Charge	$ 0.06200	$ 0.14174	128.613%	$ 0.06200	$ 0.14174	128.613%	$ 0.13871	123.721%	$ 0.03500	$ 0.14174	304.971%	$ 0.11242	221.200%
Annual Bill w/o Gas Costs	**$ 3,464**	**$ 10,602**	**206.062%**	**$ 4,591**	**$ 12,143**	**164.487%**	**$ 11,875**	**158.650%**	**$ 2,665**	**$ 12,143**	**355.657%**	**$ 10,000**	**275.249%**
Annual Bill with Gas Costs	**$ 37,506**	**$ 46,554**	**24.124%**	**$ 37,506**	**$ 43,554**	**16.125%**	**$ 43,854**	**16.925%**	**$ 35,580**	**$ 43,554**	**22.412%**	**$ 49,314**	**38.602%**
Transportation													
# of customers	2	2	0.000%	2	2	0.000%	2	0.000%	2	2	0.000%	2	0.000%
Average Use/customer	914,671	914,671	0.000%	914,671	914,671	0.000%	914,671	0.000%	914,671	914,671	0.000%	914,671	0.000%
Customer Charge	$ 100.00	$ 197.47	97.470%	$ 100.00	$ 197.47	97.470%	$ 295.00	195.000%	$ 100.00	$ 197.47	97.470%	$ 295.00	195.000%
Admin Charge	$ 100.00	$ 70.00	-30.000%	$ 100.00	$ 70.00	-30.000%	$ 70.00	-30.000%	$ 100.00	$ 70.00	-30.000%	$ 70.00	-30.000%
Fuel													
Therm Charge (less base fuel)	$ 0.04619	$ 0.04026	-12.838%	$ 0.04619	$ 0.04026	-12.838%	$ 0.04854	5.088%	$ 0.04619	$ 0.04026	-12.838%	$ 0.04797	3.854%
CCRA	$ 0.01350	$ 0.01719	27.333%	$ 0.01350	$ 0.01719	27.333%	$ 0.02432	80.148%	$ (0.01350)	$ 0.01719	-227.333%	$ 0.01719	-227.333%
GAP	$ 0.00230	$ 0.00441	91.739%	$ 0.00230	$ 0.00441	91.739%	$ 0.00390	69.565%	$ 0.00230	$ 0.00441	91.739%	$ 0.00441	91.739%
Total Volumetric Charge	$ 0.06199	$ 0.06186	-0.210%	$ 0.06199	$ 0.06186	-0.210%	$ 0.07676	23.826%	$ 0.03499	$ 0.06186	76.793%	$ 0.06957	98.828%
Annual Distribution Serv Cost	**$ 44,649**	**$ 40,035**	**-10.334%**										
Annual Total Cost	**$ 59,100**	**$ 58,952**	**-0.250%**	**$ 57,900**	**$ 58,951**	**1.815%**	**$ 73,750**	27.374%	**$ 34,404**	**$ 58,951**	**71.348%**	**$ 67,174**	**95.247%**

Table 4
Average Annual Bill Comparison

Customer Class	IPL Current Customer Charge	IPL Current Distribution Charge	IPL Current Gas Costs	IPL Current Annual Bill w/o Gas Cost	IPL Current Annual Bill with Gas Cost	MERC Interim Customer Charge	MERC Interim Distribution Charge	MERC Interim Gas Costs
Residential - Total Annual Charges	$ 60.00	$ 155.53	$ 476.04	$ 215.53	$ 691.57	$ 115.08	$ 203.91300	$ 519.21504
C&I < 1,500 - Total Annual Charges	$ 60.00	$ 600.87	$ 1,839.09	$ 660.87	$ 2,499.96	$ 196.32	$ 743.12208	$ 2,005.89
C&I > 1,500 - Total Annual Charges	$ 60.00	$ 3,058.44	$ 9,360.96	$ 3,118.44	$ 12,479.39	$ 473.88	$ 3,475.82	$ 10,209.98
Small Volume Interruptible - Sales	$ 168.00	$ 2,496.94	$ 32,914.60	$ 2,664.94	$ 35,579.53	$ 2,031.12	$ 10,111.87	$ 31,410.73
Large Volume Interruptible -Transportation	$ 1,200.00	$ 32,004.34		$ 34,404.34		$ 2,369.64	$ 56,581.55	

Customer Class	MERC Interim Annual Bill w/o Gas Cost	MERC Interim Annual Bill with Gas Cost	Dollar Difference IPL Current Total Bill v. MERC Interim Total Bill (w/o Gas Costs)	Percent Difference IPL Current Total Bill v. MERC Interim Total Bill (w/o Gas Costs)	Dollar Difference IPL Current Total Bill v. MERC Interim Total Bill (with Gas Costs)	Percent Difference IPL Current Total Bill v. MERC Interim Total Bill (with Gas Costs)
Residential - Total Annual Charges	$ 318.99	$ 838.21	$ 103.46	48.00%	$ 146.64	21.20%
C&I < 1,500 - Total Annual Charges	$ 939.44	$ 2,945.33	$ 278.57	42.15%	$ 445.37	17.82%
C&I > 1,500 - Total Annual Charges	$ 3,949.70	$ 14,159.68	$ 831.26	26.66%	$ 1,680.29	13.46%
Small Volume Interruptible - Sales	$ 12,142.99	$ 43,553.72	$ 9,478.06	355.66%	$ 7,974.19	22.41%
Large Volume Interruptible -Transportation	$ 58,951.19		$ 24,546.85	71.35%		

Customer Class	MERC Rebuttal 13-617 Customer Charge	MERC Rebuttal 13-617 Distribution Charge	MERC Rebuttal 13-617 Gas Costs	MERC Rebuttal 13-617 Annual Bill w/o Gas Cost	MERC Rebuttal 13-617 Annual Bill with Gas Cost	Dollar Difference IPL Current Total Bill v. MERC Rebuttal 13-617 Total Bill (w/o Gas Costs)	Percent Difference IPL Current Total Bill v. MERC Rebuttal 13-617 Total Bill (w/o Gas Costs)	Dollar Difference IPL Current Total Bill v.MERC Rebuttal 13-617 Total Bill (with Gas Costs)	Percent Difference IPL Current Total Bill v.MERC Rebuttal 13-617 Total Bill (with Gas Costs)
Residential - Total Annual Charges	$ 114.00	$ 214.50480	$ 609.34	$ 328.50	$ 937.84	$ 112.97	52.42%	$ 246.27	35.61%
C&I < 1,500 - Total Annual Charges	$ 216.00	$ 718.53822	$ 2,354.06	$ 934.54	$ 3,288.60	$ 273.67	41.41%	$ 788.64	31.55%
C&I > 1,500 - Total Annual Charges	$ 540.00	$ 3,262.45	$ 11,982.17	$ 3,802.45	$ 15,784.62	$ 684.02	21.93%	$ 3,305.23	26.49%
Small Volume Interruptible - Sales	$ 1,980.00	$ 8,020.16	$ 39,313.88	$ 10,000.16	$ 49,314.04	$ 7,335.22	275.25%	$ 13,734.51	38.60%
Large Volume Interruptible -Transportation	$ 3,540.00	$ 63,633.66147		$ 67,173.66		$ 32,769.32	95.25%	N/A	N/A

Table 2
Customer Charge Comparison

Customer Class	IPL Current	Interim	Percent Change from IPL Current to MERC Interim	2013 Rate Case with Rebuttal 13-617 Rates	Percent Change from IPL Current to MERC Rebuttal 13-617 Rates
General Service - NNG Residential Sales	$ 5.00	$ 9.59	91.80%	$ 9.50	90.00%
General Service - NNG C&I < 1,500	$ 5.00	$ 16.36	227.20%	$ 18.00	260.00%
General Service - NNG C&I > 1,500	$ 5.00	$ 39.49	689.80%	$ 45.00	800.00%
Small Volume Interruptible - NNG Sales	$ 14.00	$ 169.26	1109.00%	$ 165.00	1078.57%
Large Volume Interruptible - NNG Transportation	$ 100.00	$ 197.47	97.47%	$ 295.00	195.00%

Table 3
Distribution Charge Comparison

Customer Class	IPL Dist Charge	IPL CCRA Charge	IPL GAP Charge	Total IPL Volumetric Charge	MERC Interim Dist Charge	MERC Interim CCRA Charge	MERC Interim GAP Charge	Total MERC Interim Volumetric Charge	Dollar Difference IPL v. MERC Interim Volumetric Charge	Percent Difference IPL v. MERC Interim Volumetric Charge	Rebuttal 13-617 MERC Dist Charge	Rebuttal 13-617 MERC CCRA Charge	Rebuttal 13-617 MERC GAP Charge	Total Rebuttal 13-617 MERC Volumetric Charge	Dollar Difference IPL v. MERC Rebuttal 13-617 Volumetric Charge	Percent Difference IPL v. MERC Rebuttal 13-617 Volumetric Charge
General Service - NNG Residential Sales	$ 0.19769	$ (0.01350)	$ 0.00230	$ 0.18649	$ 0.22290	$ 0.01719	$ 0.00441	$ 0.24450	$ 0.05801	31.11%	$ 0.23560	$ 0.01719	$ 0.00441	$ 0.25720	$ 0.07071	37.92%
General Service - NNG C&I < 1,500	$ 0.19769	$ (0.01350)	$ 0.00230	$ 0.18649	$ 0.20904	$ 0.01719	$ 0.00441	$ 0.23064	$ 0.04415	23.67%	$ 0.20141	$ 0.01719	$ 0.00441	$ 0.22301	$ 0.03652	19.58%
General Service - NNG C&I > 1,500	$ 0.19769	$ (0.01350)	$ 0.00230	$ 0.18649	$ 0.19034	$ 0.01719	$ 0.00441	$ 0.21194	$ 0.02545	13.65%	$ 0.17733	$ 0.01719	$ 0.00441	$ 0.19893	$ 0.01244	6.67%
Small Volume Interruptible - NNG Sales	$ 0.046200	$ (0.01350)	$ 0.00230	$ 0.03500	$ 0.12014	$ 0.01719	$ 0.00441	$ 0.14174	$ 0.10674	304.97%	$ 0.09082	$ 0.01719	$ 0.00441	$ 0.11242	$ 0.07742	221.20%
Large Volume Interruptible - NNG Transportation	$ 0.046190	$ (0.01350)	$ 0.00230	$ 0.03499	$ 0.04026	$ 0.01719	$ 0.00441	$ 0.06186	$ 0.02687	76.79%	$ 0.04797	$ 0.01719	$ 0.00441	$ 0.06957	$ 0.03458	98.83%

EXHIBIT C

☐ **Confidential/Trade Secret**

Response of
Interstate Power and Light Company
to
State of Minnesota
Office of The Attorney General
Information Request No. 012

Docket No.:	G001,G011/PA-14-107
Date of Request:	April 7, 2014
Response Due:	April 17, 2014
Information Requested By:	Ian Dobson
Date Responded:	April 17, 2014
Author:	Jason Nielsen / Greg Walters
Author's Title:	Mgr. Regulatory Affairs / Regulatory and Legislative Affairs Mgr.
Author's Telephone No.:	(319) 786-8135 / (507) 529-5100
Subject:	
Reference:	IPL/MERC Responses to OAG IRs 004-011

Information Request No. 012

A. Based on its review of the referenced responses, the OAG concludes that the data provided in IRs 004-011 differs from the data included in Attachment F to the Petition filed on February 2, 2014 ("Petition"). Please confirm that the data provided in IRs 004-011 differs from the data included in Attachment F to the Petition.

B. Separately for each IR from 004-011, identify any and all data or input assumptions that are different between Attachment F to the Petition and those used in the specific IR response(s). At a minimum, provide a specific description of any differences for the following for each customer class:

1. Number of customers;
2. Total consumption for the class;
3. Average individual consumption;
4. Per-therm cost of gas;
5. Conservation Cost Recovery Charge ("CCRC") included in base rates
6. CCRC not included in base rates;
7. Conservation Cost Resource Adjustment ("CCRA");
8. Gas Affordability Program ("GAP") charge; and
9. Adminitstrative fee from Transportation Customers.

C. Separately for each IR from 004-011, for each customer class and item listed above in Part B, provide the specific tariff which authorizes IPL and/or MERC to assess the charges used in:
1. The Petition;
2. The development of IPL's analysis in IR 004; and

3. The development of MERC's analysis in IR 004.

D. Provide updated responses for the analysis in IRs 004-011 using only the data contained within Attachment F to the Petition.

E. The text of IR 004 state that MERC now proposes a $9.50 per month customer charge for the Residential class and uses the $9.50 per month charge in providing analysis and responded to the IR 004. Identify the per-therm distribution charge used in that analysis. Also, as part of your response, identify the filed tariff that identifies MERC's monthly customer charges, per-therm distribution charges, CCRC, CCRA, and GAP charges for Residential customers. Additionally, separately identify the Residential rates and charges used in providing analysis and responding to IRs 005-011.

F. Confirm that the rates and charges used to develop the analysis of MERC's revenue for each and every customer class are based on MERC's Commission-approved interim rates and MERC's proposed final tariffs filed in Docket No. G011/GR-13-617. If the rates or charges for any items differ from MERC's Commission-approved, interim rates or MERC's proposed final tariff's filed in Docket No. G011/GR-13-617, separately identify the rate or charge and fully discuss the rationale for using an amount other than Commission-approved interim rates or MERC's proposed final tariffs in Docket No. G011/GR-13.617.

Response:

A. The data provided in IRs 004-011 does differ from the data included in Attachment F to the Petition. The data in Attachment F was based on a two-year average of 2012 and 2013 sales and customers, while IRs 004-011 were based on actual 2013 sales, customers. The IPL CCRA rate in Attachment F was also inadvertently stated as $0.01350 instead of the correct rate of ($0.01350). IPL and MERC have had extensive conversations with the OAG to discuss the comparative information that the OAG is looking for in order to present their rates analysis in this docket. IPL and MERC have revised the data in IRs 004-011 so that the data are on a consistent basis with the information provided in Attachment F to the Petition and that revised data is included in the electronic files provided in Response D. of this IR.

B. IPL and MERC worked with the OAG to identify the data and input assumptions that the OAG was looking for in order to perform their rate analysis in this docket. IPL and MERC agreed with the OAG to revise IRs 004-011 to be consistent with the data in Attachment F of the Petition instead of trying to itemize all of the data differences based on IPL's and MERC's misunderstanding of the OAG's data requirements.

C. IPL and MERC agreed with the OAG to revise IRs 004-011 consistent with the rates contained in the current IPL tariffs and the interim and proposed tariffs in MERC's rate case Docket No. G011/GR-13-617. These rates should also be consistent with the data submitted in Attachment F of the Petition.

D. See the electronic files produced with this response, which are the revised responses to IRs 004-011 that use only the data contained within Attachment F to the Petition.

E. The revised IRs now reflect the rates in the Petition and do not include any rates that were part of settlement discussions with any parties. They reflect the rates contained in the current IPL tariffs and the interim and proposed tariffs and schedules in MERC's rate case Docket No. G011/GR-13-617.

F. The rates are based on MERC's Commission-approved interim rates and MERC's proposed final tariffs filed in Docket No. G011/GR-13-617.

EXHIBIT D

INTERSTATE POWER AND LIGHT COMPANY
Summary
2013

Revised OAG IR 005

Class	Customers	Dth	Margin Revenue	Fuel Revenue	CCRA Revenue	GAP Revenue	Total Revenue	IPL TOTAL REVENUE MINUS CCRA & GAP
Residential	9,411	7,848,774	$ 2,116,284.13	$ 4,480,001.71	$ (105,958.45)	$ 18,052.18	$ 6,508,379.57	$ 6,596,285.84
C & I < 1500	1,192	3,840,624	$ 830,772.96	$ 2,192,189.77	$ (51,848.42)	$ 8,833.44	$ 2,979,947.74	$ 3,022,962.73
C & I > 1500	10	164,000	$ 33,021.16	$ 93,609.56	$ (2,214.00)	$ 377.20	$ 124,793.92	$ 126,630.72
Sm. Vol. Inter.	48	3,424,368	$ 166,269.80	$ 1,579,900.66	$ (46,228.97)	$ 7,876.05	$ 1,707,817.54	$ 1,746,170.47
Transportation	2	1,829,342	$ 89,297.31	$ -	$ (24,696.12)	$ 4,207.49	$ 68,808.68	$ 89,297.31
	10,663	17,107,108	$ 3,235,645.36	$ 8,345,701.71	$ (230,945.96)	$ 39,346.35	$ 11,389,747.46	$ 11,581,347.07

Class	Customers	Dth	Margin Revenue	Fuel Revenue	CCRA Revenue	GAP Revenue	Total Revenue	MERC INTERIM TOTAL REVENUE MINUS CCRA & GAP
Residential	9,411	7,848,774	$ 2,832,509.60	$ 4,886,332.74	$ 134,920.43	$ 34,613.09	$ 7,888,375.86	$ 7,718,842.35
C & I < 1500	1,192	3,840,624	$ 1,036,857.48	$ 2,391,018.88	$ 66,020.33	$ 16,937.15	$ 3,510,833.84	$ 3,427,876.36
C & I > 1500	10	164,000	$ 35,954.56	$ 102,099.84	$ 2,819.16	$ 723.24	$ 141,596.80	$ 138,054.40
Sm. Vol. Inter.	48	3,424,368	$ 508,897.33	$ 1,507,714.99	$ 58,864.89	$ 15,101.46	$ 2,090,578.67	$ 2,016,612.32
Transportation	2	1,829,342	$ 80,068.59	$ -	$ 31,446.39	$ 8,067.40	$ 119,582.38	$ 80,068.59
	10,663	17,107,108	$ 4,494,287.57	$ 8,887,166.45	$ 294,071.19	$ 75,442.35	$ 13,750,967.54	$ 13,381,454.01

INTERSTATE POWER AND LIGHT COMPANY
Revenue Verification - (frequency summaries)
Year Ended 12/31/2013

Class of Service		Type ofCharge	Basis of Charge	2013 Billed Units	Base Rates Present	-	Present
Residential		Customer Charge	Bills	112,932	$ 5.00		$ 564,660.00
		Therm Charge (less base fuel)	Therms	7,848,774	$ 0.19769		$ 1,551,624.13
		Fuel		7,848,774	$ 0.57079		$ 4,480,001.71
		CCRA		7,848,774	$ (0.01350)		$ (105,958.45)
		GAP		7,848,774	$ 0.00230		$ 18,052.18
	Total						$ 6,508,379.57
C & I < 1500	010	Customer Charge	Bills	14,304	$ 5.00		$ 71,520.00
		Therm Charge (less base fuel)	Therms	3,840,624	$ 0.19769		$ 759,252.96
		Fuel		3,840,624	$ 0.57079		$ 2,192,189.77
		CCRA		3,840,624	$ (0.01350)		$ (51,848.42)
		GAP		3,840,624	$ 0.00230		$ 8,833.44
	Total						$ 2,979,947.74
C & I > 1500	010	Customer Charge	Bills	120	$ 5.00		$ 600.00
		Therm Charge (less base fuel)	Therms	164,000	$ 0.19769		$ 32,421.16
		Fuel		164,000	$ 0.57079		$ 93,609.56
		CCRA		164,000	$ (0.01350)		$ (2,214.00)
		GAP		164,000	$ 0.00230		$ 377.20
	Total						$ 124,793.92
Sm. Vol. Inter.	020	Customer Charge	Bills	576	$ 14.00		$ 8,064.00
		Therm Charge (less base fuel)	Therms	3,424,368	$ 0.04620		$ 158,205.80
		Fuel		3,424,368	$ 0.46137		$ 1,579,900.66
		CCRA		3,424,368	$ (0.01350)		$ (46,228.97)
		GAP		3,424,368	$ 0.00230		$ 7,876.05
	Total						$ 1,707,817.54
Transportation	060	Customer Charge	Bills	24	$ 100.00		$ 2,400.00
		Therm Charge	Therms	1,829,342	$ 0.04619		$ 84,497.31
		Admin. Charge	Bills	24	$ 100.00		$ 2,400.00
		CCRA		1,829,342	$ (0.01350)		$ (24,696.12)
		GAP		1,829,342	$ 0.00230		$ 4,207.49
	Total						$ 68,808.68
					Margin		$ 3,235,645.36
					Fuel		$ 8,345,701.71
					CCRA		$ (230,945.96)
					GAP		$ 39,346.35
Total				17,107,108			$ 11,389,747.46

INTERSTATE POWER AND LIGHT COMPANY

Revenue Verification - (frequency summaries)

Year Ended 12/31/2013

Class of Service		Type of Charge	Basis of Charge	2013 Billed Units	Base Rates Interim	Present
Residential		Customer Charge	Bills	112,932	$ 9.59	$ 1,083,017.88
		Therm Charge (less base fuel)	Therms	7,848,774	$ 0.22290	$ 1,749,491.72
		Fuel		7,848,774	0.62256	$ 4,886,332.74
		CCRA		7,848,774	0.01719	$ 134,920.43
		GAP		7,848,774	0.00441	$ 34,613.09
	Total					$ 7,888,375.86
C & I < 1500		Customer Charge	Bills	14,304	$ 16.36	$ 234,013.44
GS SC&I		Therm Charge (less base fuel)	Therms	3,840,624	$ 0.20904	$ 802,844.04
		Fuel		3,840,624	0.62256	$ 2,391,018.88
		CCRA		3,840,624	0.01719	$ 66,020.33
		GAP		3,840,624	0.00441	$ 16,937.15
	Total					$ 3,510,833.84
C & I > 1500		Customer Charge	Bills	120	$ 39.49	$ 4,738.80
GS LC&I		Therm Charge (less base fuel)	Therms	164,000	$ 0.19034	$ 31,215.76
		Fuel		164,000	0.62256	$ 102,099.84
		CCRA		164,000	0.01719	$ 2,819.16
		GAP		164,000	0.00441	$ 723.24
	Total					$ 141,596.80
Sm. Vol. Inter.		Customer Charge	Bills	576	$ 169.26	$ 97,493.76
SVI		Therm Charge (less base fuel)	Therms	3,424,368	$ 0.12014	$ 411,403.57
		Fuel		3,424,368	0.44029	$ 1,507,714.99
		CCRA		3,424,368	0.01719	$ 58,864.89
		GAP		3,424,368	0.00441	$ 15,101.46
	Total					$ 2,090,578.67
Transportation		Customer Charge	Bills	24	$ 197.47	$ 4,739.28
LVI Transport		Therm Charge	Therms	1,829,342	$ 0.04026	$ 73,649.31
		Admin. Charge	Bills	24	$ 70.00	$ 1,680.00
		CCRA		1,829,342	0.01719	$ 31,446.39
		GAP		1,829,342	0.00441	$ 8,067.40
	Total					$ 119,582.38
					Margin	$ 4,494,287.57
					Fuel	$ 8,887,166.45
					CCRA	$ 294,071.19
					GAP	$ 75,442.35
Total				17,107,108		$ 13,750,967.54

INTERSTATE POWER AND LIGHT COMPANY
Summary
2013

Revised OAG IR 006

Class	Customers	Dth	Margin Revenue	Fuel Revenue	CCRA Revenue	GAP Revenue	Total Revenue	IPL TOTAL REVENUE MINUS CCRA & GAP
Residential	9,411	7,848,774	$ 2,116,284.13	$ 4,480,001.71	$ (105,958.45)	$ 18,052.18	$ 6,508,379.57	$ 6,596,285.84
C & I < 1500	1,192	3,840,624	$ 830,772.96	$ 2,192,189.77	$ (51,848.42)	$ 8,833.44	$ 2,979,947.74	$ 3,022,962.73
C & I > 1500	10	164,000	$ 33,021.16	$ 93,609.56	$ (2,214.00)	$ 377.20	$ 124,793.92	$ 126,630.72
Sm. Vol. Inter.	48	3,424,368	$ 166,269.80	$ 1,579,900.66	$ (46,228.97)	$ 7,876.05	$ 1,707,817.54	$ 1,746,170.47
Transportation	2	1,829,342	$ 89,297.31	$ -	$ (24,696.12)	$ 4,207.49	$ 68,808.68	$ 89,297.31
	10,663	17,107,108	$ 3,235,645.36	$ 8,345,701.71	$ (230,945.96)	$ 39,346.35	$ 11,389,747.46	$ 11,581,347.07

Class	Customers	Dth	Margin Revenue	Fuel Revenue	CCRA Revenue	GAP Revenue	Total Revenue	MERC PROPOSED TOTAL REVENUE MINUS CCRA & GAP
Residential	9,411	7,848,774	$ 3,035,539.88	$ 4,991,035.39	$ 134,920.43	$ 34,613.09	$ 8,196,108.79	$ 8,026,575.27
C & I < 1500	1,192	3,840,624	$ 1,133,787.18	$ 2,442,252.80	$ 66,020.33	$ 16,937.15	$ 3,658,997.46	$ 3,576,039.98
C & I > 1500	10	164,000	$ 32,809.32	$ 104,287.60	$ 2,819.16	$ 723.24	$ 140,639.32	$ 137,096.92
Sm. Vol. Inter.	48	3,424,368	$ 473,364.18	$ 1,562,710.34	$ 58,864.89	$ 15,101.46	$ 2,110,040.86	$ 2,036,074.51
Transportation	2	1,829,342	$ 95,876.26	$ -	$ 31,446.39	$ 8,067.40	$ 135,390.05	$ 95,876.26
	10,663	17,107,108	$ 4,771,376.82	$ 9,100,286.13	$ 294,071.19	$ 75,442.35	$ 14,241,176.48	$ 13,871,662.94

INTERSTATE POWER AND LIGHT COMPANY

Revenue Verification - (frequency summaries)

Year Ended 12/31/2013

			Basis of	2013	Base Rates	
Class of Service		Type ofCharge	Charge	Billed Units	Present	Present
Residential		Customer Charge	Bills	112,932	$ 5.00	$ 564,660.00
		Therm Charge (less base fuel)	Therms	7,848,774	$ 0.19769	$ 1,551,624.13
		Fuel		7,848,774	$ 0.57079	$ 4,480,001.71
		CCRA		7,848,774	$ (0.01350)	$ (105,958.45)
		GAP		7,848,774	$ 0.00230	$ 18,052.18
	Total					$ 6,508,379.57
C & I < 1500	010	Customer Charge	Bills	14,304	$ 5.00	$ 71,520.00
		Therm Charge (less base fuel)	Therms	3,840,624	$ 0.19769	$ 759,252.96
		Fuel		3,840,624	$ 0.57079	$ 2,192,189.77
		CCRA		3,840,624	$ (0.01350)	$ (51,848.42)
		GAP		3,840,624	$ 0.00230	$ 8,833.44
	Total					$ 2,979,947.74
C & I > 1500	010	Customer Charge	Bills	120	$ 5.00	$ 600.00
		Therm Charge (less base fuel)	Therms	164,000	$ 0.19769	$ 32,421.16
		Fuel		164,000	$ 0.57079	$ 93,609.56
		CCRA		164,000	$ (0.01350)	$ (2,214.00)
		GAP		164,000	$ 0.00230	$ 377.20
	Total					$ 124,793.92
Sm. Vol. Inter.	020	Customer Charge	Bills	576	$ 14.00	$ 8,064.00
		Therm Charge (less base fuel)	Therms	3,424,368	$ 0.04620	$ 158,205.80
		Fuel		3,424,368	$ 0.46137	$ 1,579,900.66
		CCRA		3,424,368	$ (0.01350)	$ (46,228.97)
		GAP		3,424,368	$ 0.00230	$ 7,876.05
	Total					$ 1,707,817.54
Transportation	060	Customer Charge	Bills	24	$ 100.00	$ 2,400.00
		Therm Charge	Therms	1,829,342	$ 0.04619	$ 84,497.31
		Admin. Charge	Bills	24	$ 100.00	$ 2,400.00
		CCRA		1,829,342	$ (0.01350)	$ (24,696.12)
		GAP		1,829,342	$ 0.00230	$ 4,207.49
	Total					$ 68,808.68
					Margin	$ 3,235,645.36
					Fuel	$ 8,345,701.71
					CCRA	$ (230,945.96)
					GAP	$ 39,346.35
Total				17,107,108		$ 11,389,747.46

INTERSTATE POWER AND LIGHT COMPANY

Revenue Verification - (frequency summaries)

Year Ended 12/31/2013

Class of Service		Type of Charge	Basis of Charge	2013 Billed Units	Base Rates Proposed		Present
Residential		Customer Charge	Bills	112,932	$	11.00	$ 1,242,252.00
		Therm Charge (less base fuel)	Therms	7,848,774	$	0.22848	$ 1,793,287.88
		Fuel		7,848,774	$	0.63590	$ 4,991,035.39
		CCRA		7,848,774	$	0.01719	$ 134,920.43
		GAP		7,848,774	$	0.00441	$ 34,613.09
	Total						$ 8,196,108.79
C & I < 1500		Customer Charge	Bills	14,304	$	18.00	$ 257,472.00
GS SC&I		Therm Charge (less base fuel)	Therms	3,840,624	$	0.22817	$ 876,315.18
		Fuel		3,840,624	$	0.63590	$ 2,442,252.80
		CCRA		3,840,624	$	0.01719	$ 66,020.33
		GAP		3,840,624	$	0.00441	$ 16,937.15
	Total						$ 3,658,997.46
C & I > 1500		Customer Charge	Bills	120	$	45.00	$ 5,400.00
GS LC&I		Therm Charge (less base fuel)	Therms	164,000	$	0.16713	$ 27,409.32
		Fuel		164,000	$	0.63590	$ 104,287.60
		CCRA		164,000	$	0.01719	$ 2,819.16
		GAP		164,000	$	0.00441	$ 723.24
	Total						$ 140,639.32
Sm. Vol. Inter.		Customer Charge	Bills	576	$	165.00	$ 95,040.00
SVI		Therm Charge (less base fuel)	Therms	3,424,368	$	0.11048	$ 378,324.18
		Fuel		3,424,368	$	0.45635	$ 1,562,710.34
		CCRA		3,424,368	$	0.01719	$ 58,864.89
		GAP		3,424,368	$	0.00441	$ 15,101.46
	Total						$ 2,110,040.86
Transportation		Customer Charge	Bills	24	$	185.00	$ 4,440.00
LVI Transport		Therm Charge	Therms	1,829,342	$	0.04854	$ 88,796.26
		Admin. Charge	Bills	24	$	110.00	$ 2,640.00
		CCRA		1,829,342	$	0.01719	$ 31,446.39
		GAP		1,829,342	$	0.00441	$ 8,067.40
	Total						$ 135,390.05
					Margin		$ 4,771,376.82
					Fuel		$ 9,100,286.13
					CCRA		$ 294,071.19
					GAP		$ 75,442.35
Total				17,107,108			$ 14,241,176.48

EXHIBIT E

☐ **Confidential/Trade Secret**

Response of
Interstate Power and Light Company
to
Minnesota Department of Commerce
Division of Energy Resources
Information Request No. 4

Docket No.:	G001,G011/PA-14-107
Date of Request:	February 14, 2014
Response Due:	March 6, 2014
Information Requested By:	Eilon Amit
Date Responded:	March 7, 2014
Author:	Jason Nielsen
Author's Title:	Mgr. Regulatory Affairs
Author's Telephone No.:	(319) 786-8135
Subject:	
Reference:	

Information Request No. 4

On March 9, 2007, the Commission issued an Order Allowing Recovery of Deferred Former Manufactured Gas Plant Clean-up Costs (Docket No. G001/M-06-1166). The order allows the Company to continue to recover $494,017 annually to account for the Company's environmental costs associated with its FMGP.

a. For the Residential class, Small Commercial & Industrial class, Large Commercial & Industrial class, Small Volume Interruptible Commercial & Industrial class, please provide the average monthly charge associated with the recovery of the FMGP's costs. For your calculations, for each customer class, please use the average therms you have used in Attachment F of your filing. Also, please explain for each class how the monthly charges are allocated between customer charge and volumetric distribution charge.

b. Please answer part a above substituting MERC for IPL.

Response:

a. Attachment A provides the average monthly bill by customer class related to FMGP cost recovery (column R).

IPL filed compliance filings in Docket No. G001/GR-95-406 on July 18, 1996, and August 2, 1996, that reflected initiation of recovery of former manufactured gas plant (FMGP) costs. Part of that filing provided the revenue allocation by customer class as approved by the Commission's July 2, 1996 Order. The Commission accepted the

Department's proposed revenue allocation method, which IPL used in the determination of rates. The revenue apportionment first allocated to the customer classes their respective purchase gas costs, followed by the customer costs, and administrative charges. The remaining approved costs, which included the recovery of FMGP costs, were allocated to the commodity volumes. No FMGP costs are currently or have been historically included in customer charges. Attachment A to this information request follows a similar allocation methodology based upon 2013 revenues and volumes. IPL utilized 2013 average therm data in this calculation versus a composite of 2012 and 2013 data.

b. It is unclear from the request whether the Department is seeking information regarding recovery of MERC/Aquila's historic FMGP costs or the proposed recovery mechanism for future recovery of FMGP costs under the Joint Petition. If it is assumed that this request is intended to obtain information pertaining to a FMGP rate element that would have been implemented by MERC's predecessor, Aquila. MERC has been unable to locate any files or information that address how Aquila implemented the FMGP rate element. With respect to proposed future implementation of a FMGP recovery mechanism, for purposes of illustration, the Joint Petition assumed a flat per customer charge for FMGP costs. See Joint Petition at 18, note 7. MERC has not proposed a specific cost allocation methodology for recovery of these expenses. However, for example, a continuation of the IPL recovery methodology would be acceptable. If the Department is seeking additional information on a proposed allocation methodology similar to Attachment A, MERC could provide that upon request.

---CUSTOMER INFORMATION SYSTEM--- PAGE - 6
REPORT-P016530 RUN DATE - 01/14/14
CONTROL DATE - 01/14/14 TIME - 10/35/11

REVENUE REQUEST 01 13 THRU 12 13 SALES OF GAS BY RATE SCHEDULES

NOTE - SUBTOTALS ARE LISTED BY RATE SCHEDULE AND PIPELINE		THM SOLD	REVENUE	AVG. NO OF CUSTOMERS	THM PER CUSTOMER	REVENUE PER THM SOLD	TOTAL COST OF GAS	BASE COST OF GAS	COST OF GAS ADJUSTMENT	Volumetric Margin	FMGP Allocation	Average Monthly Bill	FMGP Avg Monthly
NNG - MINNESOTA													
RESIDENTIAL													
	10	8,974,288	$ 7,221,316.99	113,167	79	0.8	$ 4,620,259	$ 2,733,927	$ 1,886,332	$ 1,774,126.99	$ 295,871	$ 63.81	$ 2.61
SUB-TOTAL		8,974,288	$ 7,221,316.99	113,167	79	0.8	$ 4,620,259	$ 2,733,927	$ 1,886,332	$ 1,774,126.99			
NON-RESIDENTIAL													
	10	4,709,667	$ 3,553,231.80	14,481	325	0.75	$ 2,421,121	$ 1,434,753	$ 986,368	$ 931,054.07	$ 155,272	$ 245.37	$ 10.72
	20	2,203,945	$ 1,037,931.05	468	4,709	0.47	$ 875,845	$ 420,976	$ 454,870	$ 101,822.26	$ 16,981	$ 2,217.80	$ 36.28
SUB-TOTAL		6,913,612	$ 4,591,162.85	14,949	462	0.66	$ 2,761,806	$ 1,320,569	$ 1,441,237	$ 1,032,876.33			
LARGE - FIRM													
	20	1,526,947	$ 727,020.16	96	15,906	0.48	$ 611,233	$ 291,662	$ 319,571	$ 70,544.95	$ 11,765	$ 7,573.13	$ 122.55
SUB-TOTAL		1,526,947	$ 727,020.16	96	15,906	0.48	$ 611,233	$ 291,662	$ 319,571	$ 70,544.95			
INTERRUPTIBLE													
	60	1,834,070	$ 200,032.30	24	76,420	0.11	$ -	0	$ -	$ 84,715.69	$ 14,128	$ 8,334.68	$ 588.67
SUB-TOTAL		1,834,070	$ 200,032.30	24	76,420	0.11	$ -	0	$ -	$ 84,715.69			
COMPANY USES		8,126	$ -	0	-	0	$ -	0	$ -				
PENALTIES		0	$ 6,846.31	0	-	0	$ -	0	$ -				
GRAND TOTAL		19,257,043	$ 12,746,378.61	128,236	150	0.66	$ 3,647,139.84	0	$ 3,647,139.84	$ 2,962,263.97	$ 494,017	$ 99.40	$ 3.85

EXHIBIT F

☐ **Confidential/Trade Secret**

Response of
Interstate Power and Light Company
to
Minnesota Department of Commerce
Division of Energy Resources
Information Request No. 5

Docket No.:	G001,G011/PA-14-107
Date of Request:	February 14, 2014
Response Due:	February 27, 2014
Information Requested By:	Eilon Amit
Date Responded:	March 18, 2014
Author:	Amy Wheatley
Author's Title:	Lead Financial Affairs
Author's Telephone No.:	(319) 786-4704
Subject:	
Reference:	

Information Request No. 5

a. Using a 2014 Test-Year, please calculate IPL-Minnesota revenue requirements. In your calculations, please use return on equity of 9.40 percent, IPL-Minnesota 2014 projected capital structure, and 2014 projected costs of short-term debt, long-term debt and preferred stock.

b. Using the revenue requirements calculated in part a above, please reproduce Attachment F of your filing. In your recalculations of Attachment F, please use the same rate design you used to calculate the original Attachment F.

Response:

a. IPL does not currently have information available to calculate revenue requirements for IPL-Minnesota Gas jurisdiction for a 2014 test year. Attachment A has been provided that shows a preliminary estimate of revenue requirements based on a 2013 historical test year using actual financial results with pro-forma adjustments for former manufactured gas plant (FMGP) costs, rate case expenses and weather normalization for the IPL-Minnesota Gas jurisdiction. IPL has also included Attachment B, which shows each of the pro-forma adjustments that are presented in Schedule B. The information included in Attachment A is in the following order:

Financial Summary: Overall financial summary

Schedule A: Income Statement results and revenue requirements after any pro-forma adjustments.

Schedule B: Pro-forma adjustments to the income statement for FMGP costs amortized over a 10-year period, estimated rate case expenses amortized over a 3-year period and a weather normalization adjustment using Albert Lea weather.

The FMGP costs reflect estimates for future environmental liability mitigation projects of $4,163,000 for the Albert Lea, Austin, New Ulm, and Owatonna sites, in addition to previously spent, but not yet recovered, remediation expenses of $4,617,000, for a total of $8,780,000. The total has been reduced by $2,024,000 to reflect proceeds received from insurance settlements, for a net total of $6,756,000 to be collected from customers over a 10-year period at the rate of $675,600 per year. The adjustment to expenses of $181,583 reflects the difference between $675,600 and the $497,017 included in current rates.

Schedule C: Unadjusted Year End 2013 rate base

Schedule D: Pro-forma adjustments to the rate base

Schedule E: Year End cost of capital structure using a return on equity of 9.40 percent.

b. IPL provides Attachment C, which shows the recalculation of per therm costs (in column Q) that are reflected Attachment F, using the revenue requirements calculated in part (a) above. A reproduction of Attachment F using the revised per therm costs will be provided as a supplement to this Response.

INTERSTATE POWER & LIGHT COMPANY
OVERALL FINANCIAL SUMMARY
MINNESOTA GAS RETAIL JURISDICTION

Line	Description	(a) Reference to Supporting Schedule		(b) Actual Unadjusted 2013 Calendar Year		(d) Proposed Test Year 2013
1	Revenue	A	$	12,672,959	$	12,648,724
2	Rate Base	C	$	8,244,663	$	8,244,663
3	Operating Income	A	$	286,500	$	48,569
4	Overall Rate of Return (3 divided by 2)			3.475%		0.589%
5	Rate of Return Requested	E		7.493%		7.493%
6	Required Net Operating Income (2 x 5)		$	617,773	$	617,773
7	Income Deficiency (6 - 3)		$	331,273	$	569,204
8	Gross Revenue Conversion Factor	A		1.705611		1.705611
9	Revenue Increase Requested (7 x 8)		$	565,023	$	970,841

INTERSTATE POWER AND LIGHT COMPANY

MINNESOTA GAS UTILITY

COST OF SERVICE

YEAR ENDED DECEMBER 31, 2013

Line No.	Description	(a) Actual Test Year Results	(b) Adjustments	(c) Adjusted Test Year Results	(d) Additional Revenues Required to Yield 7.493%	(e) Total Revenues Required to Yield 7.493%
					7.7%	
1	**Operating revenues**	$ 12,672,959	$ (24,235)	$ 12,648,724	$ 970,842	$ 13,619,566
	Operating expenses:					
2	Gas purchased for resale	8,589,063	-	8,589,063		8,589,063
3	Operation expenses	2,731,204	381,583	3,112,787		3,112,787
4	Maintenance expenses	133,982	-	133,982		133,982
5	Depreciation and amortization	791,434	-	791,434		791,434
6	Property taxes	149,277	-	149,277		149,277
7	Miscellaneous taxes	50,312	-	50,312		50,312
	Income taxes -					
8	Current federal	(128,563)	(128,117)	(256,680)	306,495	49,815
9	Current state	(6,692)	(39,770)	(46,462)	95,143	48,681
10	Deferred	77,693	-	77,693		77,693
11	Investment tax credits	(1,251)	-	(1,251)		(1,251)
12	Total operating expenses	12,386,459	213,696	12,600,155	401,638	13,001,793
13	**Operating income**	286,500	(237,931)	48,569	569,204	617,773
14	**Rate base**	8,244,663	-	8,244,663		8,244,663
15	**Cost of Capital:**	3.475%		0.589%		7.493%

INTERSTATE POWER AND LIGHT COMPANY

MINNESOTA GAS UTILITY

SUMMARY OF ADJUSTMENTS TO COST OF SERVICE

YEAR ENDED DECEMBER 31, 2013

Line No.	Brief Description of Adjustment:	(a)	(b)	(c)	(d)	(e)	(ad)	(ae)
	Schedule:	B-1	B-2	B-3	B-4	B-5	B-50	
	Exhibit Designation:							
		2013 Weather Normalization	FMGP Amortized over 10 Years	Rate Case Expenses Amortized over 3 Years	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Total
1	**Operating Revenues**	($24,235)						$ (24,235)
	Operating Expenses:							
2	Gas Purchased for Resale							0
3	Operation Expense		$ 181,583	$ 200,000				381,583
4	Maintenance Expense							0
5	Depreciation and Amortization							0
6	Property Taxes							0
7	Miscellaneous Taxes							0
	Income Taxes-							
8	Current Federal at 31.57%	(7,651)	(57,326)	(63,140)	-	-		(128,117)
9	Current State at 9.80%	(2,375)	(17,795)	(19,600)	-	-		(39,770)
10	Deferred							0
11	Investment Tax Credit							0
12	Total Operating Expense	(10,026)	106,462	117,260	-	-	-	213,696
13	**Operating Income**	(14,209)	(106,462)	(117,260)	-	-	-	(237,931)
14	*Rate Base Schedule*							
15	*for Compound Adjustments:*							

Schedule C

INTERSTATE POWER AND LIGHT COMPANY

MINNESOTA GAS UTILITY

YEAR-END
RATE BASE

YEAR ENDED DECEMBER 31, 2013

Line No.	Description	(a) Schedule Reference	(b) Year End	(c) Adjustments	(d) Adjusted Rate Base
	Investment in plant:				
1	Utility plant in service	C-1, C-2	9,828,826	$ -	$ 9,828,826
2	Accumulated deferred income taxes	C-3	(2,561,289)	-	(2,561,289)
3	Customer advances for construction	C-4	(52,729)	-	(52,729)
4	Customer deposits	C-5	(77,871)	-	(77,871)
5	Unclaimed property	C-6	-	-	-
6	Accumulated provision for uncollectibles	C-7	(76,763)	-	(76,763)
7	Accrued liability for property insurance, workers compensation insurance and injuries and damages	C-8	(46,833)	-	(46,833)
8	Accrued vacation	C-9	(43,939)	-	(43,939)
9	Accrued pension plan obligations	C-10	(57,741)	-	(57,741)
10	Total net investment in plant		6,911,661	-	6,911,661
	Working capital:				
11	Materials and supplies inventory	C-11	39,756	-	39,756
12	Prepayments	C-12	1,293,247	-	1,293,247
13	Propane inventory	C-13	-	-	-
14	Cash working capital requirements	C-14	-	-	-
15	Total net working capital		1,333,003	-	1,333,003
16	**Total rate base**		8,244,663	-	$ 8,244,663

Source:
Company Workpaper C

File name: Attachment A.xlsx
Sheet name: Schedule C

3/18/2014
2:10 PM

INTERSTATE POWER AND LIGHT COMPANY

MINNESOTA GAS UTILITY

SUMMARY OF ADJUSTMENTS TO THE RATE BASE

YEAR ENDED DECEMBER 31, 2013

		(a)	(b)	(c)	(d)	(e)	(i)	(j)
	Schedule:	D-1	D-2	D-3	D-4	D-5	D-10	
	Exhibit Designation:							
Line No.	*Brief Description of Adjustment:*	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Intentionally Left Blank	Total
	Investment in plant:							
1	Utility plant in service							$ -
2	Accumulated provision for depreciation and amortization							-
3	Accumulated deferred income taxes							-
4	Customer advances for construction							
5	Customer deposits							-
6	Unclaimed property							-
7	Accumulated provision for uncollectibles							-
8	Accrued liability for property insurance, workers compensation insurance and injuries and damages							-
9	Accrued vacation							-
10	Accrued pension plan obligations							-
11	Total net investment in plant	-	-	-	-	-	-	-
	Working capital:							
12	Materials and supplies inventory							-
13	Prepayments							-
14	Propane inventory							-
15	Cash working capital requirements							-
16	Total net working capital	-	-	-	-	-	-	-
17	**Total rate base**	-	-	-	-	-	-	-

Cost of Service Schedule
for Compound Adjustments:

INTERSTATE POWER & LIGHT COMPANY

MINNESOTA GAS UTILITY

13-MONTH AVERAGE COST OF CAPITAL FOR FINAL RATES

FOR THE PERIOD DECEMBER 31, 2012 THROUGH DECEMBER 31, 2013

YEAR ENDED DECEMBER 31, 2013

Line No.		(a) Year End Principal (1)	(b) Adjustments to Principal (2)	(c) Adjusted Principal	(d) Adjusted Capitalization Ratios	(e) Adjusted Avg. Cost of Money by Components (2)	(f) Adjusted Average Cost of Capital
1	Long-term debt	$ 1,536,574,362		$ 1,536,574,362	44.978%	5.685% (3)	2.557%
2	Preferred Stock	194,601,576		194,601,576	5.696%	5.241% (4)	0.299%
3	Common equity	1,685,106,414		1,685,106,414	49.326%	9.400%	4.637%
4	Total	$ 3,416,282,351	$ -	$ 3,416,282,351	100.000%		7.493%

File Name: Attachment A.xlsx
Sheet Name: Schedule E
3/18/20142:10 PM

Schedule B-1

IPL-Minnesota WN Gas Sales
Sales by Rate

Section 1 - Billed Sales by Rate

Rate	Rev Class	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Annual DTH
10 Heating	RESIDENTIAL	157,255	152,243	126,985	95,564	59,520	23,958	15,459	13,753	15,574	22,673	67,649	141,217	891,849
10 Regular	RESIDENTIAL	882	1,067	860	547	415	108	87	101	108	154	424	827	5,579
10 Regular	COMMERCIAL	1,684	1,701	1,287	1,024	601	323	280	273	318	870	11,035	3,335	22,731
10 Heating	COMMERCIAL	73,505	72,724	59,069	48,113	26,003	9,876	8,377	7,442	9,549	10,741	34,038	70,364	429,801
20 Interruptible	COMMERCIAL	29,556	27,727	21,796	20,961	12,934	7,413	6,431	5,589	7,756	13,421	37,329	29,484	220,395
10 Regular	INDUSTRIAL	3,481	3,357	2,657	1,979	844	312	299	258	372	634	1,192	3,052	18,434
20 Interrputible	INDUSTRIAL	18,764	17,971	17,139	14,741	11,121	8,839	9,532	8,010	10,486	6,581	12,123	17,388	152,695
60 Interruptible	Transport	12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407
Total		298,053	293,624	244,717	199,229	124,903	65,358	54,728	50,245	57,455	70,733	179,810	286,037	1,924,892
10		236,807	231,092	190,856	147,226	87,383	34,577	24,501	21,827	25,921	35,072	114,338	218,795	1,368,396
20		48,319	45,698	38,935	35,702	24,055	16,251	15,963	13,599	18,241	20,002	49,452	46,873	373,089
60		12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407
Total		298,053	293,624	244,717	199,229	124,903	65,358	54,728	50,245	57,455	70,733	179,810	286,037	1,924,892

Section 2-Not Used
Section 3-Not Used

Section 4-Estimated WN Calendar Sales by Rate (Allocated from Rev Class)

Rate	Rev Class	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Annual DTH	Variance	Tariff Price	Base Gas Cost	Margin
10 Heating	RESIDENTIAL	166,277	139,225	88,838	51,222	39,233	23,463	12,885	12,569	29,579	56,691	79,110	143,644	842,736	(49,114)	$ 0.5023	$ 0.30464	$ (9,707.82)
10 Regular	RESIDENTIAL	1,040	871	556	320	245	147	81	79	185	355	495	899	5,272	(307)	$ 0.5023	$ 0.30464	$ (60.73)
10 Regular	COMMERCIAL	3,703	3,150	2,024	1,612	837	528	498	517	847	1,394	3,976	3,074	22,160	(571)	$ 0.5023	$ 0.30464	$ (112.95)
10 Heating	COMMERCIAL	70,008	59,553	38,267	30,475	15,831	9,990	9,421	9,775	16,014	26,360	75,173	58,128	418,996	(10,805)	$ 0.5023	$ 0.30464	$ (2,135.70)
20 Interruptible	COMMERCIAL	35,899	30,538	19,623	15,627	8,118	5,123	4,831	5,013	8,212	13,517	38,547	29,807	214,854	(5,541)	$ 0.2372	$ 0.19101	$ (255.97)
10 Regular	INDUSTRIAL	2,197	2,199	2,035	1,590	855	1,009	1,131	1,062	1,042	718	1,692	3,172	18,702	268	$ 0.5023	$ 0.30464	$ 52.89
20 Interrputible	INDUSTRIAL	18,200	18,217	16,860	13,166	7,080	8,358	9,369	8,798	8,631	5,946	14,014	26,271	154,911	2,216	$ 0.2372	$ 0.19101	$ 102.40
60 Interruptible	Transport	12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407	-			
Total		310,252	270,587	183,129	130,313	85,665	63,148	52,480	52,632	77,803	120,639	229,028	285,362	1,861,038	(63,854)			
10		243,226	204,998	131,720	85,219	57,002	35,137	24,016	24,002	47,667	85,518	160,445	208,916	1,307,866	(60,530)	$ 0.5023	$ 0.30464	$ (11,964.32)
20		54,099	48,755	36,483	28,793	15,198	13,481	14,200	13,811	16,843	19,463	52,562	56,077	369,765	(3,324)	$ 0.2372	$ 0.19101	$ (153.58)
60		12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407	-			
Total		310,252	270,587	183,129	130,313	85,665	63,148	52,480	52,632	77,803	120,639	229,028	285,362	1,861,038	(63,854)			$ (24,235.79)

FMGP - Minnesota

	Balance at December 2013
FMGP Regulatory Asset	8,780,000
FMGP Insurance Proceeds	(2,024,000)
Unamortized Balance 12/31/13	6,756,000
10 year Amortization	675,600
Total Proposed Annual Recovery	**675,600**
Current Annual Recovery Reflected in TY	(494,017)
Addtl Annual Recovery (10yr Amort)	$ 181,583

Schedule B-3

INTERSTATE POWER AND LIGHT COMPANY

MINNESOTA GAS UTILITY

PRO FORMA ADJUSTMENT TO REFLECT RATE CASE EXPENSES

YEAR ENDED DECEMBER 31, 2013

Line No.			
1	Estimated expenses for this rate case	$ 600,000	
2	Rate case expenses amortized over a 3-year period		$ 200,000

File Name: Attachment B.xlsx
Sheet Name: B-3

IPL-Minnesota WN Gas Sales
Sales by Rate

Section 1 - Billed Sales by Rate

Rate	Rev Class	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Annual DTH
10 Heating	RESIDENTIAL	157,255	152,243	126,985	95,564	59,520	23,958	15,459	13,753	15,574	22,673	67,649	141,217	891,849
10 Regular	RESIDENTIAL	882	1,067	860	547	415	108	87	101	108	154	424	827	5,579
10 Regular	COMMERCIAL	1,684	1,701	1,287	1,024	601	323	280	273	318	870	11,035	3,335	22,731
10 Heating	COMMERCIAL	73,505	72,724	59,069	48,113	26,003	9,876	8,377	7,442	9,549	10,741	34,038	70,364	429,801
20 Interruptible	COMMERCIAL	29,556	27,727	21,796	20,961	12,934	7,413	6,431	5,589	7,756	13,421	37,329	29,484	220,395
10 Regular	INDUSTRIAL	3,481	3,357	2,657	1,979	844	312	299	258	372	634	1,192	3,052	18,434
20 Interrputible	INDUSTRIAL	18,764	17,971	17,139	14,741	11,121	8,839	9,532	8,010	10,486	6,581	12,123	17,388	152,695
60 Interruptible	Transport	12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407
Total		298,053	293,624	244,717	199,229	124,903	65,358	54,728	50,245	57,455	70,733	179,810	286,037	1,924,892
10		236,807	231,092	190,856	147,226	87,383	34,577	24,501	21,827	25,921	35,072	114,338	218,795	1,368,396
20		48,319	45,698	38,935	35,702	24,055	16,251	15,963	13,599	18,241	20,002	49,452	46,873	373,089
60		12,927	16,834	14,926	16,301	13,465	14,530	14,264	14,819	13,293	15,658	16,021	20,369	183,407
Total		298,053	293,624	244,717	199,229	124,903	65,358	54,728	50,245	57,455	70,733	179,810	286,037	1,924,892

Section 2-Not Used
Section 3-Not Used

Section 4-Estimated WN Calendar Sales by Rate (Allocated from Rev Class)

Rate	Rev Class	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Annual DTH	therms	Current therm Charge (less fuel)	Current Revenue	Revenue Needed	Adjusted therm Charge
10 Heating	RESIDENTIAL	166,277.3	139,225.3	88,838.1	51,222.0	39,233.1	23,462.5	12,884.8	12,568.8	29,578.8	56,691.5	79,109.7	143,643.7	842,735.7	8,427,357	0.19769	1,666,004	2,235,306	0.26524
10 Regular	RESIDENTIAL	1,040.2	871.0	555.8	320.4	245.4	146.8	80.6	78.6	185.0	354.7	494.9	898.6	5,272.1	52,721	0.19769	10,423	13,984	0.26524
10 Regular	COMMERCIAL	3,702.6	3,149.6	2,023.9	1,611.8	837.3	528.4	498.3	517.0	847.0	1,394.1	3,975.8	3,074.3	22,159.8	221,598	0.19769	43,808	58,778	0.26524
10 Heating	COMMERCIAL	70,008.3	59,552.5	38,267.2	30,475.0	15,831.4	9,990.0	9,421.5	9,775.3	16,014.2	26,359.9	75,173.1	58,127.7	418,996.1	4,189,961	0.19769	828,313	1,111,362	0.26524
20 Interruptible	COMMERCIAL	35,899.1	30,537.5	19,622.8	15,627.0	8,118.1	5,122.7	4,831.2	5,012.6	8,211.8	13,516.9	38,547.4	29,806.9	214,853.9	2,148,539	0.04620	99,263	133,182	0.06199
10 Regular	INDUSTRIAL	2,197.2	2,199.3	2,035.5	1,589.5	854.7	1,009.1	1,131.0	1,062.2	1,042.0	717.8	1,691.9	3,171.6	18,702.0	187,020	0.19769	36,972	49,606	0.26524
20 Interrputible	INDUSTRIAL	18,199.8	18,217.5	16,860.1	13,166.5	7,080.0	8,358.4	9,368.6	8,798.2	8,631.4	5,946.0	14,014.2	26,270.6	154,911.1	1,549,111	0.04620	71,569	96,025	0.06199
60 Interruptible	Transport	12,927.0	16,834.0	14,926.0	16,301.0	13,465.0	14,530.0	14,264.0	14,819.0	13,293.0	15,658.0	16,021.0	20,369.0	183,407.0	1,834,070	0.04619	84,716	113,664	0.06197
Total		310,251.5	270,586.8	183,129.3	130,313.2	85,665.0	63,147.9	52,480.0	52,631.7	77,803.2	120,638.8	229,028.0	285,362.3	1,861,037.8	18,610,378		2,841,067	3,811,908	
10		243,225.7	204,997.8	131,720.4	85,218.7	57,001.9	35,136.8	24,016.2	24,001.9	47,667.0	85,517.9	160,445.4	208,915.8	1,307,865.7	13,078,657	0.19769	2,585,520	3,469,036	0.26524
20		54,098.8	48,755.0	36,482.9	28,793.5	15,198.0	13,481.1	14,199.7	13,810.8	16,843.2	19,462.8	52,561.7	56,077.5	369,765.0	3,697,650	0.04620	170,831	229,207	0.06199
60		12,927.0	16,834.0	14,926.0	16,301.0	13,465.0	14,530.0	14,264.0	14,819.0	13,293.0	15,658.0	16,021.0	20,369.0	183,407.0	1,834,070	0.04619	84,716	113,664	0.06197
Total		310,251.5	270,586.8	183,129.3	130,313.2	85,665.0	63,147.9	52,480.0	52,631.7	77,803.2	120,638.8	229,028.0	285,362.3	1,861,037.8	18,610,378		2,841,067	3,811,908	

Increase $	970,841
Increase %	34%

EXHIBIT G

27

COMMISSION ORIGINAL

PSC-79-058-RD
E 018, E 015/SA-78-1032 27

RECEIVED
Dept. of Public Service
AUG 23 1979
Commission Support

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS

FOR THE MINNESOTA PUBLIC SERVICE COMMISSION

In the Matter of the Joint Petition of Minnesota Power and Light Company and Rainy River Improvement Company Requesting an Order Authorizing the Purchase of All of the Electric Utility Property of Rainy River By Minnesota Power and Light.

REPORT OF HEARING EXAMINER

The above-entitled matter came on for hearing in International Falls on July 25, 1979, before Richard DeLong, Hearing Examiner for the Minnesota State Office of Hearing Examiners.

Appearances: James Habicht, Attorney at Law, 30 West Superior Street, Duluth, Minnesota 55802, appeared on behalf of Minnesota Power and Light Company. Mr. Kenneth Johnson, Director of Rates and an Assistant Treasurer for MP&L gave the only testimony. There were no other appearances.

Notice is hereby given that, pursuant to Minn. Stat. Sec. 15.0421 (1978), and the rules of Practice of the Public Service Commission and the Office of Hearing Examiners, exceptions to the attached report, if any, by any party adversely affected must be filed within 20 days of the mailing date hereof with the Secretary, Minnesota Public Service Commission, 160 E. Kellogg Boulevard, St. Paul, Minnesota 55101. Exceptions must be specific and stated and numbered separately. Proposed Findings of Fact, Conclusions and Order should be included, and copies thereof shall be served upon all parties. If desired, a reply to exceptions may be filed and served within ten days after the service of the exceptions to which reply is made. Oral argument before a majority of the Commission will be permitted to all parties adversely affected by the Examiner's recommendation who request such argument. Such request must accompany the filed exceptions or reply, and an original and 17 copies of each document should be filed with the Commission.

The Minnesota Public Service Commission will make the final determination of the matter after the expiration of the period for filing exceptions as set forth above, or after oral argument, if such is requested and had in the matter.

Further notice is hereby given that the Commission may, at its own discretion, accept or reject the Examiner's recommendation and that said recommendation has no legal effect unless expressly adopted by the Commission as its final order.

Based upon the proceedings herein, the Examiner makes the following:

FINDINGS OF FACT

1. By petition filed with the Minnesota Public Service Commission, the above-named joint petitioners request an order approving the purchase

of all electric utility equipment of Rainy River by MP&L and the revision of MP&L's present assigned service area in such a fashion as to incorporate the present existing assigned service area of Rainy River. A hearing on said petition was previously held on January 4, 1979. As a result of said hearing, the Examiner recommended that the petition be granted. On February 27, 1979, the Commission entered an order adopting the Examiner's Report as its final order, thus approving the petition. By order dated April 17, 1979, the Commission rescinded that part of its order of February 27 authorizing the purchase of all electric utility equipment of Rainy River by MP&L and reaffirming that part of the earlier order authorizing the transfer of the Rainy River service area to MP&L. It then directed that further hearings be held on that portion of the petition relating to the purchase of Rainy River's electric utility equipment by MP&L. Said hearing was scheduled for June 21, 1979, in International Falls and notice thereof was published in the Commission's weekly calendar of May 18, 1979, and every week thereafter. The hearing was subsequently continued to July 25, 1979, and notice of said continuance was also published in the Commission's weekly calendars.

2. As indicated in the Examiner's original Report herein, Rainy River is a wholly owned subsidiary of Boise Cascade Corporation which operates a major paper processing facility in International Falls, Minnesota. Rainy River purchases electricity from Boise and sells it at retail to consumers in International Falls, South International Falls, Ranier, Minnesota and some of the surrounding rural areas. Boise generates approximately 51% of the power supply for itself and Rainy River. It purchases the remaining 49% from Ontario Hydro. Boise has been informed that as of December 31, 1978, Ontario Hydro will not renew its contractual agreement to provide Boise with this power. Shortly after being so notified, Boise entered into negotiations with MP&L. These negotiations resulted in an agreement providing that MP&L would purchase all of Rainy River's electric utility property at its depreciated originally installed cost value. MP&L also agreed to make improvements in the existing Rainy River distribution system and to provide Boise with electric energy at retail.

At the time of the filing of the petition herein, the original cost depreciated value of equipment to be purchased from Rainy River was $408,419.81. All utility plants which might be added to the Rainy River system between the date of said petition and the effective date of the transfer will also be purchased by MP&L at its original cost depreciated value. Any retirements of utility plants from Rainy River system will be similarly accounted for consistent with approved accounting and utility ratemaking practices.

3. MP&L proposes to serve the current Rainy River service area by building a 230 kv/115 substation adjacent to its existing 230 kv transmission line near Little Fork, Minnesota, southwest of International Falls. From the Little Fork substation, it would construct a 115 kv transmission line, approximately 17 miles long, into the present Rainy River service area. Boise Cascade will pay the costs of constructing these facilities and

MP&L will record the payment from Boise as a contribution in aid of construction. Therefore, the value of these facilities will have no ratemaking impact upon MP&L's present or future ratepayers.

4. Mr. Johnson made two cost of service studies for MP&L, one with the acquisition of Rainy River and the other without. Both were made for the year 1980, which is the year immediately preceding the proposed transfer. MP&L's new generating unit, Boswell #4, is scheduled for completion on May 1, 1980, and for purposes of his comparison cost studies, Johnson treated that unit as if it will be on line for the full year 1980. Revenues in the studies were based on the preliminary rates developed from the revenues authorized by the Commission's order in MP&L, Docket No. E 015/GR-78-514, on April 9, 1979. Mr. Johnson assumed no short term increases in costs for bulk transmission general plant and administrative and general expenses, but did factor in additional long term costs for these functions by using the same ratios which the present costs have before acquisition of Rainy River. The results of these comparison studies showed that the rate of return for each class on MP&L's system will be slightly higher after the acquisiion of Rainy River than before the acquisition. Thus, the rate levels for current MP&L ratepayers will not have to be increased as a result of the acquisition. They will not be reduced either, however, since the increase in the class rates of return are so slight that they will be offset by increases in costs which the MP&L system will incur with or without the acquisition.

5. Under the terms of the proposed acquisition, Rainy River customers will be subject to MP&L's schedule of rates applicable on January 1, 1981. This means that a considerable rate increase for present Rainy River customers will occur at that time. Residential customers using 750 kilowatt hours per month will realize an 80% increase in electric service costs and commercial customers will realize increases from 54% to 89%, depending upon specific demand and energy requirements. Schedule KAJ-6 of Exhibit 1 illustrates the approximate increases at various usage levels. Schedule KAJ-7 of Exhibit 1 compares the projected monthly billings of present Rainy River customers after the acquisition with the rates of other investor owned utilities in Minnesota, of municipalities with self generation facilities and of cooperatives in the MP&L area. From these comparisons it is found that after the acquisition, present Rainy River customers will be paying rates comparable to customers of these other utilities. They will be paying more than some and less than others.

The reasons for the great increase in rates to Rainy River customers after the acquisition are several. First, as indicated, Rainy River presently purchases 49% of its power from Ontario Hydro Electric under a contract to be cancelled. The balance is from Boise's own hydro electric facilities and cogeneration equipment. Hydro generated electricity is much cheaper than that generated through the burning of coal and oil. Since MP&L has insignificant amounts of hydro generation, the benefits of this cheap source of electricity will be lost to Rainy River consumers. Another reason is that Rainy River's present utility plant is relatively old, meaning that its embedded costs of service are based on costs incurred when plants could be installed at much lower prices than can be done currently. To illustrate this point, Johnson pointed out that he installed cost per kilowatt of generating capacity at MP&L's Clay Boswell steam generating station where the last major addition was in 1973 averages approximately $260 per kilowatt. By contrast, the addition to that station which is presently under construction has a projected installed cost of approximately $800 per kilowatt.

6. MP&L proposes to do the billing for Rainy River for the 12 months prior to the effective transfer date. During the last three months of this period, it will send out Rainy River's actual bill together with a comparison bill of its own showing the customers what their bills would be at that consumption level under MP&L's rate schedule.

CONCLUSIONS

1. The subject matter of the petition is within the jurisdiction of the Minnesota Public Service Commission and is properly before the Hearing Examiner pursuant to all requirements of due process.

2. The joint petition requesting approval of the purchase of all of the electric utility property of Rainy River by MP&L should be granted. As seen, it will have no adverse economic impact upon current MP&L ratepayers. The significant billing impact which such an acquisition will have upon the present Rainy River customers seems virtually unavoidable. Effective January 1, 1981, Rainy River will lose the source of 49% of its power as the result of the cancellation of its sales agreement with Ontario Hydro. The cancellation is being initiated by Ontario Hydro and this Commission has no authority to prevent it from occurring. This leaves Rainy River with only two alternatives. It must either purchase an equivalent amount of power elsewhere or else it must construct additional generating capacity of its own. As seen from Schedules KAJ-6 and 7 of Exhibit 1, all other utilities in the same general geographic area as Rainy River have rates comparable to those of MP&L. From this, the Examiner concludes that their costs are also similar and that the rates at which Rainy River would have to resell electricity purchased from either of them would have to be nearly the same as those charged by the prospective supplying utility. On the other hand, if Rainy River elected to build its own additional generating capacity, it would have to increase its rates greatly in order to pay for such construction. There is no reason to believe that it is immune from the inflationary effects illustrated in Mr. Johnson's comparison of embedded costs of generating capacity for plant built prior to 1974, with present construction costs for identical capacity.

The transcript in Rainy River's rate case in Docket No. E-018/GR-78-99 (1978), contains a number of statements by Rainy River personnel that the primary business of Boise Cascade is paper processing and the production, purchase and resale of electricity is an incidental activity carried over from a bygone era and that it is an activity in which neither Boise Cascade nor its subsidiary, Rainy River, claims any great expertise. The primary business of MP&L, on the other hand, is the generation, transmission and distribution for sale at retail of electricity.

THIS REPORT IS NOT AN ORDER AND NO AUTHORITY IS GRANTED HEREIN. THE PUBLIC SERVICE COMMISSION WILL ISSUE THE ORDER OF AUTHORITY WHICH MAY ADOPT OR DIFFER FROM THE FOLLOWING RECOMMENDATION.

RECOMMENDATION

By reason of the foregoing, the undersigned Examiner recommends that the Minnesota Public Service Commission enter an order authorizing the purchase of all electric utility equipment of Rainy River Improvement Corporation by Minnesota Power and Light Company.

Dated: August 22, 1979.

Richard DeLong

RICHARD DeLONG
Hearing Examiner

Order being drafted per Rod Wilson 9-27-79 ma

COMMISSION ORIGINAL (17)

File

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS
ROOM 300 — 1745 UNIVERSITY AVENUE
ST. PAUL, MINNESOTA 55104
(612) 296-6910

August 22, 1979

RECEIVED
Dept. of Public Service
AUG 23 1979
Commission Support

Mr. Randall Young
Director
Minnesota Public Service Commission
Seventh Floor, American Center Bldg.
160 East Kellogg Boulevard
Saint Paul, Minnesota 55101

Apped up 9-11-79

Re: In the Matter of the Joint Petition of Minnesota Power and Light Company and Rainy River Improvement Company Requesting an Order Authorizing the Purchase of All of the Electric Utility Property of Rainy River By Minnesota Power and Light. Docket Nos. PSC-79-058-RD; E 018, E 015/SA-78-1032.

Dear Mr. Young:

Enclosed and served upon you by mail, please find the Report of the Hearing Examiner in the above-entitled matter. I also enclose the official record and I am closing our file in this matter.

Sincerely,

Richard DeLong

RICHARD DeLONG
Hearing Examiner

Telephone: 296-8117

RD:sw
Enc(s).
cc: Mr. James Habicht

distrib. 8-27

PSC-79-058-RD
E 018, E 015/SA-78-1032

STATE OF MINNESOTA)
(ss.
COUNTY OF RAMSEY)

RECEIVED
Dept. of Public Service
AUG 23 1979
Commission Support

AFFIDAVIT OF SERVICE

SUSAN WOJCIK, being first duly sworn, deposes and says that on the 22nd day of August, 1979, at the City of St. Paul, County of Ramsey, State of Minnesota, she served the attached Report of Hearing Examiner

unstamped, by placing in the designated tray to be collected by messenger for delivery to the central mailing station as required by Minn. Stat. § 16.54 (1974), a true and correct copy thereof on all persons at the addresses shown on the attached mailing list.

Susan Wojcik

Subscribed and sworn to before me this

22nd day of August, 1979.

Eileen A. Gaiovnik

EILEEN A. GAIOVNIK
Notary Public, Ramsey Co. Mn.
MY COMMISION EXPIRES
December 14, 1980

Mr. Randall Young
Director
Minnesota Public Service Commission
Seventh Floor, American Center Bldg.
160 East Kellogg Boulevard
Saint Paul, Minnesota 55101

Mr. James Habicht
Attorney at Law
Minnesota Power and Light Company
30 West Superior Street
Duluth, Minnesota 55802