Interstate Power and Light Co.
An Alliant Energy Company

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Samantha C. Norris
Senior Attorney

May 11, 2015

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

RE: Interstate Power and Light Company
Docket No. E,G001/D-15-284
Reply Comments

Dear Mr. Wolf:

Enclosed for e-filing with the Minnesota Public Utilities Commission, please find Interstate Power and Light Company's Reply Comments addressing the April 15, 2015 comments filed by the Minnesota Department of Commerce, Division of Energy Resources (Department) in the above-referenced docket.

Copies of this filing have been served on the Department, the Minnesota Office of Attorney General – Residential and Small Business Utilities Division, and the attached service list.

Very truly yours,

/s/ Samantha C. Norris
Samantha C. Norris
Senior Attorney

SCN/kcb
Enclosures

cc: Service List

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
Nancy Lange	**Commissioner**
Dan Lipschultz	**Commissioner**
John Tuma	**Commissioner**
Betsy Wergin	**Commissioner**

IN THE MATTER OF INTERSTATE POWER AND LIGHT COMPANY'S PETITION FOR APPROVAL OF ITS DEPRECIATION RATES FOR 2015	**DOCKET NO. E,G001/D-15-284**

AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Kathleen C. Balvanz, being first duly sworn on oath, deposes and states:

That on the 11th day of May, 2015, copies of the foregoing Affidavit of Service, together with Interstate Power and Light Company's Reply Comments, were served upon the parties on the attached service list, by e-filing, overnight delivery, electronic mail, and/or first-class mail, proper postage prepaid from Cedar Rapids, Iowa.

/s/ Kathleen C. Balvanz
Kathleen C. Balvanz

Subscribed and Sworn to Before Me
this 11th day of May, 2015.

/s/ Beverly A. Petska
Beverly A. Petska
Notary Public
My Commission Expires on November 12, 2017

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STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
Nancy Lange	**Commissioner**
Dan Lipschultz	**Commissioner**
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IN THE MATTER OF INTERSTATE POWER AND LIGHT COMPANY'S PETITION FOR APPROVAL OF ITS DEPRECIATION RATES FOR 2015	**DOCKET NO. E,G001/D-15-284**

REPLY COMMENTS OF INTERSTATE POWER AND LIGHT COMPANY

Interstate Power and Light Company ("IPL") respectfully files its Reply Comments in response to the Minnesota Department of Commerce, Division of Energy Resources ("Department"), April 15, 2015 filing in opposition of IPL's request for a five-month extension of the due date for the filing of IPL's five-year depreciation study. As outlined in greater detail below, IPL contends that it is no longer required to conduct a depreciation study as it is no longer a Minnesota natural gas utility, and that conducting a depreciation study for IPL's electric utility assets is inappropriate in lieu of the pending sale of IPL's electric distribution assets in Minnesota.

INTRODUCTION

Pursuant to Minn. Rule pt. 7825.0700, a public utility is required to file a complete distribution study at least once every five years. Consistently, IPL has conducted depreciation studies every five years, and provided updates in the interim periods.

In July 2014, IPL filed with the Minnesota Public Utilities Commission ("Commission") for approval of its 2014 depreciation rates and methods. The Commission approved IPL's proposed remaining lives, salvage rates, and resulting depreciation rates in a November 20, 2014 Order in Docket No. E,G001/D-14-559 ("November 20th Order"). In the November 20th Order, the Commission also established a July 1, 2015 filing date for IPL's next five-year study pending the status of the sales of IPL's gas and electric distribution assets. Specifically, the November 20th Order provided: "IPL's next five-year study is due July 1, 2015, unless and for the extent that pending sales of IPL's gas and/or electric assets and operations have been completed." On March 24, 2015, IPL filed a request for a five-month extension – to December 1, 2015 – to file its next five-year depreciation study. IPL explained that "The extension will allow the Commission time to issue a decision regarding IPL's request to sell its Minnesota electric distribution assets to Southern Minnesota Energy Cooperative ("SMEC") in Docket Nos. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322."

The Department filed comments opposing IPL's request for an extension of time on April 15, 2015 ("Comments"). In its Comments, the Department opposed IPL's requested extension for both the natural gas utility assets and the electric utility assets, but contended that the Commission could grant a short extension (such as a one-month extension).

For the reasons discussed herein, IPL continues to support and reaffirms its request for a five-month extension to file its next five-year depreciation study related to its electric utility assets, and argues that, as contemplated by the Commission, a depreciation study is no longer required for its natural gas utility assets.

REPLY COMMENTS

A. IPL is not required to file a depreciation study for its natural gas utility assets with the Commission.

In its Comments, the Department contended that IPL should still file a depreciation study regarding Minnesota natural gas assets. In particular, the Department argued that:

> 1) Should the sale of IPL's Minnesota natural gas assets be approved, the Department and Commission (Agencies) will still be regulating IPL's former gas assets in Minnesota. Minnesota Energy Resources Corporation, (MERC) has stated that it plans to file a general rate case before the Commission in September 2015. The Department notes that year-end 2014 depreciation information regarding IPL's former Minnesota gas assets would be of value in its review of MERC's planned general rate case.

IPL disagrees with the Department's assertion. The Commission approved the sale of IPL's Minnesota natural gas distribution assets to MERC in its December 8, 2014 Order in Docket No. G-001,G-011/PA-14-107. IPL and MERC closed that transaction on April 30, 2015. Accordingly, IPL is no longer a natural gas public utility within the State of Minnesota. As such, in relationship to its natural gas assets, IPL is no longer subject to the requirements of Minn. Rule pt. 7825.0700, which applies to public utilities.

Additionally, this conclusion is consistent with the Commission's November 20th Order. In that Order, the Commission recognized that IPL would not be required to file a five-year depreciation study if the sale of IPL's natural gas assets was completed (November 20th Order ("IPL's next five-year study is due July 1, 2015, *unless and for the extent that pending sales of IPL's gas and/or electric assets and operations have been* *completed.*")).) (emphasis added) Accordingly, IPL is not required to file a five-year depreciation study given that the sale of its Minnesota gas distribution assets has been completed.[1]

B. Granting IPL's requested extension of time to file a depreciation study for its electric utility assets will ensure a more efficient use of resources.

IPL's requested five-month extension to file a depreciation study regarding its electric utility assets will ensure more efficient use of IPL, Commission, and – IPL suggests – Department resources.

The Department seems to argue that IPL's requested five-month extension for IPL to file the depreciation study for its electric utility assets could harm the Commission's or the Department's review of future filings. In particular, the Department commented that:

> 2) If the Commission elects to approve the Company's proposed sale of its electric distribution assets, the Department and Commission (the Agencies) will still maintain some review authority over the class cost of service studies (CCOSS) developed by the individual SMEC Member Cooperatives for five years following the agreement's execution. The Agencies will likely find the information to be contained in IPL's five-year depreciation study of value during their respective reviews of the different cooperatives' CCOSS.
>
> 3) If the Commission elects to reject the Company's proposal to sell its electric distribution assets, IPL has stated that it will file a general rate case shortly after the Commission's decision. This depreciation-related information would be of value to the Agencies in that instance as well.

The Department also stated that IPL "is apparently assuming that if the Commission were to approve [the sale of its Minnesota electric distribution system SMEC], IPL would

[1] If the Commission concludes that IPL is still subject to the requirements of Minn. Rule pt. 7825.0700 for its natural gas assets, IPL requests an extension of time for the reasons outlined in subsequent sections of this filing.

not be required to file this subsequent five-year depreciation study." The Department's interpretation is correct: once IPL closes on the sale of its Minnesota electric distribution to SMEC, it will no longer be required to file a five-year depreciation study with the Commission. First, IPL will no longer be a public utility as that term is used in Minn. Rule pt. 7825.0700. Second, the Commission recognized in its November 20th Order that the five-year depreciation study for IPL's electric assets would not be needed if the sale of those assets to SMEC was completed. (November 20th Order ("IPL's next five-year study is due July 1, 2015, *unless and for the extent that pending sales of IPL's gas and/or electric assets and operations have been completed.*").) (emphasis added)

During its April 30, 2015 Agenda Meeting, the Commission verbally approved IPL's sale of its Minnesota electric distribution assets to SMEC in Docket Nos. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322. While the written order has not yet been issued (and a ruling from the Iowa Utilities Board is forthcoming), IPL anticipates that the transaction will close in the third quarter of 2015. Given the timeline of the anticipated closing, committing internal time and incurring the costs of retaining an external consultant to conduct a five-year depreciation study would not be an efficient use of resources.

Moreover, IPL disagrees with the Department's argument that the depreciation study for electric utility assets will produce results that are valuable to the Commission. Specifically, the Department contends that IPL's five-year depreciation study for electric utility assets will aid the Commission in reviewing SMEC's future class cost of service studies (CCOSS). This is not the case. Based upon the Commission's April 30, 2015 verbal decision, SMEC's compliance with the five-year rate plan will be subject to the

Commission's review, including ensuring that SMEC conducts CCOSSs for years four and five of the rate plan; however, the Commission will not have jurisdiction over the specific CCOSS methods. Furthermore, assuming a third quarter 2015 close of the transaction, SMEC's CCOSSs would not be performed until 2018, eroding any informative value of the 2015 depreciation study the Department would like to require IPL to file. Consequently, following the sale of IPL's Minnesota electric distribution assets to SMEC, there is likely little value to the Commission of a depreciation study conducted by IPL.

The Department also contends that if the sale to SMEC is not approved, a subsequent rate case filing by IPL would benefit from filing the depreciation study in summer of 2015. IPL's extension request is purposed, in part, on allowing the gas and electric asset sales to reach their respective conclusions, prior to undertaking extensive development and review of a depreciation study. Additionally, IPL's requested extension will provide the Commission with time to understand whether IPL may pursue a rate case in Minnesota. As indicated above, there is no reason to require the study at this point in time, as the sale of the electric assets (and avoidance of an IPL rate case in Minnesota) appears very likely. In the unlikely event, however, that the transaction with SMEC is not completed, an extension of the timeline for filing the depreciation study would not preclude an updated depreciation study from informing IPL's subsequent rate case filing.

Furthermore, the Department's suggested one-month extension would be insufficient for IPL to develop its five-year depreciation study. A comprehensive depreciation study is a time and resource-intensive process, which requires a depreciation consultant to conduct analyses and site visits (including interviews with management and operational employees) prior to developing preliminary and final depreciation studies. Given the anticipated sale of IPL's Minnesota electric distribution assets to SMEC, IPL has not yet initiated the five-year depreciation study. In short, the Department's suggested one-month extension would not provide IPL with sufficient time to develop a comprehensive depreciation study.

CONCLUSION

For the foregoing reasons, IPL contends that it is not required to file a depreciation study regarding its former Minnesota natural gas assets. Furthermore, IPL contends that, for the reasons outlined in its original extension request and in these Reply Comments, the Commission should grant IPL's request for a five-month extension to file its next five-year depreciation study related to its electric utility assets.

WHEREFORE, IPL respectfully request the Commission give IPL's Reply Comments due consideration.

Dated this 11th day of May, 2015.

Respectfully submitted,

Interstate Power and Light Company

By: */s/ Samantha C. Norris*

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