

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

**Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

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

Docket Nos. E001, 115, 140, 105, 139, 124, 126, 145, 132, 114, 6521, 142, 134/PA-14-322

REPLY COMMENTS

Southern Minnesota Energy Cooperative (SMEC) respectfully submits the following reply comments to address a request made of SMEC by the Department of Commerce (“Department”) in the Department’s Initial Comments filed May 29, 2018, pursuant to the Commission’s Notice of Comment Period dated February 28, 2018.

SMEC appreciates the Department’s thorough analysis of SMEC’s compliance filings, as well as the Department’s recommendations that the Commission find that: (1) SMEC complied with the conditions listed in the Commission’s June 8, 2015 Order in this proceeding, and (2) the SMEC Member Cooperatives CCOSS results support the Member Cooperatives’ proposed rate increases for the period from August 2018 through July 2019. The purpose of these Reply Comments is to respond to the Department’s request that “SMEC discuss the potential for mitigating the proposed 5 percent increases identified for Freeborn Mower and Steele Waseca in the final year of the Transition Period (August 2019 through July 2020).¹

While reviewing the Department’s Initial Comments, SMEC discovered an error in the analysis SMEC provided the Department in response to its Information Request no. 67 for

¹ See Department’s Initial Comments at 16.

Steele-Waseca. This request asked SMEC to “provide an analysis of the average monthly bill under current and proposed base rates for each customer class by cooperative for the Acquired Area.” Due to an inadvertent pasting error, SMEC’s original response provided Freeborn-Mower’s billing analysis for Steele-Waseca, causing SMEC’s overall response to suggest that the numbers for both cooperatives were identical. This is also why they appear to both have the same proposed 5.31% increase for the first year of the Transition Period, as reflected in Table 5 of the Department’s Initial Comments.² Upon discovering this error, SMEC promptly notified the Department and provided an amended attachment to its response to Information Request No. 67 reflecting the correct analysis for Steele-Waseca, which is provided at Attachment A hereto.

As reflected in SMEC’s amended response (Attachment A), Steele-Waseca’s corrected analysis reflects an average monthly billing increase of \$4.42, or 5.008%, for Acquired Area members in the residential class for the first year of the Transition Period, as opposed to the 5.31% increase reflected in SMEC’s original response to the Department. Steele-Waseca anticipates that the average residential member’s bill will increase by an additional \$1.59 due to the impending removal of the 2 mill/kWh credit that expires on July 31, 2018, resulting in an overall increase of 6.85% for the first year of the two-year Transition Period. SMEC submits that a proposed increase of 6.85% is supported by the CCOSS completed for Steele-Waseca, which reflects the need for an overall increase in cost of service of 13.80% for the Acquired Area.³

The analysis originally provided to the Department for Freeborn-Mower was correct. Freeborn-Mower’s CCOSS supports an overall rate increase of 8.82% to meet revenue

² *Id.* at 12.

³ *See id.* at 4 (Table 1). As indicated in SMEC’s Third Amended Compliance Filing, Steele-Waseca presently anticipates a second rate increase of up to 5% for the second year of the two-year Transition Period (running August 1, 2019 to July 31, 2010), which would result in a combined increase of 11.85% for the Transition Period. This overall increase is supported by the CCOSS results demonstrating a need to increase revenue requirements by 13.8%.

requirements for the Acquired Area.⁴ Accordingly, to address the Department's concerns relating to the mitigation of rate increases in the final year of the Transition Period, Freeborn-Mower intends to cap its rate increases during Year 5 (the second year of the two year Transition Period) so that the overall rate increase for the two-year Transition Period does not exceed the 8.82% increase supported by its CCOSS. This proposal will mitigate the rate increase for members in Freeborn-Mower's Acquired Area, and it is supported by the increased revenue requirements reflected in the CCOSS.

CONCLUSION

SMEC's Member Cooperatives have complied with the terms of the Rate Plan and the Commission's June 8, 2015 Order. For these reasons, SMEC respectfully requests that the Commission approve its compliance filing.

Dated: June 8, 2018

FELHABER LARSON

By: /s/ Sara G. McGrane

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⁴ See *id* (Table 1).

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E-001 et al./PA-14-322 Nonpublic Public
Requested From: Randi Winter- Representing SMEC Date of Request: 5/2/2018
Type of Inquiry: Rate Design Response Due: 5/14/2018

Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

Request Number: 67
Topic: Effect of Proposed Rates on Average Bill by Cooperative by Class
Reference(s): SMEC compliance filing dated March 19, 2018

Request:

- i. Please provide an analysis of the average monthly bill under current and proposed base rates for each customer class by cooperative for the Acquired area.

Response:

Please see Attachment 1, which provides an analysis of the average monthly bill under current and proposed base rates for each customer class by cooperative for the Acquired Areas.

Updated Response on 5/22/18:

Please see Amended Attachment 1, which provides an analysis of the average monthly bill under current and proposed base rates for each customer class by cooperative for the Acquired Areas. The amended attachment has removed the power cost adjustments for Brown and Peoples.

Second Updated Response on 6/1/18:

Please see Second Amended Attachment 1, which provides an analysis of the average monthly bill under current and proposed base rates for each customer class by cooperative for the Acquired Areas. The second amended attachment provides the correct numbers for Steele-Waseca (which previously and inadvertently identified Freeborn-Mower's numbers).

To be completed by responder

Response Date: May 14, 2018; Attachment 1 Amended on 5/22/18 and 6/1/18
Response by: SMEC Cooperatives and Randi Winter, Felhaber Larson
Email Address: rwinter@felhaber.com
Phone Number: (612) 373-8546

Minnesota Department of Commerce
Division of Energy Resources
Information Request

Docket Number: E-001 et al./PA-14-322 Nonpublic Public
Requested From: Randi Winter- Representing SMEC Date of Request: 5/2/2018
Type of Inquiry: Rate Design Response Due: 5/14/2018

Requested by: John Kundert
Email Address(es): john.kundert@state.mn.us
Phone Number(s): 651-539-1740

- ii. Please also provide an estimate of the effect of the removal of the 2 mill per kilowatt hour credit on the Power Cost Adjustment for on the average monthly bill for each customer class by cooperative for the Acquired Area.

Response:

The two (2) mill per kilowatt hour credit will have no effect on the power cost adjustment for any cooperative because this credit was not related to wholesale power costs. The 2-mill credit is indicated on a separate line on each member's monthly bill. Removal of the 2-mill credit at the expiration of the Initial Period (as provided in the Rate Plan) will affect every member of each cooperative in the same manner. Specifically, it will increase each member's bill by \$0.20 for each 100 kilowatt hours purchased.

- iii. Please identify and quantify the effect of any additional riders other than the PCA on the average monthly bill under current and proposed rates by customer class by cooperative for the Acquired Area.

Response:

Aside from the 2-mill credit reflected in the current Initial Period rates, which will be removed as set forth in the Rate Plan at the expiration of the Initial Period when the new rates go into effect, there are no other riders on the month bills of any of the cooperatives' Acquired Area members under either the current or proposed rates.

To be completed by responder

Response Date: May 14, 2018; Attachment 1 Amended on 5/22/18 and 6/1/18
Response by: SMEC Cooperatives and Randi Winter, Felhaber Larson
Email Address: rwinter@felhaber.com
Phone Number: (612) 373-8546

**Second Amended Attachment 1 to the SMEC Response to DOC Information Request 67
 MPUC Docket No. E-001 et al./PA-14-322**

**Analysis of Average Monthly Bill for Each Customer Class
 under Current and Proposed Based Rates in the Acquired Areas**

BENCO

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 87.36	\$ 91.72	\$ 4.37	5%	\$ 1.03
Small Commercial	\$ 132.42	\$ 139.04	\$ 6.62	5%	\$ 2.51
Large Power	\$ 4,731.37	\$ 4,967.94	\$ 236.57	5%	\$ 70.55
Corn Plus-Ethanol	\$ 218,358.96	\$ 229,276.91	\$ 10,917.95	5%	\$ 9,600.00

Brown (Amended 5/22/18 to remove power cost adjustment)

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 90.84	\$ 94.30	\$ 3.45	3.8%	\$ 1.75
Small Commercial	\$ 179.63	\$ 186.45	\$ 6.83	3.8%	\$ 3.78
Large Power	\$ 5,077.27	\$ 5,270.21	\$ 192.94	3.8%	\$ 91.43
Lighting	\$ 285.68	\$ 296.54	\$ 10.86	3.8%	\$ 4.37
Municipal Pumping	\$ 135.45	\$ 140.60	\$ 5.15	3.8%	\$ 2.64

Federated

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 85.50	\$ 89.77	\$ 4.27	5%	\$ 1.53
Small Commercial	\$ 191.13	\$ 199.36	\$ 8.24	4%	\$ 3.95
Large Power	\$17,589.58	\$18,494.26	\$ 904.68	5%	\$ 534.99
Lighting	\$ 7.64	\$ 7.64	\$ -	0%	N/A
Municipal Pumping	\$ 244.46	\$ 262.38	\$ 17.92	7%	\$ 5.93

Overall revenue for Federated to increase by 5%.

**Second Amended Attachment 1 to the SMEC Response to DOC Information Request 67
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Freeborn Mower

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 73.88	\$ 77.80	\$ 3.92	5%	\$ 1.32
Small Commercial	\$ 190.26	\$ 200.45	\$ 10.19	5%	\$ 3.79
Large Power	\$ 7,619.98	\$ 7,988.66	\$ 368.68	5%	\$ 191.47
Lighting	\$ 7.72	\$ 8.12	\$ 0.40	5%	\$ 0.11
Municipal Pumping	\$ 931.55	\$ 979.07	\$ 47.52	5%	\$ 24.71

MiEnergy (formerly Tri-County)

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 101.86	\$ 106.44	\$ 4.58	4%	\$ 1.56
C&I <= 1000 kVA	\$ 323.23	\$ 339.36	\$ 16.13	5%	\$ 4.46
C&I > 1000 kVA	\$15,178.53	\$15,665.96	\$ 487.43	3%	\$ 202.76
Street Lighting	\$ 7.50	\$ 7.50	\$ -	0%	N/A
Public Authority	\$ 499.38	\$ 528.07	\$ 28.69	6%	\$ 3.79

Overall revenue for MiEnergy to increase by 5%.

Minnesota Valley

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 74.86	\$ 78.59	\$ 3.74	5%	\$ 1.36
Small Commercial	\$ 185.43	\$ 194.65	\$ 9.23	5%	\$ 3.65
Large Power	\$ 7,454.61	\$ 7,823.54	\$ 368.94	5%	\$ 188.85
Lighting	\$ 6.42	\$ 6.74	\$ 0.32	5%	\$ 0.12
Municipal Pumping	\$ 519.40	\$ 543.99	\$ 24.60	4.7%	\$ 14.06

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Nobles

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 88.55	\$ 92.95	\$ 4.39	5%	\$ 1.65
Small Commercial	\$ 188.72	\$ 198.51	\$ 9.80	5%	\$ 3.88
Large Power	\$3,038.51	\$3,173.46	\$ 134.95	4%	\$ 70.75
Street Lighting	\$ 263.33	\$ 263.33	\$ -	0%	\$ 3.64
Municipal Pumping	\$ 125.46	\$ 134.25	\$ 8.79	7%	\$ 2.40

Overall revenue for Nobles to increase by 5%.

Peoples (Amended 5/22/18 to remove power cost adjustment)

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 76.93	\$ 77.75	\$ 0.82	1.06%	\$ 1.34
Small Commercial	\$ 192.75	\$ 194.79	\$ 2.04	1.06%	\$ 5.60
Large Power	\$ 7,059.37	\$ 7,134.20	\$ 74.83	1.06%	\$ 34.25
Municipal Pumping	\$ 1,007.45	\$ 1,018.13	\$ 10.68	1.06%	\$ 10.91

Redwood

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 85.91	\$ 90.21	\$ 4.30	5%	\$ 1.54
Small Commercial	\$ 248.55	\$ 260.97	\$ 12.42	5%	\$ 4.29
Large Power	\$3,150.23	\$3,307.74	\$ 157.51	5%	\$ 120.34
Lighting	\$ 320.87	\$ 320.87	\$ -	0%	\$ 3.64
Municipal Pumping	\$ 156.12	\$ 163.93	\$ 7.81	5%	\$ 4.74

Overall revenue for Redwood to increase by 5%.

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Sioux Valley

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 99.92	\$ 99.92	\$ -	0%	\$ 2.04
Residential (Farm and Rural)	\$ 273.41	\$ 273.41	\$ -	0%	\$ 5.68
Small Commercial	\$ 178.69	\$ 178.69	\$ -	0%	\$ 3.48
Large Power	\$ 3,362.25	\$ 3,362.25	\$ -	0%	\$ 79.66
Public Street & Highway Lighting	\$ 263.54	\$ 263.54	\$ -	0%	\$ 3.50
Other Sales to Public Authorities	\$ 71.76	\$ 71.76	\$ -	0%	\$ 1.14

South Central

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 88.26	\$ 92.68	\$ 4.42	5%	\$ 1.59
Small Commercial	\$ 171.62	\$ 180.14	\$ 8.53	5%	\$ 3.30
Large Power	\$ 4,060.34	\$ 4,263.54	\$ 203.20	5%	\$ 63.68
Lighting	\$ 336.89	\$ 336.89	\$ -	0%	N/A
Municipal Pumping	\$ 191.08	\$ 201.39	\$ 10.31	5%	\$ 4.01

Steele-Waseca (Amended 6/1/18 to insert correct cooperative calculations)

Customer Class	Average Monthly Bill		Increase in Monthly Bill	Percent Increase	Removal of 2 mill Credit
	Current Rates	Proposed Rates			
Residential	\$ 87.77	\$ 92.16	\$ 4.39	5.0%	\$ 1.62
Small Commercial	\$ 208.04	\$ 218.44	\$ 10.40	5.0%	\$ 4.24
Large Power	\$ 12,323.80	\$ 12,939.99	\$ 616.19	5.0%	\$ 368.97
Lighting	\$ 6.90	\$ 7.24	\$ 0.34	5.0%	\$ 0.10
Municipal Pumping	\$ 354.77	\$ 372.52	\$ 17.74	5.0%	\$ 9.06