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March 10, 2014

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

**RE: Comments from the Minnesota Department of Commerce, Division of Energy Resources**

Docket Nos: E,G001/AI-12-32  
E,G001/AI-12-187  
E,G001/AI-12-192  
E,G001/AI-12-792  
E,G001/AI-12-1157  
E,G001/AI-13-787  
E,G001/PA-13-788

Dear Dr. Haar:

On February 2, 2014 the Minnesota Department of Commerce, Division of Energy Resources (DOC) filed *Comments* in the above referenced dockets. As explained therein, the DOC recommended approval of Interstate Power and Light's (IPL's) proposed affiliated-interest agreements with Franklin County Wind, LLC (FCW), with the exception of the Land Lease Agreement. Regarding to the Land Lease Agreement, the Department recommended that the Minnesota Public Utilities Commission (Commission) require IPL and FCW to share equally in the costs necessary to purchase, develop, and maintain the land used as a laydown area for the development of IPL's regulated wind farm Whispering Willow East (WWE) and FCW's non-regulated Franklin County Wind Farm. In addition, the DOC recommended that IPL and FCW share equally in any future rental income and/or gains or losses associated with this land in the event that it is ever leased or sold. The Department also requested that IPL indicate in reply comments the effect our recommendation would have on the basis of the rate imposed under IPL's renewable energy rider.

On March 6, 2014 IPL filed its *Reply Comments*. According to IPL, the Department's recommendations would reduce the rate imposed under IPL's Renewable Rider from \$56.40 per MWh to \$56.33 per MWh. IPL also disagreed with the Department's recommendation that IPL and FCW share equally in the costs associated with the laydown area. Instead, IPL proposed the following alternative:

IPL will commit, for the purposes of ratemaking within IPL's Minnesota territory, to reduce the rate base value of the laydown land by \$324,675 to \$659,189 (total Company), which equates to a reduction in the Minnesota rate base of \$19,481 to \$39,551. IPL proposes using this one-third reduction, in lieu of the Department's recommended equal sharing, to reflect the relative sizes of WWE (121 turbines) and FCW (60 turbines). Imputing this reduction in the rate base value of the laydown land would have a similar effect as FCW sharing in the investments in the land, while not necessitating that FCW and IPL enter into an additional transaction to effectuate the cost sharing. Additionally, this method will enable IPL to maintain full control of the land.

The DOC reviewed IPL's alternative proposal. The DOC agrees that IPL's proposal would provide an effect similar to DOC's proposal, but would avoid the need for FCW and IPL to enter into an additional transaction to effectuate the cost sharing. Moreover, the DOC concludes that IPL's proposal to reduce the rate base value of the laydown land based on the respective number of turbines located at each wind farm appears reasonable. As a result, the DOC recommends that the Commission approve IPL's proposed Land Lease Agreement conditioned upon IPL's alternative proposal to reduce WWE's rate base by \$324,675.

The DOC is available to answer any questions the Commission may have.

Sincerely,

/s/ MARK A. JOHNSON  
Financial Analyst

MAJ/ja

## **CERTIFICATE OF SERVICE**

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

**Minnesota Department of Commerce  
Comments**

**Docket No. E,G001/AI-12-32; E,G001/AI-12-187; E,G001/AI-12-192;  
E,G001/AI-12-792; E,G001/AI-12-1157; E,G001/AI-12-787 and E,G001/PA-  
13-788**

Dated this **10<sup>th</sup>** day of **March 2014**

**/s/Sharon Ferguson**

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