Interstate Power and Light Co.
An Alliant Energy Company

Alliant Tower
200 First Street SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

Office: 1.800.822.4348
www.alliantenergy.com

Alliant Energy Corporate Services, Inc.
Legal Department
319-786-4236 – Phone
319-786-4533 – Fax

Samantha C. Norris
Senior Attorney

December 22, 2014

Dr. Burl W. Haar, Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

RE: Interstate Power and Light Company and Southern Minnesota Energy Cooperative
Docket Nos. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322
Interstate Power and Light Company and Southern Minnesota Energy Cooperative's Reply Comments

Dear Dr. Haar:

Enclosed for eFiling with the Minnesota Public Utilities Commission (Commission) please find Interstate Power and Light Company and Southern Minnesota Energy Cooperative's Reply Comments in the above-referenced dockets.

Copies of this filing have been served on the Minnesota Office of Attorney General – Residential and Small Business Utilities Division, the Minnesota Department of Commerce, Division of Energy Resources, 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**
David C. Boyd	**Commissioner**
Nancy Lange	**Commissioner**
Dan Lipschultz	**Commissioner**
Betsy Wergin	**Commissioner**

IN THE MATTER OF A REQUEST FOR APPROVAL OF THE ASSET PURCHASE AND SALE AGREEMENT BETWEEN INTERSTATE POWER AND LIGHT COMPANY AND SOUTHERN MINNESOTA ENERGY COOPERATIVE	**DOCKET NOS. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322**

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 22nd day of December, 2014, copies of the foregoing Affidavit of Service, together with Interstate Power and Light Company and Southern Minnesota Energy Cooperative's Reply Comments, were served upon the parties on the attached service list, by e-filing, overnight delivery, electronic mail, facsimile 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 22nd day of December, 2014.

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

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ross	Abbey	abbey@fresh-energy.org	Fresh Energy	408 Saint Peter St Ste 220 St. Paul, MN 55102-1125	Electronic Service	No	OFF_SL_14-322_Official
Bobby	Adam	bobby.adam@conagrafoods.com	ConAgra	Suite 5022 11 ConAgra Drive Omaha, NE 68102	Electronic Service	No	OFF_SL_14-322_Official
Michael	Allen	michael.allen@allenergysolar.com	All Energy Solar	721 W 26th st Suite 211 Minneapolis, Minnesota 55405	Electronic Service	No	OFF_SL_14-322_Official
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-322_Official
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_14-322_Official
John	Aune	johna@bluehorizonsolar.com	Blue Horizon Energy	171 Cheshire Ln Ste 500 Plymouth, MN 55441	Electronic Service	No	OFF_SL_14-322_Official
Rebecca J.	Baldwin		Spiegel & McDiarmid	1333 New Hampshire Avenue NW Washington, DC 20036	Paper Service	No	OFF_SL_14-322_Official
Rick	Bartz	rbartz@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South Burnsville, MN 55337	Electronic Service	No	OFF_SL_14-322_Official
Peter	Beithon	pbeithon@otpco.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Sara	Bergan	sebergan@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
William	Black	bblack@mmua.org	MMUA	Suite 400 3025 Harbor Lane North Plymouth, MN 554475142	Electronic Service	No	OFF_SL_14-322_Official
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Kathleen M.	Brennan	kmb@mcgrannshea.com	McGrann Shea Carnival, Straughn & Lamb, Chartered	N/A	Electronic Service	No	OFF_SL_14-322_Official
B. Andrew	Brown	brown.andrew@dorsey.com	Dorsey & Whitney LLP	Suite 1500 50 South Sixth Street Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_14-322_Official
Michael J.	Bull	mbull@mncee.org	Center for Energy and Environment	212 Third Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Joel	Cannon	jcannon@tenksolar.com	Tenk Solar, Inc.	9549 Penn Avenue S Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-322_Official
John J.	Carroll	jcarroll@newportpartners.com	Newport Partners, LLC	9 Cushing, Suite 200 Irvine, California 92618	Electronic Service	No	OFF_SL_14-322_Official
Steve W.	Chriss	Stephen.chriss@wal-mart.com	Wal-Mart	2001 SE 10th St. Bentonville, AZ 72716-5530	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
City	Clerk	sschulte@ci.albertlea.mn.us	City of Albert Lea	221 E Clark St Albert Lea, MN 56007	Electronic Service	No	OFF_SL_14-322_Official
Steve	Coleman	scoleman@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Joan	Conrad	N/A	Iowa Utilities Board	1375 E. Court Avenue, Room 69 Des Moines, IA 50319-0069	Paper Service	No	OFF_SL_14-322_Official
Lisa	Crum	lisa.crum@ag.state.mn.us	Office of the Attorney General-PUC	445 Minnesota Street, 1100 BRM Saint Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Lisa	Daniels	lisadaniels@windustry.org	Windustry	201 Ridgewood Ave Minneapolis, MN 55403	Electronic Service	No	OFF_SL_14-322_Official
Dustin	Denison	dustin@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Executive	Director		League Of MN Cities	145 University Avenue West St Paul, MN 551032044	Paper Service	No	OFF_SL_14-322_Official
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Steve	Downer	sdowner@mmua.org	MMUA	3025 Harbor Ln N Ste 400 Plymouth, MN 554475142	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Bill	Droessler	N/A	Izaak Walton League of America-MWO	1619 Dayton Ave Ste 202 Saint Paul, MN 55104	Paper Service	No	OFF_SL_14-322_Official
Betsy	Engelking	betsy@geronimoenergy.com	Geronimo Energy	7650 Edinborough Way Suite 725 Edina, MN 55435	Electronic Service	No	OFF_SL_14-322_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-322_Official
Nathan	Franzen	nathan@geronimoenergy.com	Geronimo Energy	7650 Edinborough Way Suite 725 Edina, MN 55435	Electronic Service	No	OFF_SL_14-322_Official
Doug	Franzen	djf@franzen-mn.com	Franzen & Associates, LLC	1675 Highland Pkwy St. Paul, MN 55116	Paper Service	No	OFF_SL_14-322_Official
Benjamin	Gerber	bgerber@mnchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_14-322_Official
Bruce	Gerhardson	bgerhardson@otpco.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Bill	Grant	Bill.Grant@state.mn.us	Minnesota Department of Commerce	85 7th Place East, Suite 500 St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Michael	Greiveldinger	michaelgreiveldinger@allianteenergy.com	Interstate Power and Light Company	4902 N. Biltmore Lane Madison, WI 53718	Electronic Service	No	OFF_SL_14-322_Official
David	Grover	dgrover@itctransco.com	ITC Midwest	901 Marquette Avenue Suite 1950 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-322_Official
Tony	Hainault	anthony.hainault@co.hennepin.mn.us	Hennepin County DES	701 4th Ave S Ste 700 Minneapolis, MN 55415-1842	Electronic Service	No	OFF_SL_14-322_Official
J Drake	Hamilton	hamilton@fresh-energy.org	Fresh Energy	408 St Peter St Saint Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Samuel	Hanson	N/A	Briggs And Morgan, P.A.	2200 IDS Center E 80 South Eighth Street Minneapolis, MN 55402	Paper Service	No	OFF_SL_14-322_Official
Jack	Hays	jack.hays@westwoodps.com	Westwood Professional Services	7699 Anagram Drive Eden Prairie, MN 55344	Electronic Service	No	OFF_SL_14-322_Official
Brandon	Heath	bheath@misoenergy.org	MISO Energy	1125 Energy Park Drive St. Paul, MN 55108-5001	Electronic Service	No	OFF_SL_14-322_Official
Annete	Henkel	mui@mnutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Richard J.	Hettwer	rj.hettwer@smmpa.org	SMMPA	500 First Avenue, SW Rochester, MN 559023303	Electronic Service	No	OFF_SL_14-322_Official
Lynn	Hinkle	lhinkle@mnseia.org	Minnesota Solar Energy Industries Association	2512 33rd Ave South #2 Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Holly	Hinman	holly.r.hinman@xcelenergy.com	Xcel Energy	414 Nicollet Mall, 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Margaret	Hodnik	mhodnik@mnpower.com	Minnesota Power	30 West Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_14-322_Official
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_14-322_Official
Anne	Hunt	anne.hunt@ci.stpaul.mn.us	City of Saint Paul	390 City Hall 15 West Kellogg Boulevard Saint Paul, MN 55102	Electronic Service	No	OFF_SL_14-322_Official
Dwight	Jelle	dkjelle@gmail.com	Best Power International, LLC	P.O. 5126 Hopkins, MN 55343	Electronic Service	No	OFF_SL_14-322_Official
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_14-322_Official
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	No	OFF_SL_14-322_Official
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Elizabeth M.	Jones	elizabeth.jones@ag.state.mn.us	Office of the Attorney General-PUC	445 Minnesota Street Suite 1100 Bremer Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Mara	Koeller	mara.n.koeller@xcelenergy.com	Xcel Energy	414 Nicollet Mall 5th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Brian	Krambeer	bkrambeer@tec.coop	Tri-County Electric Cooperative	PO Box 626 31110 Cooperative Way Rushford, MN 55971	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jon	Kramer	jk2surf@aol.com	Sundial Solar	4708 york ave. S Minneapolis, MN 55410	Electronic Service	No	OFF_SL_14-322_Official
Jim	Krueger	jkrueger@fmcs.coop	Freeborn-Mower Cooperative Services	Box 611 Albert Lea, MN 56007	Electronic Service	No	OFF_SL_14-322_Official
Allen	Krug	allen.krug@xcelenergy.com	Xcel Energy	414 Nicollet Mall-7th fl Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Jeffrey L.	Landsman	jlandsman@wheelerlaw.com	Wheeler, Van Sickle & Anderson, S.C.	Suite 801 25 West Main Street Madison, WI 537033398	Electronic Service	No	OFF_SL_14-322_Official
Harold	LeVander, Jr.	hlevander@felhaber.com	Felhaber, Larson, Fenton & Vogt, P.A.	Suite 2100 444 Cedar Street St. Paul, MN 551012136	Electronic Service	No	OFF_SL_14-322_Official
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-322_Official
Bob	Long	rlong@larkinhoffman.com	Larkin Hoffman (Silicon Energy)	1500 Wells Fargo Plaza 7900 Xerxes Ave S Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-322_Official
Rebecca	Lundberg	rebecca.lundberg@powerfullygreen.com	Powerfully Green	11451 Oregon Ave N Champlin, MN 55316	Electronic Service	No	OFF_SL_14-322_Official
Casey	MacCallum	casey@appliedenergyinnovations.org	Applied Energy Innovations	4000 Minnehaha Ave S Minneapolis, MN 55406	Electronic Service	No	OFF_SL_14-322_Official
Paula	Maccabee	Pmaccabee@justchangelaw.com	Just Change Law Offices	1961 Selby Ave Saint Paul, MN 55104	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Erik	Madsen	ErikMadsen@alliantenergy.com	Alliant Energy	200 First St SE Cedar Rapid, IA 52401	Electronic Service	No	OFF_SL_14-322_Official
Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	OFF_SL_14-322_Official
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-322_Official
Natalie	McIntire	natalie.mcintire@gmail.com	Wind on the Wires	570 Asbury St Ste 201 Saint Paul, MN 55104-1850	Electronic Service	No	OFF_SL_14-322_Official
Valerie	Means	valerie.means@lawmoss.com	Moss & Barnett	150 S. 5th Street, #1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson,Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Gregory R.	Merz	gregory.merz@gpmlaw.com	Gray, Plant, Mooty	80 S 8th St Ste 500 Minneapolis, MN 55402-5383	Electronic Service	No	OFF_SL_14-322_Official
Steve	Mihalchick	steve.mihalchick@state.mn.us	Office of Administrative Hearings	PO Box 64620 St. Paul, MN 551640620	Electronic Service	No	OFF_SL_14-322_Official
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_14-322_Official
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Martin	Morud	mmorud@trunorthsolar.com	Tru North Solar	5115 45th Ave S Minneapolis, MN 55417	Electronic Service	No	OFF_SL_14-322_Official
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Michael	Noble	noble@fresh-energy.org	Fresh Energy	Hamm Bldg., Suite 220 408 St. Peter Street St. Paul, MN 55102	Electronic Service	No	OFF_SL_14-322_Official
Rolf	Nordstrom	rnordstrom@gpisd.net	Great Plains Institute	2801 21ST AVE S STE 220 Minneapolis, MN 55407-1229	Electronic Service	No	OFF_SL_14-322_Official
Samantha	Norris	samanthanorris@alliantenergy.com	Alliant Energy	200 1st Street SE PO Box 351 Cedar Rapids, IA 52406-0351	Electronic Service	No	OFF_SL_14-322_Official
Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	OFF_SL_14-322_Official
Priti R.	Patel	priti.r.patel@xcelenergy.com	Xcel Energy	414 Nicollet Mall MP 800 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official
Donna	Pickard	dpickard@aladdinsolar.com	Aladdin Solar	1215 Lilac Lane Excelsior, MN 55331	Electronic Service	No	OFF_SL_14-322_Official
Charlie	Pickard	cpickard@aladdinsolar.com	Aladdin Solar	1215 Lilac Lane Excelsior, MN 55331	Electronic Service	No	OFF_SL_14-322_Official
David E.	Pomper		Spiegel & McDiarmid	1333 New Hampshire Avenue NW Washington, DC 20036	Paper Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Benjamin L.	Porath		Dairyland Power Cooperative	3200 East Avenue South PO Box 817 La Crosse, WI 546020817	Paper Service	No	OFF_SL_14-322_Official
Gayle	Prest	gayle.prest@minneapolismn.gov	City of Mpls Sustainability	350 South 5th St, #315 Minneapolis, MN 55415	Electronic Service	No	OFF_SL_14-322_Official
Enio	Ricci	ericci@invenergyllc.com	Invenergy LLC	17830 New Hampshire Ave Ste 300 Ashton, MD 20861	Electronic Service	No	OFF_SL_14-322_Official
Michelle	Rosier	michelle.rosier@sierraclub.org	Sierra Club	2327 E. Franklin Avenue Minneapolis, MN 554061024	Electronic Service	No	OFF_SL_14-322_Official
Dan L.	Sanford	N/A	American Transmission Company LLC	W234 N2000 Ridgeview Pkwy Court Waukesha, WI 53188-1022	Paper Service	No	OFF_SL_14-322_Official
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-322_Official
Kevin	Saville	kevin.saville@ftr.com	Citizens/Frontier Communications	2378 Wilshire Blvd. Mound, MN 55364	Electronic Service	No	OFF_SL_14-322_Official
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Matthew J.	Schuerger P.E.	mjsreg@earthlink.net	Energy Systems Consulting Services, LLC	PO Box 16129 St. Paul, MN 55116	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-322_Official
Gary	Shaver	N/A	Silicon Energy	3506 124th St NE Marysville, WA 98271	Paper Service	No	OFF_SL_14-322_Official
Erin	Shea	eshea@silicon-energy.com	Silicon Energy	PO Box 376 8787 Silicon Way Mt Iron, MN 55768	Electronic Service	No	OFF_SL_14-322_Official
Doug	Shoemaker	dougs@mnRenewables.org	MRES	2928 5th Ave S Minneapolis, MN 55408	Electronic Service	No	OFF_SL_14-322_Official
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Kristin	Stastny	stastny.kristin@dorsey.com	Dorsey & Whitney LLP	50 South 6th Street Suite 1500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Donna	Stephenson	dstephenson@grenergy.com	Great River Energy	12300 Elm Creek Boulevard Maple Grove, MN 55369	Electronic Service	No	OFF_SL_14-322_Official
Erin	Stojan Ruccolo	ruccolo@fresh-energy.org	Fresh Energy	408 Saint Peter St Ste 220 Saint Paul, MN 55102-1125	Electronic Service	No	OFF_SL_14-322_Official
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-322_Official
Deb	Sundin	deb.sundin@xcelenergy.com	Xcel Energy	414 Nicollet Mall Minneapolis, MN 55401	Electronic Service	No	OFF_SL_14-322_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
JoAnn	Thompson	jthompson@otpco.com	Otter Tail Power Company	P.O. Box 496 215 South Cascade Street Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_14-322_Official
Stephen J.	Videto		ITC Holding Corp.	27175 Energy Way, Fifth Floor Novi, MI 48377	Paper Service	No	OFF_SL_14-322_Official
Denis R.	Vogel	vmele@wheelerlaw.com	Wheeler, Van Sickle & Anderson, S.C.	25 W. Main Street Suite 801 Madison, WI 53703	Electronic Service	No	OFF_SL_14-322_Official
Marya	White	mwhite@misoenergy.org	MISO	1125 Energy Park Dr St. Paul, MN 55108	Electronic Service	No	OFF_SL_14-322_Official
Daniel	Williams	DanWilliams.mg@gmail.com	Powerfully Green	11451 Oregon Avenue N Champlin, MN 55316	Electronic Service	No	OFF_SL_14-322_Official
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_14-322_Official

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

IN THE MATTER OF A REQUEST FOR APPROVAL OF THE ASSET PURCHASE AND SALE AGREEMENT BETWEEN INTERSTATE POWER AND LIGHT COMPANY AND SOUTHERN MINNESOTA ENERGY COOPERATIVE	**DOCKET NOS. E001, E132, E114, E6521, E142, E135, E115, E140, E105, E139, E124, E126, E145/PA-14-322**

REPLY COMMENTS OF INTERSTATE POWER AND LIGHT COMPANY AND SOUTHERN MINNESOTA ENERGY COOPERATIVE

The following Reply Comments are submitted to the Minnesota Public Utilities Commission (Commission) by Interstate Power and Light Company (IPL) and Southern Minnesota Energy Cooperative (SMEC) (collectively Petitioners) in response to the Additional Supplemental Reply Comments of the Department of Commerce, Division of Energy Resources (Department), the Reply Comments of the Office of Attorney General - Antitrust and Utilities Division (OAG) and the Reply Comments of the Minnesota Chamber of Commerce (Chamber), all submitted on December 8, 2014.

The Petitioners and the Department have demonstrated the Transaction is consistent with the public interest and results in significant overall customer benefits using the Commission's recognized approach:

> In determining whether a transaction [under Minn. Stat. § 216B.50] is in the public interest, no single factor is determinative; the overall benefits of the sale should exceed the overall detriments.[1]

[1] *In the Matter of Minnesota Power's Petition to Purchase Square Butte Cooperative's Transmission Assets and for Restructuring Power Purchase Agreements from Milton R. Young*

The OAG and Chamber reach a different conclusion, but only by focusing on individual elements in isolation while ignoring the overall impact of the Transaction, contrary to the Commission's recognized approach.

Petitioners' December 8 Reply Comments clearly show the Transaction will provide very substantial long-term benefits. Specifically, SMEC and the SMEC Member Cooperatives will have costs that are approximately $4.7 million per year lower than IPL as a result of their much lower cost of capital and exemption from income taxes.[2] The net present value to customers of those advantages over the first 10 years is approximately $30.9 million (and $24.4 million, even after reflecting ratemaking adjustments proposed by the OAG).[3]

Table 1
Estimated Customer Benefits
(including OAG adjustments to IPL ROE and claimed power cost effects)
($ millions)

	Estimated Benefits (before power costs)	Claimed differences in power costs**	Net Customer Benefits
Year 1*	$2.0	($0.7)	$1.3
Year 2*	$5.2	($0.7)	$4.5
Year 3*	$6.8	($0.9)	$5.9
Year 4	$4.7	($1.1)	$3.6
Year 5	$4.7	($1.1)	$3.6
Year 6	$4.7	($1.1)	$3.6
Year 7	$4.7	($1.1)	$3.6
Year 8	$4.7	($1.1)	$3.6
Year 9	$4.7	($1.1)	$3.6
Year 10	$4.7	($1.1)	$3.6
Net Present Value	***$30.9***	***($6.5)***	***$24.4***

*Source: DOC October 6 Reply Comments, page 12, Table 4:
** 9.80% ROE to 10.97% ROE

Unit 2 Generating Station, Docket No. E015/PA-09-526, Findings of Fact, Conclusions and Recommendation at ¶ 9 (Oct. 27, 2009), *accepted and adopted with modifications by* Order Granting Petition with Conditions at 4 (Dec. 21, 2009).

[2] Petitioners' December 8 Reply Comments at 6.

[3] *Id.* at 7

The net present value of benefits increases to approximately $42.9 million over 25 years.[4] These substantial long-term benefits are concrete and quantifiable, and result from the indisputable and permanent cost of capital and tax advantages available to SMEC and the SMEC Member Cooperatives.

The Chamber and OAG ignore the overall impact of the Transaction and attempt to re-write the agreement negotiated by IPL and SMEC by adding extreme conditions that would seize even more benefits at the expense of the buyer and seller. That approach is contrary to Minn. Stat. § 216B.50, which does not require a showing of affirmative benefits:

> The statute [Minn. Stat. § 216B.50] does not require that the proposed merger affirmatively benefit ratepayers or the public, or otherwise promote the public interest. The merger may not contravene the public interest, however, and must be shown to be compatible with it.[5]

The benefits to customers resulting from the availability to SMEC and the SMEC Member Cooperatives of much lower cost capital and exemption from income taxes provide the economic foundation for the Transaction, including the purchase price. These benefits are not the result of rates paid by customers and would not have been available if IPL had sold to a typical investor owned utility buyer. Attempts by the Chamber and OAG to seize even more benefits by adjusting a price that is not attributable to rates paid by customers are contrary to Minnesota law.[6]

---

[4] *See* Schedule 1.

[5] *In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated, a Merger of Northern States Power Company and Western Gas Utilities, Inc, and Related Affiliated Interest Agreements*, Docket No. G002/PA-99-1268, Order Approving Merger Subject to Conditions at 3 (Jan. 10, 2000).

[6] Minnegasco v. Minn. Pub. Util. Comm'n, 549 N.W.2d 904, 909 (Minn. 1996) ("The simple act of purchasing a product or service from a business does not mean that the consumer becomes an owner of any of the business' assets.").

Finally, the Chamber's and OAG's extreme recommendations would require IPL and SMEC to re-assess the Transaction. If the Petitioners were not able to complete the Transaction due to the conditions requested by the Chamber and OAG, either:

(1) IPL would retain ownership of the Minnesota electric distribution assets and file the rate cases needed to earn a reasonable return (and recover the added costs of operation - including transmission - and the costs of presenting those rate cases); or

(2) IPL would file a rate case in the near term and seek a more typical IOU buyer (which would be subject to rate regulation, but with cost of capital that significantly exceeds that of SMEC and its Member Cooperatives and would not necessarily have the operational benefits of contiguous service areas).

The Petitioners believe the Transaction provides benefits that are far better than either of these outcomes and request the Commission approve the Transaction without the Chamber's or OAG's conditions.

I. REPLY TO THE CHAMBER

As more fully explained below, the Chamber, like the OAG, fails to acknowledge the significant overall benefits associated with the Transaction. The Chamber's fragmented and flawed analysis is inappropriate and its recommendations should be rejected.

A. The Chamber's failure to consider the overall benefits of the transaction is inconsistent with Minn. Stat. § 216B.50.

The Chamber broadly asserts its proposed conditions are necessary to find the Transaction in the public interest.[7] Yet, at no point in its Reply Comments does the Chamber actually address the overall benefits identified by both the Petitioners and the Department, much less raise any serious question regarding the overall benefits of the

[7] Chamber December 8 Reply Comments at 2.

Transaction. As a result, the Chamber has misapplied the standard set forth in Minn. Stat. § 216B.50.

Instead of applying the correct standard, the Chamber relies on generalities and comparisons to materially distinguishable cases in which the Commission found it necessary to impose conditions to meet the public interest threshold. The Chamber's failure to recognize the substantial long-term benefits of the Transaction eliminates any support for its recommendations. Accordingly, the Commission should completely reject the Chamber's recommendations.

B. <u>There is no basis to seize any of IPL's gain from the sale or to deny SMEC recovery of any part of the acquisition premium.</u>

The Chamber misstates the applicable standard related to gains on sale and acquisition premiums. The Chamber cites two cases, *Aquila* and *ITC* in support of its recommendations to deny IPL the gain on sale and to deny SMEC recovery of the full purchase price.[8] Neither case supports the Chamber's position because neither case involved facts showing substantial, long-run cost reductions in the absence of any further conditions.

1. The Transaction provides substantial customer benefits without seizing any of the gain on sale from IPL.

The Chamber relies on *ITC* to argue that IPL's gain on sale should be seized by reducing the purchase price negotiated by SMEC and IPL. This gain on sale reflects a price which has already been shown by Petitioners to be fair and reasonable and fully consistent with the standards of Minn. Stat. § 216B.50.[9] Specifically, even after paying for the entire purchase price (including ***all of*** the IPL gain), there are very substantial

[8] *See Id.* at 7.
[9] *See, e.g.*, Petitioners' December 8 Reply Comments at 2-8.

benefits to customers. Thus, *ITC* does not support the Chamber's claim to ***any of*** the IPL gain, because the Transaction is consistent with the public interest without any adjustment.

In *ITC*, the record shows that the public interest determination was a very close call.[10] As a result, IPL had to offer a number of adjustments and conditions, including an offer to return the gain on sale, for the transaction to meet the public interest standard.[11] While the Commission made no affirmative finding regarding the gain on sale in *ITC*,[12] the Commission *subsequently* required IPL to credit the ITC gain on sale back to customers in order to fulfill commitments made by IPL during the *ITC* case.[13] Simply stated, *ITC* does not support the Chamber position because this Transaction, unlike the ITC sale, presents very substantial and indisputable customer benefits without the return of the gain on sale.

In addition to being unsupported by *ITC*, the Chamber's recommendation violates the standards of *Minnegasco v. Minnesota Public Utilities Commission.* In *Minnegasco*, the Minnesota Supreme Court held that customers are not entitled to revenues from assets for which the customers had not paid.[14] As noted in the Petitioner's November

---

[10] *See In the Matter of the Joint Petition for Approval of the Transfer of Transmission Assets of Interstate Power and Light Company and ITC Midwest LLC*, Docket No. E001/PA-07-540, Order Approving Transfer of Transmission Assets, with Conditions at 3, 19 (Feb. 7, 2008) (noting that the Administrative Law Judge concluded the petitioners failed to show by a preponderance of the evidence that the proposed ITC transaction was in the public interest and that commitments, assurances and representations during oral argument were vital to the Commission's ultimate finding that the transaction, as conditioned, was consistent with the public interest).

[11] *Id.* at 27.

[12] *Id.* at 6, note 22.

[13] *In the Matter of the Application of Interstate Power and Light Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E001/GR-10-276, Findings of Fact, Conclusions and Order at 17-18 (Aug. 12, 2011).

[14] Minnegasco, 549 N.W.2d at 909 (holding good will is not a cost of furnishing utility service and that the Commission does not have the authority to impute revenue for the value of good will used but not paid for by an affiliate).

10 Comments,[15] IPL's gain is not the result of an increase in the underlying value of the assets being sold to SMEC. Rather, the gain results from the far lower cost of capital and exemption from income tax available to SMEC and the SMEC Member Cooperatives that enable them to successfully operate the assets and provide substantial benefits to customers, even after payment of the full purchase price, including IPL's gain and their own transaction costs.[16] The advantages of a much lower cost of capital and exemption from income tax were created by Federal financial and tax policy, not as a result of the payment of rates by IPL's customers.[17]

In *Minnegasco*, the Minnesota Supreme Court held that ratepayers were not entitled to the good will reflected in the utility's name because they had not paid for creation of that asset:

> The simple act of purchasing a product or service from a business does not mean that the consumer becomes an owner of any of the business' assets. (Citation omitted) Nor does it mean that the consumer bears the cost of creating good will. The relationship between the ratepayer, as a consumer, and the gas utility, as a business, does not change just because the gas utility provides regulated utility services. The ratepayer remains a consumer and the assets remain the property of the utility.[18]

Here it is obvious that ratepayers' payments did not create the availability of low cost capital and the exemption from income taxes that enable SMEC and the SMEC Member Cooperatives to operate the assets, provide customer benefits, and pay for IPL's gain and their transaction costs. Thus, transferring the gain to customers would violate the standards of *Minnegasco.*

[15] Petitioners' November 10 Comments at 11, 30, 42.
[16] *Id*. *See also* Petitioners' December 8 Reply Comments at 5-6.
[17] Petitioners' November 10 Comments at 11, 30, 42.
[18] Minnegasco, 549 N.W.2d at 909.

In addition, the Chamber's recommendation goes against the great majority of prior cases under Minn. Stat. § 216B.50, other than *ITC*, which involved very different facts as explained above. There is no lawful basis to renegotiate the bargain between IPL and SMEC by seizing IPL's gain on sale when it is clearly not necessary to do so for the Transaction to be consistent with the public interest. Further, attempting to do so would violate *Minnegasco*. Accordingly, the Chamber's recommendations should be rejected.

2. The Legislature has recognized the cooperative model as an effective form of regulation, contrary to the Chamber's position.

The Chamber's analysis also ignores the unique nature of the cooperative ownership structure. While the Chamber recognized that customers themselves will ultimately own the transferred assets,[19] the Chamber does not acknowledge that it is the same customer-owners who will receive the benefits associated with the cooperatives' lower cost of capital and exemption from income taxes and are able to effectively regulate and control the SMEC Member Cooperatives. [20]

The Commission should not accept the Chamber's claims because the Legislature has expressly rejected the Chamber's position based on the effective regulation and control exerted by cooperative customer-owners, making rate regulation under Chapter 216B unnecessary:

> Because … cooperative electric associations are presently effectively regulated and controlled by the membership under the provisions of chapter 308A, it is deemed unnecessary to subject such utilities to regulation under this chapter except as specifically provided herein.[21]

[19] Chamber December 8 Reply Comments at 9.
[20] *Id.* at 5.
[21] Minn. Stat. § 216B.01.

The Chamber's position regarding the adequacy of regulatory protection under the cooperative ownership structure is contrary to Minnesota law and should be rejected.

The Chamber also fails to recognize that all cooperative members, including large customers, can participate in the control over the cooperative's operations. For example, a representative or employee of a large customer-member who resides in the service territory of the cooperative is eligible to run for the board of directors. Seven SMEC Member Cooperatives have Member Advisory Committees that advise the board of directors on business issues, and large customers are eligible to be members of these committees. The SMEC Member Cooperatives that do not have Member Advisory Committees have Key Account meetings that address the interests of large customers, and these meetings are held on a regular basis. Two SMEC Member Cooperatives that have Member Advisory Committees also have Key Account Meetings.

Most important, all members, including large commercial and industrial (C&I) members, will have direct access to SMEC Member Cooperative staff, Chief Executives, and Boards of Directors to present concerns of any kind, including rates. Cooperative Boards of Directors seriously considers the input of both small and large members in making decisions on all phases of cooperative operations, including rates.

3. There is no basis to deny IPL recovery of any of the gain on sale because the Transaction provides substantial customer benefits after payment of the full price, including the gain.

The Commission has established the conditions under which a rate regulated acquiring party can recover an acquisition premium from customers. The Transaction meets this standard, which fully justifies IPL's retention of the gain on sale, which is a part of the acquisition premium. Specifically, the Transaction fully meets this rate

regulation standard for recovery by of the acquisition premium, which includes both IPL's gain and SMEC transaction costs. In contrast, the Chamber's arguments are based on generalities that do not conform to Commission standards.

That standard for recovery of an acquisition premium was established in *Midwest Gas*. Under *Midwest Gas*, recovery is based on the prudence of the investment, which in turn is measured by the quantifiable benefits accruing to ratepayers as a result of the transaction:

> In determining if an acquisition adjustment may be included in rate base and operating expenses, the Commission must look to the prudence of the investment. …
>
> The prudence of an acquisition is best measured by quantifiable benefits to ratepayers.[22]

Such benefits have clearly been established in this case.

Contrary to the Chamber's assertions,[23] it is entirely appropriate for the Commission to rely on long-run benefits because, as stated by the Commission, recovery is appropriate when the acquisition premium is "matched or exceeded by

[22] *In the Matter of the Application of Midwest Gas, a Division of Iowa Public Service Company, for Authority to Change Its Schedule of Gas Rates for Retail Customers within the State of Minnesota*, Docket No. G010/GR-90-678, Findings of Fact, Conclusions of Law, and Order at 7 (July 12, 1991) [*hereinafter* Midwest Gas Order]. *See also In the Matter of the Application of Midwest Gas, a Division of Iowa Public Service Company, for Authority to Change Its Schedule of Gas Rates for Retail Customers within the State of Minnesota*, Docket No. G010/GR-90-678, Order Denying Petitions for Reconsideration at 5 (Sept. 30, 1991) ("In determining if an acquisition adjustment may be included in rate base and operating expenses, the Commission must look to the prudence of the investment. … As previously stated, the Commission has found that the prudence of an acquisition is best measured by quantifiable benefits to ratepayers. Utility shareholders will be allowed to recover only that amount which the Company can prove equals savings ratepayers have experienced in the rate case test year due to the acquisition. Only the cost which equals the benefit will be allowed and nothing more.") [*hereinafter* Midwest Gas Recon Order].

[23] Chamber December 8 Reply Comments at 6 ("To assert the premium is reasonable based on the benefits transferred over time is insufficient.").

benefits to ratepayers which are quantifiable and are due to the acquisition."[24] Thus, in addition to improperly focusing on individual elements while ignoring the significant overall benefits, the Chamber misstates the applicable standard for recovery of an acquisition premium.

Also contrary to the Chamber's argument, *Aquila* does not support denying either IPL's gain on sale or SMEC recovery of the full purchase price, nor does *Aquila* alter the basic premise established in *Midwest Gas*.[25] In *Aquila*, the Department and OAG opposed recovery of the acquisition premium (and transaction costs) because the cost of the transaction to ratepayers (including the acquisition premium) exceeded benefits.[26] The Commission agreed with the Department and OAG and denied recovery of the acquisition premium as one of the conditions that, collectively, made the transaction in the public interest.[27]

The facts of this case, however, are the opposite of *Aquila*. Here, the Petitioners have clearly demonstrated a net present value to customers of at least **$24.4 million over 10 years**, even when the acquisition premium is considered.[28] The Department has similarly concluded that there is no reasonable scenario in which costs outweigh benefits,[29] meaning no adjustment for the acquisition premium is needed to make the Transaction consistent with the public interest.

---

[24] Midwest Gas Recon Order at 5.
[25] Chamber December 8 Reply Comments at 7-8.
[26] *In the Matter of the Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Resources Corporation*, Docket No. G007,011/M-05-1676, Order Approving Sale Subject to Conditions at 6 (June 1, 2006) [*hereinafter* Aquila Order].
[27] *Id.* at 7.
[28] Petitioners' December 8 Reply Comments at 5-8.
[29] Department December 8 Additional Supplemental Reply Comments at 4 ("The Department completed that analysis and also reviewed several variations or iterations on the cost/benefit

The Chamber also argues that Petitioners have included only interest costs in their analyses and have failed to account for the cost of recovery of the $122 million principal amount of the purchase price.[30] The Chamber's argument is incorrect because: (1) it has confused cash flow with cost of service accounting; and (2) all of the costs of recovery of the $122 million purchase price are included in the depreciation and amortization expenses that are included in the Petitioners' analyses. Attachment P to the Petition includes 2015 SMEC pro forma income statement and balance sheet. Line 36 of the pro forma income statement shows interest expense and Lines 28 through 32 show total depreciation and amortization expense (including a 25-year amortization of the acquisition premium).[31] Together, these expenses fully reflect the principal amount of the purchase price. Thus, the full debt costs (both principal and interest) were reflected in the Petitioners' evaluation of the costs and benefits of the Transaction and the assertions regarding cash principal payments are without merit.[32]

Finally, the Petitioners provide clarification that IPL's gain on sale is fixed and adjustments to payments to IPL made at close will be for working capital and other similar customary closing adjustments, which will not be material and will not impact the

---

analysis. The Department could not identify a reasonable scenario in which the costs of the proposed transaction exceeded the benefits.").

[30] Chamber December 8 Reply Comments at 9-10. SMEC has lender approval for a significantly larger level of borrowing, but that higher authorized borrowing level does not determine the purchase price.

[31] Petitioners' Response to DOC IR No. 57, which is the basis of Petitioners analyses of customer benefits, includes all of the same cost elements as Attachment P to the Petition, with some updates.

[32] Chamber December 8 Reply Comments at 9.

gain. Similarly, any changes to the SMEC transaction costs will not have a material impact on acquisition premium.[33]

C. The Chamber's criticisms and recommendations regarding the Wholesale Power Agreement are also based on fragmented analysis.

The Chamber's analysis and recommendations regarding the Wholesale Power Agreement (WPA) provide another example of the Chamber's out-of-context focus on a single element, while ignoring the overall effects of the Transaction. The Commission should reject the Chamber's piecemeal analysis and resulting recommendation to radically rewrite the WPA.

The WPA is an integral component of the overall Transaction.[34] Both the Petitioners and Department have shown that the Transaction, including the WPA, is consistent with the public interest.[35] It is therefore unnecessary and inappropriate to radically rewrite the WPA as recommended by the Chamber because such conditions are not necessary to make the Transaction consistent with the public interest. Also, as discussed below, the Chamber is mistaken regarding several aspects of the WPA, which further undermines its recommendations.

In response to assertions made by the OAG, the Petitioners have already explained that: 1) the Transaction, including the WPA, generates significant customer benefits; 2) the WPA is priced similarly to the methodology used by the Commission to set retail rates; and 3) it is unreasonable to attempt to capture the significant benefits of

[33] *Compare* Petition, Attachment D at 29-32 (describing the purchase price and closing adjustments) *with* Chamber December 8 Reply Comments at 6.
[34] Petitioners' December 8 Reply Comments at 10; Petitioners' September 4 Comments at Attachment B, OAG IR Nos. 1, 14.
[35] Petitioners' December 8 Reply Comments at 5-8; Department October 6 Reply Comments at 12; Department November 10 Supplemental Reply Comments at 4-5.

the Transaction while arbitrarily altering or discarding elements of the WPA.[36] These explanations apply with equal force to many of the Chamber's claims.[37]

The Chamber is also incorrect that competitive wholesale power arrangements provide a reasonable comparison for the WPA. In the absence of the Transaction, IPL would have continued to rely on its own generation to meet customer needs in Minnesota, making an alternative wholesale arrangement an unreasonable point of comparison.[38] Further, any divestiture by IPL of its distribution assets would be impossible without an agreement for IPL to continue sell power on a wholesale basis because the loss of load from approximately 42,000 customers would cause significant imbalances in power costs for IPL's other retail and wholesale customers and impair generation planning (both past and future).[39]

The Chamber mistakenly asserts that the Transaction results in the loss of regulatory protections, which it uses to attempt to justify its radical proposals. As explained above, the legislature has determined that the cooperative structure is in the public interest and acts as its own form of regulation.[40] The Chamber also asserts that Federal Energy Regulatory Commission (FERC) regulation is categorically inadequate and represents transfer to a "deregulated wholesale jurisdiction."[41] Contrary to the Chamber's opinion, the proposition that FERC regulation is categorically inadequate

[36] Petitioners' December 8 Reply Comments at 9-10.
[37] Chamber December 8 Reply Comments at 13-15.
[38] Petitioners' December 8 Reply Comments at 10 and Petitioners' September 4 Comments at Attachment B, OAG IR Nos. 1, 14.
[39] Petitioners' December 8 Reply Comments at 10; Petitioners' September 4 Comments at Attachment B, OAG IR Nos. 1, 14.
[40] Minn. Stat. § 216B.01 ("Because … cooperative electric associations are presently effectively regulated and controlled by the membership under the provisions of chapter 308A, it is deemed unnecessary to subject such utilities to regulation under this chapter except as specifically provided herein.").
[41] Chamber December 8 Reply Comments at 12.

does not provide a reasonable basis for Commission decision making.[42] Rather, the Chamber's position and resulting request is, at best, at odds with both federal and state law.[43]

Several of the other Chamber claims are also unsupported by facts. First, contrary to the Chamber's assumptions, the Commission has determined IPL's investment in Whispering Willow to be reasonable and prudent and has allowed full ongoing cost recovery.[44] Second, the Chamber cites Duane Arnold Energy Center (DAEC) costs. However, the DAEC costs reflected in the WPA are not materially different from DAEC costs if IPL were to maintain ownership of the assets being transferred, as the Petitioners explained in response to DOC IR No. 50.[45] In no event would such costs outweigh the benefits of the much lower cost of capital and exemption from income taxes available to SMEC and the SMEC Member Cooperatives.

Third, the Chamber refers to disallowances of benefits and officers' compensation.[46] However, while these disallowances have occurred in the rate cases of other utilities, there is no connection between those cases and IPL generation costs, nor has the Chamber demonstrated any significance of such costs in comparison to the

---

[42] *See, e.g.* Chamber December 8 Reply Comments at 14 ("Further, since FERC does not deal with regulation of electric service to retail customers, federal regulation are not sufficient to protect Minnesota retail customers.").

[43] 16 U.S.C. § 824 (b)(1) (indicating the provisions of the Federal Power Act, 16 U.S.C. § 824 *et seq*., apply to "the sale of electric energy at wholesale in interstate commerce").

[44] *Compare* Chamber December 8 Reply Comments at 13, 14 (stating the Commission has denied Whispering Willow costs) *with In the Matter of Interstate Power and Light Company's Petition for Approval of Eligibility for Investment in Whispering Willow-East, Renewable Energy Recovery Adjustment*, and 2010 Rates, Docket No. E001/M-10-312, Order Adopting Administrative Law Judge's Report and Findings at 2-3 (finding IPL's investment in Whispering Willow to be reasonable and prudent).

[45] *Compare* Chamber December 8 Reply Comments at 13 (citing DAEC cost differentials) *with* Company's Response to DOC-50.

[46] Chamber December 8 Reply Comments at 13

advantages of the much lower cost of capital and exemption from income taxes available to SMEC and the SMEC Member Cooperatives.

Fourth, Petitioners explained in their December 8 Reply Comments that the cost differential associated with the FERC ROE is significantly outweighed by the cost of capital and tax benefits of the Transaction.[47] The Chamber's recommendation to further increase customer benefits by requiring additional ROE credits is completely unreasonable and contrary to the standards of Minn. Stat. § 216B.50, which simply require consistency with the public interest, not maximization of customer benefits at the expense of sellers and buyers. Further, such costs could not possibly outweigh the advantages of much lower cost capital and exemption from income taxes available to SMEC and the SMEC Member Cooperatives.

Finally, contrary to the Chamber's inferences, no generation assets are being transferred.[48] As a result, the Chamber appears to have confused the WPA (where no assets are being transferred) with *ITC*, which involved a transfer of transmission assets governed by a completely different statute – Minn. Stat. § 216B.16, subd. 7c.[49] Accordingly, the Chamber is incorrect in suggesting that there will be changes to the book value of the IPL generation assets or changes in the accumulated deferred income tax balances associated with those generation assets.[50]

[47] Petitioners' December 8 Reply Comments at 6-8. Note, the Petitioners' December 8 Reply Comments included the power cost differential resulting from the difference between a 9.80% and 10.97% ROE. The Chamber cites 9.8% as an ROE that is currently "reasonable" under retail rate regulation. Chamber December 8 Reply Comments at 14, note 26.
[48] Chamber December 8 Reply Comments at 12.
[49] *Id.* at 12.
[50] *Compare* Petition, Attachment P at 2-3 *with* Chamber December 8 Reply Comments at 12-13.

D. The Chamber's recommendation to increase the $2.0/MWh credit substantially overreaches and is not necessary for the Transaction to be consistent with the public interest.

The Chamber recommends that SMEC increase its credit for the 3-year Initial period from $2.0/MWh to $10.0M/MWh, and include a credit of $6.2/MWh for each of the next seven years.[51] The Chamber's recommendation should be rejected because the Transaction provides substantial benefits without any additional conditions and additional credits are not necessary for the Transaction to be consistent with the public interest.

The Chamber explains that the basis for its calculation is Petitioners' response to DOC IR No. 57, which projects annual benefits at $8.4M for the first three years, and $5.4M for each of the next seven.[52] Dividing the projected annual savings by projected sales of approximately 840,000 MWh yields the Chamber's recommended credits of $10.0/MWh and $6.2/MWH, respectively. In making this recommendation, the Chamber ignores savings that customers will see during the 3-year Initial Period (i.e., the projected difference between what they would pay should IPL continue to serve the area versus what they will pay when served by the SMEC Member Cooperatives) that averages approximately $8.3M/year, essentially the same as the estimated savings shown in Petitioners' response to DOC IR No. 57.[53]

In other words, virtually the entire projected savings during the first three years is already being flowed through to customers in the area formerly served by IPL by using IPL's current rates, adjusted as stated in the Petition, including the proposed $2.0/MWh credit. Increasing the credit during the first three years by another $8.0/MWh would

[51] Chamber December 8 Reply Comments at 4.
[52] *Id.* at 17.
[53] Petition at 37.

result in a net loss of revenue for the SMEC Member Cooperatives that exceeds projected savings, and essentially result in a subsidy being provided to the Acquired Area customers by the SMEC Member Cooperatives' Legacy Area customers.

The Chamber's radical recommendation to provide a $6.2/MWh credit in the seven years beyond the Initial Period is overreaching and is not necessary for the Transaction to be consistent with the public interest. Cooperatives operate on a not-for profit-basis based on the costs of providing service, and under the SMEC Member Cooperative bylaws, the members cannot earn a return on their investment. As a result, the actual savings available to the SMEC Member Cooperatives (due to their far lower cost of capital and exemption from income tax) will inherently be reflected in customer rates.

E. The Chamber's recommendation for SMEC to bill the SMEC Member Cooperatives the same way IPL bills SMEC is too complex.

The Chamber also recommends that SMEC bill its Member Cooperatives for purchased power (including transmission) expense on the same basis as it is billed by IPL.[54] As explained in Petitioners' Response to Chamber IR Nos. 16, 22, and 58, SMEC and its Member Cooperatives plan to assign purchased power costs, including transmission costs, in two phases. Until the acquired facilities are purchased by the individual Member Cooperatives from SMEC,[55] SMEC will receive essentially all revenue and be responsible for paying all expenses, including costs associated with purchased power and transmission, debt service, and operations and maintenance (i.e.,

[54] Chamber December 8 Reply Comments at 4.
[55] The purchase of the facilities by the individual Member Cooperatives from SMEC will occur no later than three years from Closing, but may occur earlier.

reimbursement to the Member Cooperatives for operating and maintaining their respective portions of the distribution system purchased from IPL).[56]

Since all costs of operation will be paid by SMEC, it would be inconsistent to single out purchased power costs and direct assign such costs to the SMEC Member Cooperatives, as proposed by the Chamber. After the IPL distribution facilities are transferred from SMEC to the individual SMEC Member Cooperatives, the SMEC Member Cooperatives will operate as independent systems and SMEC will bill each SMEC Member Cooperative in essentially the same manner as SMEC is billed by IPL.[57]

The Chamber couples its recommendation to bill the Member Cooperatives for purchased power costs in the same manner as IPL bills SMEC with a recommendation that the Power Cost Adjustment (PCA) factor be separated into demand and energy components.[58] The Chamber asserts that a PCA mechanism that is based entirely on energy will have a greater impact (in terms of percentage of the bill) on high load factor rate classes and customers than on low load factor rate classes and customers. [59]

The Petitioners acknowledge the varying impacts (in terms of percentage of the bill) that an energy based PCA mechanism will have on rate classes and customers as a function of load factor. However, the Chamber's recommendation should not be implemented during the 3-year Initial Period because: (1) it is contrary to typical practice for cooperatives; and (2) it is overly complicated given the nature of IPL's current rates, which the Member Cooperatives are adopting.

---

[56] Petitioners' Response to Chamber IR Nos. 16, 22 and 58.
[57] *Id.*
[58] Chamber December 8 Reply Comments at 22.
[59] Chamber December 8 Reply Comments at 17-22. The Chamber fails to raise a similar issue with respect to its $10.0/MWh credit recommendation, but was content to flow through the credit disproportionately to benefit high load factor large C&I classes and customers.

PCA mechanisms are common for cooperatives and cooperatives generally use an energy-only approach to their PCAs. Since the SMEC Member Cooperatives have agreed to adopt IPL's current rates, subject to certain specified modifications as described in the Petition, including the PCA mechanism, the PCA mechanism should be consistent with typical cooperative practice during the 3-year Initial Period.

Furthermore, the current IPL rates (which SMEC and the SMEC Member Cooperatives have agreed to adopt during the 3-Year Initial Period), were not based entirely on a Class Cost of Service Study (CCOSS). Consequently, it is not possible to establish a definitive base for allocating changes in the capacity component of purchased power and transmission costs to individual classes based on demand during that period.

In addition, approximately 40 percent of energy sales are billed solely on the basis of energy, not demand. Even for rate classes billed on the basis of demand as well as energy, the definition of billing demand applied at wholesale to SMEC will be different than the definition of billing demand applied at retail. Wholesale billing demand is defined as demand coincident (i.e., at the same time as) to IPL's or the transmission providers' 12 monthly peaks (12CP), while at retail, the IPL tariff definition of billing demand reflects the monthly peak non-coincidental demand (NCP) of each individual customer.

After the 3-year Initial Period, the SMEC Member Cooperatives will have developed CCOSS's for their respective Acquired Areas that will incorporate load survey and actual metered data to identify the 12CP contribution of each class to the

wholesale billing demand.[60] It will then be up to each SMEC Member Cooperative and its Board of Directors to determine how the PCA mechanism should be designed for their respective SMEC Member Cooperatives.[61] It is also expected that many of the SMEC Member Cooperatives will "roll-in" the increase in purchase power and transmission costs that have occurred since IPL's current rates were developed (i.e., circa 2009-2010), thereby minimizing the magnitude of the PCA factor and any adverse impacts resulting from the issue raised by the Chamber.

F. The Chamber recommendation to prevent merging of rates for 10 years is not needed for the Transaction to be consistent with the public interest.

The Chamber also recommends that the SMEC Member Cooperatives not be allowed to merge rates for the full 10 year period of the WPA, or in the alternative, agree not to merge rates unless they are within 1 percent of each other.[62] This recommendation should be rejected because it is overreaching and because it is not necessary for the Transaction to be consistent with the public interest.

The SMEC Member Cooperatives have already proposed a five-year Rate Plan that provides substantial consumer protections.[63] A 5-year plan substantially exceeds the duration of protections that the Commission has provided in connection with the sale of distribution assets in any prior case of which Petitioners are aware.

---

[60] As stated in the Petitioners' response to the DOC IR Nos. 61 and 62, all twelve of the SMEC Member Cooperatives either have or are in the process of planning and/or installing Advanced Metering Infrastructure (AMI) or Automated Meter Reading (AMR) systems on their Legacy systems; and all twelve Member Cooperatives are planning or studying the feasibility of extending such systems as soon as practicable to their respective Acquired Areas. This will provide much more accurate data from which to determine CP demands of the individual rate classes than is currently available.

[61] It should be noted that three of the SMEC Member Cooperatives (Minnesota Valley, Redwood and South Central) currently have unbundled rates for their Legacy systems.

[62] Chamber December 8 Reply Comments at 4.

[63] Petitioners' November 10 Comments at 5-7; Petition at 22-26, 36-51.

The individual SMEC Member Cooperative Boards of Directors will have the responsibility to establish the retail rates after the 3-year Initial Period.[64] While the Chamber may believe that cooperative rate regulation is not an acceptable replacement for traditional rate regulation, the Minnesota Legislature does not agree. Rather, the Legislature has found that Minnesota cooperatives are "effectively regulated and controlled by the membership."[65] As a result, the Chamber's rationale and requested remedy are inconsistent with Legislative policy and findings.

G. The Chamber mistakenly states that the rate impact of paying back loans has not been reflected in the Petitioners' analysis of benefits.

The Chamber also claims that, "The Joint Petitioners have not explained how they will pay back the principle costs of the financing, nor how they will recover these costs through rates beyond year five."[66] The Chamber is completely mistaken.

SMEC will borrow the amount necessary to finance the transaction from the National Rural Utilities Cooperative Finance Corporation (CFC) as a bridge loan. The bridge loan will be retired through a balloon payment within the first three years when the individual cooperatives purchase their share of the assets from SMEC.[67] When the Member Cooperatives purchase their share of the assets from SMEC, it is expected that each will finance its share of the purchase through a long-term loan from Rural Utility Service (RUS), with levelized debt service payments (principal and interest) over the term of the loan (approximately 25 years in this case). However, as previously

[64] During the Transition Period, Years 4 and 5, no two Acquired Area and Legacy Area rates may be merged unless the average revenue produced by the two rates are within 5% of each other; and no rate may be increased more than 5% per year, apart from the PCA mechanism. Petitioners' November 10 Comments at 6.
[65] Minn. Stat. § 216B.01. *See also* Petitioners' November 10 Comments at 22.
[66] Chamber December 8 Reply Comments at 10.
[67] Petitioners' Response to Chamber IR No. 44.

explained, the costs of these cash flow requirements have been included in the Petitioners' cost projections in the form of interest expense, depreciation, and amortization of the acquisition premium.[68]

Petitioners have also explained how each SMEC Member Cooperative establishes its margin and, therefore, revenue requirements.[69] Margins are determined by establishing a Times Interest Earned Ratio (TIER) and/or Debt Service Coverage (DSC) requirement. For SMEC Member Cooperatives who use TIER as the defining requirement (i.e., an accrual approach), depreciation expense represents a proxy for the repayment of loan principal. For SMEC Member Cooperatives who use DSC as the defining requirement (i.e., cash approach), the repayment of principal is inherently incorporated in the debt service payment. Either way, the repayment of debt will be reflected in each SMEC Member Cooperative's revenue requirements.

II. REPLY TO THE OAG

Similar to the Chamber, the OAG asserts the Transaction must be conditioned for it to be consistent with the public interest.[70] And similar to the Chamber, the OAG's conclusion is based on a fragmented analysis of the Transaction that ignores the significant overall customer benefits identified by the Petitioners and the Department, and continues to focus almost exclusively on the short term.[71] For all the reasons discussed above, the piecemeal approach of both the Chamber and the OAG and their

[68] *See* Petition, Attachment P at 1 (showing 2015 pro forma income statement that includes interest expense, depreciation and amortization expense and a times-interest-earned ratio (TIER) component). Petitioners' Response to DOC IR No. 57 includes the same components including some updates.
[69] Petitioners' Response to DOC IR Nos. 10 and 11.
[70] OAG December 8, 2014 Reply Comments at 1.
[71] *See, e.g.*, OAG December 8, 2014 Reply Comments at 3-4 ("As explained in the OAG's previous comments, even if base rates decrease slightly in the short term following the transaction, the cost of the Wholesale Power Agreement, which the OAG calculated at $4.3 million, will more than offset this small, temporary benefit.") (footnotes and citations omitted).

resulting recommendations should be rejected because they are not necessary for the Transaction to be consistent with the public interest.

In addition to adopting the wrong focus and standard, the OAG is mistaken regarding several other aspects of the Transaction. First, the OAG's fundamental premise that the Transaction should be evaluated on some hypothetical SMEC embedded cost of capital is based on a misunderstanding of the source and purpose of equity in a cooperative, both of which are unlike the equity of an investor owned utility.

An investor owned utility's equity represents ownership by stockholders who purchase their stock primarily, if not exclusively, for the purpose of obtaining a profit. In contrast, a cooperative's equity represents ownership by the member-customers of the cooperative which result from usage by the member-customers and are not driven by the desire to earn a profit, which is not allowed. Further, other than the contributions of nominal membership fees, a cooperative's equity results almost entirely from operating margins, which are allocated and owned by the members whose patronage led to the margins. These margins are in turn driven by the cooperative's obligation to set rates that exceed debt service costs through mandated "Times Interest Earned Ratio" (TIER) or "Debt Service Coverage" (DSC) requirements imposed by lenders.

The Petitioners' calculation of the benefits stemming from the Transaction already reflects the margins needed to generate and support equity for SMEC and the SMEC Member Cooperatives through a TIER component. Petitioners' Response to DOC IR No. 57, the Petitioners' December 8 Reply Comments and these Reply Comments all reflect a TIER component when calculating the benefits of the Transaction. Thus, the OAG is mistaken that a separate cost of equity must be added

to the Petitioners' analyses.[72] The Petitioners' calculations appropriately reflect the cost of debt and TIER ratios that will determine customers' rates when SMEC and the SMEC Member Cooperatives take ownership of IPL's distribution assets. Accordingly, the OAG's adjustment is simply unnecessary.

In addition, the OAG, like the Chamber, misconstrues both the standard for recovery of an acquisition premium from customers and the Commission's ability to order IPL to credit the gain on sale to customers. The Petitioners' December 8 Reply Comments show the Transaction results in a net present value of $24.4 million in savings over the first ten years of the transaction.[73] The Petitioners' December 8 Reply Comments also show that on an annualized basis, the benefits of the transaction exceed the annualized acquisition premium, which, under *Midwest Gas* would entitle SMEC to recover the cost if it was regulated by the Commission.[74]

Finally, even if SMEC could not meet the Commission's standard for recovery of the acquisition premium, *Minnegasco* and the Commission's past asset transfer cases demonstrate that it would be inappropriate to order IPL to credit the gain on sale to customers, especially when a credit is not necessary for the Transaction – including full recovery of the acquisition premium – to be considered consistent with the public interest.[75]

---

[72] *Compare* Section I.G., above *with* OAG December 8, 2014 Reply Comments at 5 ("For that reason, a full, blended cost of capital must be used when determining the true costs of the Transaction for ratepayers.").
[73] Petitioners' December 8 Reply Comments at 2-8.
[74] Midwest Gas Order at 7; Midwest Gas Recon Order at 5.
[75] Minnegasco, 549 N.W.2d at 909 (holding good will is not a cost of furnishing utility service and that the Commission does not have the authority to impute revenue for the value of good will used but not paid for by an affiliate).

III. CONCLUSION

For the reasons set forth above, and as the record fully shows, the Transaction is consistent with the public interest within the meaning of Minn. Stat. § 216B.50, and the Transaction should be approved without further conditions or modifications.

Dated: December 22, 2014

Respectfully submitted by:

INTERSTATE POWER AND LIGHT COMPANY

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

INTERSTATE POWER AND LIGHT COMPANY
P.O. Box 351
Cedar Rapids, IA 52406
Telephone: (319) 786-4236

Richard J. Johnson
Patrick T. Zomer

MOSS & BARNETT
A Professional Association
4800 Wells Fargo Center
Minneapolis, MN 55402-4129
Telephone: (612) 877-5000

Attorneys on Behalf of Interstate Power and Light Company

SOUTHERN MINNESOTA ENERGY COOPERATIVE

By: /s/ Harold P. LeVander, Jr.
Harold P. LeVander, Jr.

FELHABER LARSON FENLON & VOGT PA
444 Cedar Street, Suite 2100
St. Paul, MN 55101
Telephone: (651) 222-6321

Attorney for Southern Minnesota Energy Cooperative

Schedule 1

Estimated Customer Benefits

(including OAG adjustments to IPL ROE and claimed power cost effects)

($ millions)

	Estimated Benefits (before power costs)	Claimed differences in power costs**	Net Customer Benefits
Year 1*	$2.0	($0.7)	$1.3
Year 2*	$5.2	($0.7)	$4.5
Year 3*	$6.8	($0.9)	$5.9
Year 4	$4.7	($1.1)	$3.6
Year 5	$4.7	($1.1)	$3.6
Year 6	$4.7	($1.1)	$3.6
Year 7	$4.7	($1.1)	$3.6
Year 8	$4.7	($1.1)	$3.6
Year 9	$4.7	($1.1)	$3.6
Year 10	$4.7	($1.1)	$3.6
Year 11	$4.7	$0.0	$4.7
Year 12	$4.7	$0.0	$4.7
Year 13	$4.7	$0.0	$4.7
Year 14	$4.7	$0.0	$4.7
Year 15	$4.7	$0.0	$4.7
Year 16	$4.7	$0.0	$4.7
Year 17	$4.7	$0.0	$4.7
Year 18	$4.7	$0.0	$4.7
Year 19	$4.7	$0.0	$4.7
Year 20	$4.7	$0.0	$4.7
Year 21	$4.7	$0.0	$4.7
Year 22	$4.7	$0.0	$4.7
Year 23	$4.7	$0.0	$4.7
Year 25	$4.7	$0.0	$4.7
Year 25	$4.7	$0.0	$4.7
Net Present Value (Years 1-10)	***$30.9***	***($6.5)***	***$24.4***
Net Present Value (Years 1-25)	***$49.4***	***($6.5)***	***$42.9***

*Source: DOC October 6 Reply Comments, page 12, Table 4

** 9.80% ROE to 10.97% ROE