February 4, 2014

VIA ELECTRONIC FILING

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

Re: In the Matter of a Request for the Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Minnesota Energy Resources Corporation
MPUC Docket No. G001,G011/PA-14-107

Dear Dr. Haar:

Enclosed please find the Joint Petition of Interstate Power and Light Company (IPL) and Minnesota Energy Resources Corporation (MERC). This Joint Petition is being filed with the Minnesota Public Utilities Commission (Commission) pursuant to Minn. Stat. § 216B.50 and Minn. Rules 7825.1800. IPL and MERC jointly request the Commission approve the sale of IPL's Minnesota gas distribution system and assets, and transfer of service rights and obligations in Minnesota, to MERC pursuant to an Asset Purchase and Sale Agreement dated September 3, 2013.

Additionally, the Joint Petition contains trade secret information. The specific information, for which IPL claims is trade secret, is described in the Statement Providing Justification For Trade Secret Information. The Joint Petition is presented as follows:

- Original Filing;
- Joint Petition for Approval of the Asset Purchase and Sale Agreement;
- Attachments A though M;
- Statement of Justification for Treatment of Data as Trade Secret and/or Privileged; and
- Affidavit of Service.

Please feel free to direct any questions regarding the Joint Petition to the undersigned.

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

By: *~~/s/ Erik C. Madsen~~*

By: */s/ Erik C. Madsen*
Its Authorized Representative

Erik C. Madsen
Director, Regulatory Affairs

INTERSTATE POWER AND LIGHT COMPANY
P.O. Box 351
Cedar Rapids, IA 52406
Telephone: (319) 786-4364

Richard J. Johnson
Valerie M. Means

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

MINNESOTA ENERGY RESOURCES CORPORATION

By: */s/ Gregory J. Walters*____________________
Its Authorized Representative

Gregory J. Walters
Regulatory and Legislative Affairs Manager

Minnesota Energy Resources Corporation
2665 145th Street West, Box 455
Rosemount, MN 55068-0455
Telephone: (507) 529-5100

Michael J. Ahern
Kristin M. Stastny

DORSEY & WHITNEY LLP
50 South Sixth Street
Suite 1500
Minneapolis, MN 55402
Telephone: (612) 340-2600

Attorneys for Minnesota Energy Resources Corporation

Enclosures
cc: All parties of record

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
David C. Boyd	**Commissioner**
Nancy Lange	**Commissioner**
J. Dennis O'Brien	**Commissioner**
Betsy Wergin	**Commissioner**

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

MPUC Docket No. G001,G011/PA-14-107

<u>ORIGINAL FILING</u>

Pursuant to Minn. Stat. § 216B.50 and Minnesota Rules 7825.1800, Interstate Power and Light Company (IPL) and Minnesota Energy Resources Corporation (MERC) jointly request the Minnesota Public Utilities Commission (Commission) approve the sale of IPL's Minnesota gas distribution system and assets and transfer of service rights and obligations in Minnesota (the Transaction) to MERC. This sale and transfer is made in accordance with the Asset Purchase and Sale Agreement dated September 3, 2013, by and between IPL and MERC (the Gas Asset Purchase and Sale Agreement).

The filing includes the following attachments:

- One paragraph summary of the filing in accordance with Minn. Rules pt. 7829.1300.
- Joint Petition for Approval, which contains a description of the filing, the impact on the Joint Petitioners and affected ratepayers, and the reasons for the filing, provided in accordance with Minn. Rules 7829.1300, subp. 4(F).
- Affidavit of Service.

In addition, the following information is provided, in accordance with Minn. Rules pt. 7829.1300, subp. 4:

Utilities:	Interstate Power and Light Company 200 First Street SE Cedar Rapids, IA 52406 Minnesota Energy Resources Corporation 2665 W. 145th Street Rosemount, MN 55068
Company's Attorneys:	<u>For IPL:</u> Richard J. Johnson Valerie M. Means Moss & Barnett 4800 Wells Fargo Center 90 S. Seventh Street Minneapolis, MN 55402 (612) 877-5000 <u>For MERC:</u> Michael J. Ahern Kristin M. Stastny Dorsey & Whitney LLP 50 S. Sixth Street #1500 Minneapolis, MN 55402 (612) 340-2881

Utility Employee Responsible for the Filing:

	<u>For IPL:</u> Erik C. Madsen Director, Regulatory Affairs P.O. Box 351 Cedar Rapids, IA 52406 (319) 786-4364 <u>For MERC:</u> Gregory J. Walters Regulatory and Legislative Affairs Manager 3460 NW Technology Drive Rochester, MN 55901 (507) 529-5100

Date of Filing:	February 4, 2014
Proposed Effective Date:	Immediately upon approval
Controlling Statute for Time in Processing the Filing:	Minn. Stat. § 216B.50 and Minn. Rules 7825.1800 govern the substantive criteria for the filing. There is no preset time period for review. The petitioners request approval that will allow the sale closing on the Transaction in the third quarter of 2014.

If additional information is required, please contact Richard J. Johnson at (612) 877-5275 or Michael Ahern at (612) 340-2881.

Dated: February 4, 2014

Respectfully submitted,

and

By: /s/ Richard J. Johnson
Richard J. Johnson
Valerie M. Means

MOSS & BARNETT
A Professional Association
4800 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-4129
Telephone: 612-877-5275

Attorneys on Behalf of Interstate Power and Light Company

By: /s/ Michael J. Ahern
Michael J. Ahern
Kristin M. Stastny

Dorsey & Whitney LLP
50 S Sixth Street
Minneapolis, MN 55402
Telephone: 612-340-2881

Attorneys on Behalf of Minnesota Energy Resources Corporation

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
David C. Boyd	**Commissioner**
Nancy Lange	**Commissioner**
J. Dennis O'Brien	**Commissioner**
Betsy Wergin	**Commissioner**

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

MPUC Docket No. G001,G011/PA-14-107

SUMMARY OF FILING

Please take notice that on February 4, 2014, pursuant to Minn. Stat. § 216B.50 and Minnesota Rules 7825.1800, Interstate Power and Light Company (IPL) and Minnesota Energy Resources Corporation (MERC) filed with the Minnesota Public Utilities Commission (Commission) a petition for approval of the sale of IPL's Minnesota gas distribution system and assets and transfer of service rights and obligations (the Minnesota Gas Assets) to MERC pursuant to an Asset Purchase and Sale Agreement dated September 3, 2013. The purchase price to be paid by MERC to IPL will equal the book value of the Minnesota Gas Assets at closing, subject to certain adjustments. Based on a closing and the book value of the Minnesota Gas Assets as of December 31, 2012, the purchase price would be approximately $9,335,000. IPL and MERC request an Order from the Commission approving the sale as consistent with the public interest.

AFFIDAVIT OF SERVICE

STATE OF IOWA)
) ss
COUNTY OF LINN)

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

MPUC Docket No.G001,G011/PA-14-107

Tonya A. O'Rourke, being first duly sworn on oath, deposes and states:

> That on the 4th day of February, 2014, copies of the foregoing Affidavit of Service, together with the Original Filing, Joint Petition for Approval of the Asset Purchase and Sale Agreement Between Interstate Power and Light Company and Minnesota Energy Resources Corporation in the above referenced matter, were served upon the parties on the attached Service List, via eFiling, overnight delivery, electronic mail, and or first class mail, proper postage prepaid from Cedar Rapids, Iowa.

<u>/s/ Tonya A. O'Rourke</u>
Tonya A. O'Rourke

Subscribed and Sworn to Before Me
this 4th day of February, 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
Bobby	Adam	bobby.adam@conagrafoods.com	ConAgra	Suite 5022 11 ConAgra Drive Omaha, NE 68102	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
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	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
William A.	Blazar	bblazar@mnchamber.com	Minnesota Chamber Of Commerce	Suite 1500 400 Robert Street North St. Paul, MN 55101	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	Suite 4800 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
City	Clerk	sschulte@ci.albertlea.org	City of Albert Lea	221 E Clark St Albert Lea, MN 56007	Paper Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
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	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Daryll	Fuentes	N/A	USG	550 W. Adams Street Chicago, IL 60661	Paper Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Grover	dgrover@itctransco.com	ITC Midwest	444 Cedar St Ste 1020 Saint Paul, MN 55101-2129	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Richard	Haubensak	RICHARD.HAUBENSAK@CONSTELLATION.COM	Constellation New Energy Gas	Suite 200 12120 Port Grace Boulevard La Vista, NE 68128	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Annete	Henkel	mui@mnutilityinvestors.org	Minnesota Utility Investors	413 Wacouta Street #230 St.Paul, MN 55101	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
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	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Jim	Krueger	jkrueger@fmcs.coop	Freeborn-Mower Cooperative Services	Box 611 Albert Lea, MN 56007	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Amber	Lee	alee@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
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	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Erik	Madsen	ErikMadsen@alliantenergy.com	Alliant Energy	200 First St SE Cedar Rapid, IA 52401	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Kavita	Maini	kmaini@wi.rr.com	KM Energy Consulting LLC	961 N Lost Woods Rd Oconomowoc, WI 53066	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Brian	Meloy	brian.meloy@stinsonleonard.com	Stinson,Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Steven	Nyhus	swnyhus@flaherty-hood.com	Flaherty & Hood PA	525 Park St Ste 470 Saint Paul, MN 55103	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Kent	Ragsdale	kentragsdale@alliantenergy.com	Alliant Energy-Interstate Power and Light Company	P.O. Box 351 200 First Street, SE Cedar Rapids, IA 524060351	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Larry L.	Schedin	Larry@LLSResources.com	LLS Resources, LLC	12 S 6th St Ste 1137 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Matthew J.	Schuerger P.E.	mjsreg@earthlink.net	Energy Systems Consulting Services, LLC	PO Box 16129 St. Paul, MN 55116	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ron	Spangler, Jr.	rlspangler@otpco.com	Otter Tail Power Company	215 So. Cascade St. PO Box 496 Fergus Falls, MN 565380496	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW Rochester, MN 55901	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	GEN_SL_Interstate Power and Light Company_IPL - MERC Gas Asset Sale

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
David C. Boyd	**Commissioner**
Nancy Lange	**Commissioner**
J. Dennis O'Brien	**Commissioner**
Betsy Wergin	**Commissioner**

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

MPUC Docket No. G001,G011/PA-14-107

STATEMENT PROVIDING JUSTIFICATION FOR TRADE SECRET INFORMATION

Pursuant to the Minnesota Public Utilities Commission's (Commission) revised Procedures for Handling Trade Secret and Privileged Data, Minn. Stat. § 13.37 and Minn. Rule 7829.0500, Interstate Power and Light Company (IPL) and Minnesota Energy Resources Corporation (MERC) (collectively the Joint Petitioners) have marked specific information contained within the Joint Petitioner's Request for approval of the sale of IPL's Minnesota gas distribution system and assets and transfer of service rights and obligations in Minnesota (the Joint Petition) as Trade Secret.

The Joint Petition contains trade secret information, as defined by Minn. Stat. § 13.37 subd. 1(b), in that the data is the subject of efforts by IPL that are reasonable under the circumstances to maintain its non-disclosure, and derives independent economic value, actual or potential, from not being generally known to, and being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. The Joint Petitioner's respectfully request that Trade Secret designation be afforded to information IPL holds as non-public proprietary information maintained in confidence in the ordinary course of business.

Specifically, IPL requests that certain sensitive information about employee compensation be held trade secret. IPL has a duty to its employees to protect their private information. Employee compensation is highly sensitive competitive information. Disclosure of the employee compensation would give other potential employers an advantage and compromise IPL's ability to negotiate future contracts on terms and conditions most favorable to IPL and its customers. A non-public designation of the employee compensation does not impede an evaluation and determination of the Joint Petition. This information can be found in the following locations:

Attachment D – Page 135 of 150
Attachment D – Page 146 of 150

Accordingly, the Joint Petitioner's believe the marked information contained in the Joint Petition meets the definition of trade secret under Minn. Stat. § 13.37.

STATE OF MINNESOTA

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	**Chair**
David C. Boyd	**Commissioner**
Nancy Lange	**Commissioner**
J. Dennis O'Brien	**Commissioner**
Betsy Wergin	**Commissioner**

MPUC Docket No. G001,G011/PA-14-107

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

JOINT PETITION OF INTERSTATE POWER AND LIGHT COMPANY AND MINNESOTA ENERGY RESOURCES CORPORATION FOR APPROVAL OF ASSET PURCHASE AND SALE AGREEMENT AND TRANSFER OF SERVICE RIGHTS AND OBLIGATIONS

TABLE OF CONTENTS

ATTACHMENTS

Attachment A	A List of the Minnesota Communities Served by IPL
Attachment B	MERC and Integrys Corporate Structure, Organizational Charts, and Articles of Incorporation
Attachment C	Map of current MERC and IPL service areas in Minnesota
Attachment D	Trade Secret Gas Asset Purchase and Sale Agreement and Schedules
Attachment E	2013-2014 Investor Owned Utility Residential Gas Distribution Cost Comparison Chart
Attachment F	Illustrative Rate Comparison Tables of IPL and MERC Rates
Attachment G	IPL Directors' Resolution Indicating Approval of Gas Asset Purchase and Sale Agreement
Attachment H	MERC and Integrys Directors' Resolutions Indicating Approval of Gas Asset Purchase and Sale Agreement
Attachment I	IPL 2012 Balance Sheet, Income Statement, and Statement of Changes in Financial Position
Attachment J	MERC 2012 Balance Sheet, Income Statement, and Statement of Changes in Financial Position
Attachment K	List of Transferred Franchises
Attachment L	Original Cost of Property and Depreciation and Amortization Reserves
Attachment M	Summary of Outstanding IPL Commission Dockets

I. INTRODUCTION AND OVERVIEW

Interstate Power and Light Company (IPL) and Minnesota Energy Resources Corporation (MERC) (collectively the Joint Petitioners or Parties) jointly request the Minnesota Public Utilities Commission (Commission) approve the sale of IPL's Minnesota gas distribution system and assets to MERC and transfer of service rights and obligations in Minnesota (the Transaction), as further explained in this Joint Petition. This sale and transfer is made in accordance with the Asset Purchase and Sale Agreement dated September 3, 2013, by and between IPL and MERC (the Gas Asset Purchase and Sale Agreement). This request is made pursuant to Minn. Stat. § 216B.50 and Minn. Rules 7825.1800.

The Transaction. As further explained in this Joint Petition, upon completion of the Transaction (following approval by the Commission):

- IPL will transfer to MERC the local distribution assets and pipeline capacity rights used to provide natural gas distribution service to approximately 10,600 customers in IPL's natural gas service areas in Minnesota.
- To the extent that such rights can be transferred, IPL will transfer to MERC all of IPL's rights and obligations to provide natural gas distribution service to those natural gas distribution customers.
- MERC will, subject to the regulation of the Commission, commence natural gas service to the public in each such transferred area pursuant to the terms and conditions of MERC's current rates and tariffs.

- IPL will no longer provide natural gas distribution service in Minnesota and will no longer be a Minnesota public utility providing natural gas distribution service.

Commission Approval. Commission approval of the Transaction is required under Minn. Stat. § 216B.50 which authorizes approval of transfers such as the Transaction if the Commission finds the transfer is consistent with the public interest.

Consistency with the Public Interest. As further explained in this Joint Petition, the standard for review of the Transaction is consistency with the public interest. The Commission has regularly applied this standard and has recognized that it is not necessary that the transfer affirmatively benefit ratepayers or the public, or otherwise promote the public interest, but a transfer may not contravene the public interest, and must be shown to be compatible with the public interest. As further demonstrated in this Joint Petition, MERC's acquisition of IPL's natural gas distribution business is fully compatible and consistent with the public interest.

MERC. MERC currently provides gas service to approximately 214,000 customers in Minnesota, including service to customers contiguous to IPL's Minnesota service territory. The Transaction will result in continued high quality service to IPL's current Minnesota customers, as MERC can draw on its current operating experience, which includes excellent service and customer satisfaction records. As a wholly-owned subsidiary of Integrys Energy Group, Inc., MERC has the financial and technical resources needed to provide reliable and cost effective natural gas distribution service. The Transaction should result in continued excellent service to customers, operations and regulatory compliance.

Rates. As described more fully in Section IV of this Joint Petition, MERC proposes to transfer IPL's Minnesota gas customers to MERC's current rates and tariffs as part of the Transaction. This will avoid the delay, disruption and increased expense of approving MERC's acquisition of IPL's gas assets in this proceeding, followed by a later rate case to integrate 10,600 customers into MERC's 214,000 existing customer base.

Withdrawal from gas distribution service by IPL. Upon the closing of the Transaction, IPL requests approval: (1) to withdraw from the provision of natural gas distribution service in all areas it currently serves in Minnesota and terminate its gas distribution rights and obligations in Minnesota; and (2) to terminate and cancel its intrastate natural gas distribution service tariffs in Minnesota.

Scheduling. The Joint Petitioners hope to close the Transaction during the third quarter of 2014, in order to minimize any period of uncertainty for customers. Therefore, IPL and MERC respectfully request the establishment of a schedule for completion of the review of this Joint Petition, if possible, that would allow a closing in the third quarter of 2014. Closing of the Transaction is independent of Commission review of the proposed transfer of IPL's Minnesota electric distribution system and assets to Southern Minnesota Energy Cooperative (SMEC).

Joint Petition Contents. The remainder of this Joint Petition is organized as follows:

- Section II provides a description of the Joint Petitioners and Customers.
- Section III provides a further description of the Transaction.
- Section IV explains the post Transaction operations and rates.

- Section V identifies the information required under the Commission's Rules.
- Section VI describes the public interest standard for review of the Transaction and shows that the Transaction is in the public interest.
- Section VII identifies a proposed process for Commission review.
- Section VIII identifies other considerations.
- Section IX contains a summary and requested action by the Commission.

II. THE JOINT PETITIONERS and CUSTOMERS

A. Interstate Power and Light Company

IPL is an Iowa corporation and an investor-owned utility, headquartered at 200 First Street, SE, in Cedar Rapids, Iowa. IPL is a separate legal entity and first tier wholly owned subsidiary of Alliant Energy Corporation, a public utility holding company. As of year-end 2012, IPL provided retail electric and natural gas distribution services to approximately 527,000 electric customers and 234,000 natural gas distribution customers in Iowa and southern Minnesota. The customers served by IPL include approximately 10,600 natural gas distribution customers in 12 communities in Minnesota for which transfer to MERC is requested in this Joint Petition. IPL's natural gas distribution customer base in Minnesota is relatively small. IPL's annual natural gas through-put in Minnesota was approximately 1,516,000 dekatherms in 2012. A list of the Minnesota communities served by IPL is provided in **Attachment A.**

B. Minnesota Energy Resources Corporation

MERC is a Delaware corporation that is a wholly owned subsidiary of Integrys Energy Group, Inc. MERC is headquartered at 2665 W. 145th Street in Rosemount, Minnesota. MERC is a member of a family of well-managed and well-regulated public utilities operating in four upper Midwest states. The other regulated utilities that are part of the group are Wisconsin Public Service Corporation (WPS); Upper Peninsula Power Company (UPPCo); Michigan Gas Utilities Corporation (MGU); North Shore Gas Company (NSG); and The Peoples Gas Light and Coke Company (Peoples). **Attachment B** sets forth MERC and Integrys' corporate structures and articles of incorporation.

MERC is a local distribution natural gas utility (LDC) that began operations in 2006 after having been approved by the Commission to acquire the Minnesota LDC operations of Aquila. MERC provides natural gas service to approximately 214,000 customers over a service area that spans portions of the entire State – from the Canadian and Iowa borders to the borders of Wisconsin to the Dakota's. The service area covers more than 38,000 square miles, 52 counties, and 165 communities.

MERC's service area is adjacent to and readily encompasses the LDC service area to be acquired from IPL. A map showing the current IPL and MERC service areas in Minnesota is provided in **Attachment C.** If approved, MERC will be acquiring the assets and facilities of IPL and integrating the IPL facilities and customers into MERC's current utility operations. Due to MERC's proximity and knowledge of the service area, it is anticipated that the IPL LDC operations can be readily assimilated and operated by MERC with a minimal redeployment of staff resources and only a minor addition to physical plant to serve the new territory. The Transaction would add 10,600 neighboring consumers to MERC's current 214,000 customer base. Combining the IPL customers into MERC's utility operations is expected to produce a continuation of good service at reasonable prices to current IPL customers as well as incremental long-term benefits for all MERC customers.

MERC's qualifications to acquire and operate the IPL LDC operations are demonstrated by its track record of providing excellent customer service since it began operating in 2006. The new customers would be served by an experienced, well-trained workforce. Many of MERC's employees have been on the job for decades, providing great service and operational continuity that dates back to when the LDC was a division of Northern Natural Gas Company (NNG) pipeline.

MERC's senior management has always been led by experienced and capable public utility executives. MERC's first president was Charles Cloninger who came to MERC as a senior executive with WPS and while at MERC also became president of MGU. Mr. Cloninger left MERC to become the president of WPS, a large integrated electric and natural gas utility that serves north central and northeastern Wisconsin as well as a small portion of Michigan's Upper Peninsula. MERC's current president, Barbara Nick, also came to MERC with a depth of experience in senior leadership positions with WPS. In addition to her MERC duties, Ms. Nick is also the current president of MGU.

III. DESCRIPTION OF THE TRANSACTION

A. Summary

IPL proposes to sell all of its gas distribution assets located in Minnesota (the "Minnesota Gas Assets") to MERC. The sale of the Minnesota Gas Assets to MERC is a cash transaction. IPL will not receive any securities from MERC as consideration for this sale. Additionally, MERC will not have to issue any securities to finance this purchase. Upon the completion of the sale of the Minnesota Gas Assets to MERC, IPL will exit the natural gas retail business in Minnesota and will no longer be subject to the Commission's jurisdiction regarding the provision of natural gas at retail.

IPL has also entered into a separate agreement to sell all of its electric distribution assets located in Minnesota (the "Minnesota Electric Assets") to SMEC. There is no connection between MERC and SMEC and the sale of the Minnesota Gas Assets to MERC and the Minnesota Electric Assets to SMEC are separate and are not mutually interdependent. Further, the sale of the Minnesota Gas Assets to MERC is not contingent upon IPL completing the sale of the Minnesota Electric Assets to SMEC. Accordingly, IPL and MERC do not believe there is any basis for the schedule of this proceeding to be affected by the schedule in the proceeding to review the sale of the Minnesota Electric Assets to SMEC.

In light of these facts, IPL and MERC request that the Commission adopt a schedule for this proceeding and grant its approval of the sale of the Minnesota Gas Assets to MERC that will allow the sale closing of the Minnesota Gas Assets to be effective during the third quarter of 2014. Such a time table would facilitate the interests of all stakeholders in implementing a seamless transition while minimizing any period of uncertainty for customers. The Joint Petitioners are not required to make filings for the Transaction with the Iowa Utilities Board, the Federal Trade Commission or the U.S. Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Transaction will not provide MERC with any greater market power in Minnesota than is currently possessed by IPL. Certain filings with the Federal Energy

Regulatory Commission (FERC), as described in Section VIII below, will be required to facilitate the Transaction.

Set forth below is a synopsis of the principal terms of the Gas Asset Purchase and Sale Agreement for the sale of the Minnesota Gas Assets to MERC, which is provided as Trade Secret **Attachment D.** A more complete description of the Minnesota Gas Assets being sold by IPL is also provided below pursuant to Minnesota Rule 7825.1800C.

B. Gas Asset Purchase and Sale Agreement

The Gas Asset Purchase and Sale Agreement contains customary contractual provisions for asset sale transactions of this type.

Gas Asset Purchase and Sale Agreement Synopsis:

- Transaction Structure. The Gas Asset Purchase and Sale Agreement transaction is structured as a sale of assets with IPL selling the Minnesota Gas Assets to MERC.
- Purchase Price. The purchase price to be paid by MERC to IPL will equal the book value of the Minnesota Gas Assets at closing. The purchase price will be paid by MERC to IPL in immediately available funds at closing with a post-closing true-up of various items. Based on the book value of the Minnesota Gas Assets as of December 31, 2012, the purchase price would be approximately $9,335,000.
- Assumed Liabilities. Except as provided in the provisions discussed in Section IV below, with regard to the Austin Former Manufactured Gas Plant (Austin FMGP) site, IPL retains liability for pre-closing conditions, events, and liabilities

related to the Minnesota Gas Assets and related business. Also subject to the provisions discussed in Section IV below, MERC assumes liabilities for post-closing conditions, events and liabilities related to the Minnesota Gas Assets and the business.

- Due Diligence. There are no remaining issues as a result of the due diligence review process outlined in the Gas Asset Purchase and Sale Agreement.
- Representations and Warranties. The representations and warranties in the Gas Asset Purchase and Sale Agreement are customary for asset sale transactions of this type. Among other things, IPL's representations and warranties to MERC relate to: organizational and authority matters; third party consents; environmental matters; the acquired contracts and leases; and compliance with laws and permits. MERC's representations and warranties to IPL generally relate to: organizational and authority matters; matters requiring third party consents; compliance with law and permits; and litigation matters.
- "As Is" Deal. IPL is selling the Minnesota Gas Assets to MERC pursuant to the Gas Asset Purchase and Sale Agreement on an "AS IS" basis subject to certain IPL representations and warranties as to condition and title to certain assets.
- Covenants. The Gas Asset Purchase and Sale Agreement includes customary covenants, including covenants related to: obtaining regulatory approvals and third party consents; confidentiality; cooperation; taxes, prorations and closing costs; maintenance of the Minnesota Gas Assets and business prior to closing; capital expenditures; no solicitation of other offers; and provision of transitional services if required.

- Indemnification. The Gas Asset Purchase and Sale Agreement includes customary indemnification obligations on both Parties with respect to claims relating to the Transaction. Claims for indemnification arising out of breaches of representations and warranties must be made within 15 months after closing, subject to customary exceptions (e.g., representations and warranties of IPL regarding ERISA, benefit plans, and environmental matters survive for 24 months after closing).
- Limitations on Liability. A Party seeking indemnification will have no reimbursable claim of any breach of representations or warranties until incurred losses exceed at least one percent of the final purchase price. The aggregate liability of a Party for any breach of representations or warranties shall not exceed 20 percent of the final purchase price. Neither the one percent threshold nor the 20 percent cap applies to claims that arise out of a Party's fraud or any breach of the representations or warranties regarding the entity's organization and existence or the execution, delivery, and enforceability of the Gas Asset Purchase and Sale Agreement and other customary exceptions.
- Conditions to Closing. Conditions to closing include: receipt of approvals from the Commission and, if required, FERC, in form and substance acceptable to each of MERC and IPL; obtaining necessary third party consents; and performance by each Party of its respective obligations to be performed prior to closing.

  MERC's additional conditions to closing include: potentially receiving a satisfactory title policy and survey; there being no material adverse effect regarding due diligence issues; and disclosure schedule updates having been addressed in accordance with the Gas Asset Purchase and Sale Agreement.

- Termination. The Gas Asset Purchase and Sale Agreement provides that it may be terminated under certain circumstances, including the following:
  - by either Party if there has been a material breach of the Gas Asset Purchase and Sale Agreement or the Confidentiality Agreement between IPL and MERC which is not cured within 30 days after written notice of the breach;
  - by either Party in the event of failure to obtain certain necessary regulatory approvals in form and substance acceptable to each Party or third party consents or a court order or injunction prohibiting closing;
  - by either Party in the event that closing has not occurred within 18 months of the signing of the Gas Asset Purchase and Sale Agreement or such shorter period negotiated by the Parties;
  - by MERC if there has been a material adverse effect which remains in effect; or if IPL has elected not to repair or replace certain casualty losses that, in the aggregate, exceed $500,000.

IV. POST TRANSACTION SYSTEM OPERATION, GAS SUPPLY AND RATES

A. System Operations

MERC foresees no problems in successfully transitioning the IPL gas facilities and operations into the MERC gas distribution system. The operating pressures are consistent between the systems. The IPL Gas Inspection Maintenance and Management System (GIMMS) will facilitate a ready integration with MERC's recordkeeping system. IPL uses the same materials as MERC, avoiding the need for MERC to acquire additional inventory. IPL regulator stations use the same configurations and regulators as MERC. The IPL town flow model information will be very helpful in assuring a seamless system integration into MERC's distribution system.

Gas distribution system safety issues have been addressed in the IPL Distribution Integrity Management Plan (DIMP). IPL has successfully implemented its DIMP. MERC will incorporate the IPL DIMP into MERC's DIMP to assure compliance with the requirements of the Minnesota Office of Pipeline Safety (MNOPS).

B. Gas Supply

MERC and IPL gas customers are currently served from the same NNG interstate pipeline system. The common pipeline facilities and operations will result in seamless integration of gas supply for the IPL gas customers. All of the IPL NNG transportation and storage capacity used to serve the Minnesota customers will be permanently released, through a pre-arranged release, on NNG's Electronic Bulletin Board (EBB) system. MERC merely has to confirm the IPL pipeline capacity releases. The volumes of gas transportation and storage capacity to be released will not be known until the sale is closed.

C. Customer Rates and Terms of Service

1. Background

The approximately 10,600 IPL Minnesota gas customers have enjoyed a unique "rate freeze" niche for many years. These customers have not had a base gas rate increase in almost 18 years and have been fortunate to have enjoyed the unique benefits of good service and lower than "market" rates relative to those of other

Minnesota gas utilities for that extended period of time. The limited size of IPL's Minnesota gas customer base, together with the significant costs and effort of bringing a rate case, have uniquely combined to shield the IPL Minnesota gas customers from any rate increases over this extended period of time.

The impact of IPL's Minnesota customers' unique insulation from rate increases is also shown by the following Table 1 setting forth the number of gas rate cases from 2000-2013 for IPL's gas customers in Iowa.[1]

Table 1

IPL Iowa Gas Rate Cases 2000-2013

Year/Docket No.	ROE	Rate Increase (%)in non-fuel revenue	Residential Customer Charge Increase
2001 / RPU-02-7	11.05%	25%	$7.75 to $10.00
2004 / RPU-95-8	10.80%	18%	No change
2012 / RPU-12-2	10.00%	13%	$10.00 to $13.00

IPL's Minnesota gas utility system is generally similar to the IPL Iowa gas utility. For example the IPL gas utilities on both sides of the Iowa-Minnesota border serve predominantly rural areas with many small communities. The striking differences are the Minnesota utility's small number of customers and the complete absence of any rate cases for 18 years. It is highly unlikely that the Minnesota IPL gas utility was somehow exempt or sheltered from the external factors that were responsible for IPL's need to adjust Iowa gas customers' rates three times during this period. The fact is IPL's

[1] IPL's Iowa gas customer base of 223,000 almost mirrors MERC's 214,000 customers.

Minnesota gas customers have avoided routine rate cases due to the small size of the IPL Minnesota gas customer group and the disproportionate costs of bringing otherwise necessary and routine rate cases.

It might be speculated that IPL did not seek a Minnesota gas rate increase because the IPL Minnesota gas operations were generally earning an adequate return since the conclusion of the 1995 rate case. This is not correct. Rather, as shown in the following Table 2, over the last nine years, IPL's Minnesota gas business reported an average return on equity (ROE) of negative 1.67%, based on reports filed with the Commission.

Table 2

IPL Minnesota Gas Earned ROEs

Year	IPL MN Gas ROE
2004	10.14%
2005	1.41%
2006	-10.76%
2007	-0.47%
2008	3.61%
2009	13.43%
2010	-17.14%
2011	5.75%
2012	-21.04%
Average	-1.67%

Over this period, the average ROE is -1.67%, in contrast to IPL's allowed ROE at 10.75%. As a result, it would not be reasonable to evaluate public interest assuming that such low ROEs could or should be sustained.

The number of gas rate cases of MERC and its predecessor utility and the other Minnesota investor-owned gas utilities (IOU) between 1996 and 2013 provides an additional relevant benchmark. Table 3 shows that IPL's three Iowa gas rate cases are not an outlier. The outlier is the IPL Minnesota gas utility that had no rate cases from 1996 – 2013.

Table 3

Minnesota Gas Rate Cases 1996-2013

Utility	Number of Rate Cases 1996-2013
MERC/Aquila	4 rate cases, including: • currently pending 2013 rate case (G-011/GR-13-617); • 2000 (G-007,011/GR-00-951); • 2008 (G-007,011/GR-08-835); • 2010 (G-007,011/GR-10-977); .
Xcel/NSP (Gas)	4 rate cases, including: • 1997 (G 002/GR 97-1606); • 2004 (G-002/GR-04-1511); • 2006 (G-002/GR-06-1429); • 2009 (G-002/GR-09-1153)).
CenterPoint/ Minnegasco	4 rate cases, including: • currently pending 2013 rate case (G008/GR-13-316)). • 2004 (G008/GR-04-901); • 2005 (G008/GR-05-1380); • 2008 (G008/GR-08-1075); 2013

A further point of reference is provided by **Attachment E** which is a bar graph comparing IPL's residential gas distribution cost with other Minnesota gas investor-owned utilities for the period February 2013 through January 2014. This bar graph illustrates that IPL Minnesota residential gas customers have been afforded lower gas distribution costs than all of the residential customers of the other Minnesota investor-owned gas utilities. This unique situation is not sustainable or stable, and does not provide an appropriate basis for evaluation of the impact of the Transaction. While rate increases are never welcomed, should the Transaction be approved, the sooner the IPL

Minnesota gas customers are integrated into MERC's rates, the better. The rate impacts of deferring a transition from demonstrably lower than market rates to MERC's rates will only become more pronounced.

2. IPL to MERC rates

MERC proposes to transfer the IPL customers to MERC's rates and tariffs in effect as of the time of closing of the Transaction. This will avoid the delay, disruption, and increased expense of a two part process of approving the acquisition of IPL gas assets in this proceeding, followed by a subsequent rate case precipitated by the need to integrate 10,600 customers into MERC's 214,000 existing customer base.

The benefits of a quick integration of IPL customers are several:

1. Immediate transfer would minimize time delay, costs, and the potential for even larger rate increases for current IPL customers that would likely result if the integration of IPL's 10,600 customers into MERC was delayed to a subsequent MERC rate case.
2. The rate differentials between MERC's interim rates and IPL's legacy rates vary by class and are of a size that suggests the rate differences should be addressed before the rate disparities become even more pronounced. **Attachment F** provides illustrative comparisons between MERC's current interim rates and IPL's legacy rates for sample residential,[2] commercial and industrial,[3] interruptible,[4] and transportation[5]

[2] Based on annual usage of 834 therms.

[3] GS C&I (GS< 1500) based on 1,300 therms annual usage and GS C&I (GS >1500) based on 5,000 therms annual usage.

[4] Based on annual usage of 50,000 therms.

[5] Based on annual usage of 50,000 therms.

customer classes. Whatever the rate differentials, it is undeniable that a delayed transition to MERC rates would only serve to exacerbate any rate disparities.

3. If a rate transition is deferred, it will be necessary for MERC to create and administer a separate billing system for the IPL gas customers. Aside from the additional costs that MERC would incur, dual billing systems would provide a customer service challenge, requiring MERC personnel to learn, implement, and administer a separate set of rates and tariffs.

4. Immediate transition to MERC rates would benefit IPL Minnesota customers by facilitating a more timely transfer of their legacy responsibility for FMGP liabilities to the much broader MERC customer base. IPL Minnesota gas customers are currently incurring, on average, approximately $50 per year attributable to FMGP clean up expense. If a separate rate case were required, these FMGP liability costs per customer would continue for some time. If the IPL rates were to be separately maintained, presumably only IPL customers would continue to bear the current expenses associated with the Austin FMGP site clean-up (as described below) until the conclusion of a subsequent rate case.[6] If, upon approval of the Transaction, MERC is allowed to collect IPL's current level of rate recovery for FMGP costs of $494,017 per year and this amount is spread across MERC's entire customer base by an immediate transition to MERC rates as proposed, this cost element could

[6] Current estimates for the Austin FMGP site clean-up range up to $4 million.

be reduced to approximately $2.23/year based on continued collection of the $494,017 per year.[7]

The reasonableness and prudency of a transfer of IPL gas customers to MERC rates and tariffs upon approval of the Transaction are demonstrated by: (1) the rate case anomaly that has sheltered IPL gas customers from the necessary and reasonable rate increases that most other comparable gas customers in Iowa and Minnesota have borne and (2) the reality that the sooner IPL gas customers are transitioned to MERC rates, the easier the rate transition will be for current IPL customers. In an era of ever increasing costs, further delay will only amplify any rate transition issues.

3. Telemetering

MERC has implemented telemetering for all interruptible rate classes. Currently IPL has only one customer served by telemetering. MERC anticipates it would complete the conversion of the remaining IPL customers who qualify for telemetering on MERC tariffs within 18 months of approval.

D. Remediation-Liability Responsibilities

The Transaction provides the following measures relative to environmental remediation costs for FMGP sites:

- Austin FMGP Site.
  - MERC's Assumed Liabilities. MERC will assume responsibility for: (i) the first $3 million of environmental remediation costs for the Austin FMGP Site; and (ii) 50% of any remediation costs in excess of $3 million.

[7] This rate element is proposed to be assessed until the FMGP site clean-up obligations have been met pursuant to the terms of the Gas Asset Purchase and Sale Agreement. The per customer estimates are for illustrative purposes only and do not necessarily reflect either IPL's current or MERC's proposed rate design.

- IPL's Retained Liabilities. IPL will be liable for 50% of any remediation costs for the Austin FMGP Site in excess of $3 million.

- Other FMGP Sites Liabilities. IPL retains responsibility for the remediation of the Albert Lea, Fairmont, New Ulm, Owatonna and Rochester, Minnesota FMGP sites. IPL's estimated liability for those sites is $1.8 million as of December 31, 2012.

- FMGP Adjustment Annual Payment. Commencing 4 years after closing, MERC will calculate the FMGP Adjustment Annual Payment. The FMGP Adjustment Annual Payment from MERC to SMEC will consist of the amount that MERC recovers, post-closing, from its Minnesota customers less MERC's costs and expenses associated with the Austin FMGP Site, up to the sum of IPL's share of the Austin FMGP Site remediation costs plus the IPL regulatory asset balance at closing for remediation costs previously paid by IPL.

V. MINNESOTA FILING REQUIREMENTS

A. Minn. Rules, Part 7825.1800

The Transaction is a transfer of property subject to the filing requirements of Minnesota Rule 7825.1800, which provides in part:

> Petitions for approval to acquire property shall contain one original and three copies of the following information, either in the petition or as exhibits attached thereto:
>
> ***
>
> B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

D. Other pertinent facts or additional information that the commission may require.

The Joint Petition meets these requirements as demonstrated below.

B. Minnesota Rules 7825.1800, Subpart B

The following subsections include the information required under Minnesota Rules 7825.1800, Subpart B.

1. Minn. Rules 7825.1400, items A to J

Minnesota Rule 7825.1800, Subpart B cross-references Minn. Rules, Part 7825.1400, items A to J, which read as follows:

A. A descriptive title.

B. A table of contents.

C. The exact name of the petitioner and address of its principal business office.

D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.

E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.

F. The purpose for which the securities are to be issued.

G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an “affiliated interest” within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.

I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.

J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

The requirements of Minnesota Rule 7825.1400, items A to J are met in this Joint Petition as noted below:

(A) *A descriptive title.*

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

(B) *A table of contents.*

Provided above.

(C) *The exact name of the petitioner and address of its principal business office.*

Interstate Power and Light Company
200 First Street S.E.
Cedar Rapids, Iowa 52401

and

Minnesota Energy Resources Corporation
2665 W. 145th Street
Rosemount, MN 55068

(D) *Name, address and telephone number of the person authorized to receive notices and communications with respect to the petition.*

For IPL:

Erik C. Madsen
Director, Regulatory Affairs.
P.O. Box 351
Cedar Rapids, IA 52406
Telephone: (319) 786-7765

and

Richard J. Johnson
Valerie M. Means
MOSS & BARNETT
A Professional Association
4800 Wells Fargo Center
Minneapolis, MN 55402-4129
Telephone: (612) 877-5000

For MERC:

Gregory J. Walters
Regulatory and Legislative Affairs Manager
3460 NW Technology Drive
Rochester, MN 55901
Telephone: (507) 529-5100

and

Michael J. Ahern
Kristin M. Stastny
Dorsey & Whitney LLP
50 S. Sixth Street #1500
Minneapolis, MN 55402-1498

(E) *A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information*.

Verification pages from MERC and IPL are attached to this Joint Petition.

(F) *The purpose for which the securities are to be issued*.

Not applicable, as this Transaction is a property acquisition for cash and does not involve the issuance of securities by either petitioner.

(G) *Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made, and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished*.

Attachment G provides the IPL directors' resolutions pertinent indicating approval of the Gas Asset Purchase and Sale Agreement. **Attachment H** provides the MERC directors' resolutions pertinent indicating approval of the Gas Asset Purchase and Sale Agreement.

(H) *A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minn. Stat. § 216B.48, subd. 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities*.

Not applicable, as this is a property acquisition for cash and does not involve the issuance of securities.

(I) *A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability*.

Not applicable, as this Transaction is a property acquisition for cash and does not involve the issuance of securities.

(J) *A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement*.

For IPL, **Attachment I** includes the balance sheet, income statement and statement of changes in financial position (cash flow statement) for the 12 months ended December 31, 2012. For MERC, **Attachment J** contains the referenced information but is for the 12 months ended December 31, 2012.[8]

---

[8] IPL and MERC request a variance from the requirements of Minnesota Rule 7825.1400; subpart J requiring that this information be "dated no earlier than six months prior to the date of the petition." Since the Petition is being filed in February 2014 and IPL's and MERC's 2013 balance sheets, income statements, and cash flow statements are not yet public, IPL and MERC do not believe that the expense

2. Purchase Price

Minn. Rules, Part 7825.1800, Subpart B requires a statement of the purchase price. The purchase price is approximately $9,335,000, subject to post-closing adjustments which will include working capital.

3. The Terms for Payment and Other Considerations

Minn. Rules, Part 7825.1800, Subpart B requires a statement of the terms of payment and other considerations. The terms of payment and other considerations include: (i) payment of the estimated purchase price by wire transfer at closing, with update and true up within 60 days; and (ii) assumption of certain Remediation-Liability Responsibilities.

C. Minn. Rule Part 7825.1800, Subpart C

As noted above, Minn. Rule Part 7825.1800, Subpart C requires petitioners to provide:

> A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be

---

of preparing an income statement and statement of changes in financial position for MERC to cover the twelve months ended September 30, 2013, would assist the Commission in its consideration of this Petition. Minnesota Rule 7929.3200 provides that "the Commission shall grant a variance to its rules when it determines that the following requirements are met:

> A. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
>
> B. Granting the variance would not adversely affect the public interest; and
>
> C. Granting the variance would not conflict with standards imposed by law.

IPL's and MERC's 2013 year end statements are not yet publicly available and IPL and MERC believe that the preparation of mid-year statements to support this Petition would impose an excessive burden in this context. IPL and MERC will provide their 2013 year-end statements when those have been made public in March 2014.

made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

The Gas Asset Purchase and Sale Agreement and its schedules, at Trade Secret **Attachment D**, provide a complete description of the property involved in the Transaction. A listing of the communities serviced by IPL is contained in **Attachment A**. A list of the transferred franchises is contained in **Attachment K**. The original cost of the property involved in the Transaction, along with depreciation and amortization reserves, is provided at **Attachment L**. Upon closing, MERC will incorporate the acquired IPL assets into MERC's depreciation schedules.

There will be no gas supply or other related contracts assigned by IPL to MERC as part of the Transaction. IPL will release certain pipeline storage and transportation contracts, including balancing services (System Management Services (SMS)) to MERC as replacement shipper. As provided in NNG's FERC Gas Tariff and applicable FERC rules, MERC will directly enter into new contracts with NNG for the necessary pipeline storage and transportation services, including balancing services, needed to serve IPL's Minnesota gas customers post-closing. The Gas Asset Purchase and Sale Agreement provides that the Parties will work together to have the appropriate rights and obligations assigned to MERC. The Parties are mutually committed to ensuring that MERC has all of the rights necessary to serve Minnesota customers.

No deferred tax assets, deferred tax liabilities, regulatory deferrals of tax, or deferred tax credits of IPL are included with the sale of assets to the buyer.

D. Minn. Rule Part 7825.1800, Subpart D

Minn. Rule Part 7825.1800, Subpart D requires petitioners to provide "other pertinent facts or additional information that the commission may require." The Joint Petitioners will provide such additional information as the Commission may request.

VI. THE TRANSACTION IS CONSISTENT WITH THE PUBLIC INTEREST

A. The Standard for Review

Minn. Stat. § 216B.50 requires Commission review and approval of the Transaction. Minn. Stat. § 216B.50 provides, in relevant part, that:

> No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of $100,000, or merge or consolidate with another public utility in this state, without first being authorized to do so by the commission. Upon the filing of an application for the approval and consent of the commission thereto the commission shall investigate, with or without public hearing, and in the case of a public hearing, upon such notice as the commission may require, and if it shall find that **the proposed action is consistent with the public interest** it shall give its consent and approval by order in writing. In reaching its determination the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated. (Emphasis added).

The public interest standard of Minn. Stat. § 216B.50 has been consistently interpreted and applied by the Commission.

1. Consistency With The Public Interest Does Not Require Affirmative Benefit

In prior cases, the Commission has established that the public interest standard contained in Minn. Stat. § 216B.50 "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest." *See In the Matter of the Proposed Merger of Minnegasco, Inc. With and Into ARKLA, Inc.*, Order Approving Merger, Docket No. G-008/PA-90-604 (1990). The Commission reconfirmed this standard in its approval of the merger in *In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated (Natrogas), a Merger of Northern States Power Company (NSP) and Western Gas Utilities, Inc. (Western), and Related Affiliated Interest Agreements*, Docket No. G-002/PA-99-1268, stating:

> The statute 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.

Most recently, the Commission applied this standard in *In the Matter of the Sale of Aquila, Inc.'s Minnesota Assets to Minnesota Energy Resources Corporation*, Docket No. G-007,011/M-05-1676 (2006). Aquila, Inc. and MERC jointly requested that the Commission approve the sale of the Minnesota assets of Aquila's two divisions, Aquila Networks-PNG and Aquila Networks-NMU, to MERC pursuant to an Asset Purchase Agreement dated September 21, 2005. The request was subject to Commission review and approval pursuant to Minn. Stat. § 216B.50 and Minn. Rules, Part 7825.1800, which require the Commission find that the proposed transaction is consistent with the public interest before granting approval.

The purchase price was approximately $288 million, making it a relatively large asset sale. Moreover, at the time of the transaction, Aquila was a major provider of natural gas distribution service in Minnesota, serving approximately 200,000 Minnesota customers, which were subsequently transferred to MERC. The Commission approved the transaction on June 1, 2006, stating:

> Based on the record established herein, the Commission concludes that the sale of Aquila's Minnesota utility properties to Minnesota Energy Resources Corp as detailed in the Petition is consistent with the public interest under certain conditions detailed in Section V of this Order.

As further described below, the Joint Petition demonstrates that the Transaction is compatible and consistent with the public interest.

B. The Transaction Is Consistent With The Public Interest

Factors that contribute to the Transaction being consistent with the public interest include:

- Combining the IPL customers into MERC's utility operations is expected to produce a continuation of good service at reasonable prices to current IPL customers as well as incremental long-term benefits for all MERC customers.
- The acquisition of IPL's gas business adds over 10,000 customers to MERC's Minnesota gas business, achieving modest economies of scale to the benefit of all of MERC's current and future customers.
- The nexus, familiarity and ready ability of MERC to integrate and expand service to the IPL gas customers (a less than 5 percent addition) should enable a seamless transition with no degradation of service quality or safety.
- The modest total acquisition cost also enables financing from Integrys' internally generated funds. This ensures that the acquisition financing costs will be as low as possible to the benefit of the customers.
- The integration of IPL into MERC will also provide a greater variety of tariffed services to former IPL customers.

The Transaction also provides a public benefit to IPL and MERC customers by limiting current FMGP liabilities for remediation. Currently, the IPL gas customer base is incurring $494,017 per year for FMGP liabilities at the Albert Lea, Owatonna, New Ulm, Austin and Rochester FMGP sites.[9] IPL's Minnesota gas customers would be relieved of the responsibility to help pay for <u>any</u> of the future clean-up costs at the FMGP sites in Albert Lea, Owatonna and New Ulm. The current remediation cost estimate for these sites is approximately $1.8 million as of December 31, 2012. IPL will retain responsibility for payment of these costs.

Following the Transaction, MERC will only be responsible for the remediation of the Austin site and that liability is subject to 50 percent cost sharing with IPL for any incurred amounts over $3 million. It is proposed that, after approval of the Transaction, the $494,017 per year FMGP rate element being collected from only IPL customers would transferred to MERC and become a common obligation of all MERC customers. Further, it is proposed that this element would continue only until the Austin site is remediated and the IPL regulatory asset (the unreimbursed amount on remediation costs already spent by IPL) has been recovered, as described in Section IV.D. above and as provided in the Gas Asset Purchase and Sale Agreement.

IPL's Minnesota gas customers also would be relieved of the responsibility to help pay for <u>any</u> of the future clean-up costs at the FMGP sites in Albert Lea, Owatonna and New Ulm, which payment responsibility is retained by IPL. The current clean up estimate for these sites is approximately $1.8 million.

C. MERC Rates, Terms, and Conditions of Service

As described in Section IV above, an immediate transition to MERC rates and tariffs will avoid the delay, disruption and increased expense of a two part process of approving the acquisition of IPL gas assets in this docket, followed by a separate rate case to integrate 10,600 customers into MERC's 214,000 existing customer base.

[9] A FMGP site in Rochester has been cleaned up.

D. Gas Supply Not Impaired

A continuing supply of gas to customers will not be impaired by the Transaction. As part of the Transaction, all of the IPL NNG transportation and storage capacity used to serve the Minnesota customers will be permanently released, through a pre-arranged release, on NNG's EBB. MERC merely has to confirm the releases. IPL cannot indicate how much transportation and storage capacity will be released as these amounts will not be known until the Transaction is approved.

E. Safety Not Impaired

The safety of the IPL gas distribution system will not be compromised. The IPL DIMP and implementation has been completed and will be incorporated into MERC's DIMP to assure compliance with the requirements of the MNOPS.

F. Smooth Transition

IPL and MERC have developed a plan to ensure a seamless and orderly transition of customers from IPL to MERC. IPL and MERC call centers, customer service, billing, and information technology departments will have transferred all of the necessary data and customer information to enable effective resolution of customer concerns. At the close of the Transaction, the MERC customer service department will field all calls from the acquired customers. IPL and MERC will work together to complete a final meter read shortly after the close of the transaction to ensure accurate customer usage information is transferred for the transition to MERC billing. IPL and MERC will continue to work together after the Transaction to resolve all issues that were not anticipated.

G. Employees

MERC will offer employment to one non-bargaining IPL employee who primarily works in IPL's gas distribution business in Minnesota for compensation and benefits that are generally comparable, but not identical, to the employee's current compensation and benefits. MERC will credit the hired employee with accrued vacation and sick leave up to the maximum accrual allowed by MERC. The other IPL employees working in the Minnesota gas distribution business will be offered other positions within IPL.

H. Community Impact

MERC foresees nothing but positive community impact from this Transaction. MERC and its predecessor companies have served the communities adjacent to the IPL gas service area for many decades, as shown in **Attachment C**. MERC knows the rural nature of the service area. MERC's Community Relations staff has already reached out to some of the larger communities to explain the proposed Transaction, offering to work with local officials, Chambers of Commerce, and others throughout the service area.

VII. RECOMMENDED PROCESS

A. Written Comments and Replies Will Fully Develop a Record

The Joint Petitioners have complied with the filing requirements of Minn. Rule 7825.1800. The Joint Petition provides all of the information necessary for the Commission to fully evaluate whether the proposed Transaction is consistent with the public interest. The Joint Petitioners will also provide any additional information requested by the Commission and other stakeholders. Asset purchase filings under Minn. Stat. § 216B.50 have historically been reviewed under a written comment and reply process, and a written comment and reply process will enable a full evaluation in this case as well. There is no need or basis for a contested case proceeding. There are no material contested facts requiring determination through a contested case hearing, nor is there a right to a contested case hearing under statute or rule.[10]

B. Customer Notice

IPL customers will be provided a Commission approved notice of the proposed Transaction, including information regarding how to submit comments to the Commission for consideration in connection with evaluation of the transaction. IPL and MERC will work with Commission staff to develop that notice. IPL and MERC will also notify customers of the change in service providers through a Commission-approved customer notice after the transfer.

C. The Joint Petitioners Seek to Close in the Third Quarter of 2014

The closing of the Transaction is conditioned upon, among other things, receipt of the required regulatory approvals from the Commission. However, the closing of the Transaction is not subject to the Commission's approval of the closing of the proposed transfer of retail electric service assets and customers to SMEC, which will be presented to the Commission for approval in a separate proceeding.

The Joint Petitioners seek to close the Transaction within the third quarter of 2014. Timely completion of the Transaction would facilitate the interests of all stakeholders in implementing a seamless transition, consistent with the public interest in minimizing any period of uncertainty for customers. Therefore, IPL and MERC respectfully request the establishment of a schedule for completion of the review of this

[10] Neither Minn. Stat. § 216B.50 nor the associated rules in Minn. Rules Ch. 7825, which provides the basis for the Commission's decision in this matter, provide a right to a hearing in this matter.

Joint Petition, if possible, that would allow a closing of the Transaction within the third quarter of 2014.

VIII. OTHER ISSUES AND CONSIDERATIONS

A. Reconciliation of Outstanding MPUC Dockets

Attachment M provides a summary of outstanding Commission dockets and upcoming Commission regulatory filings involving IPL.

B. Iowa Utilities Board (IUB) Approval

A filing will not need to be made with the IUB, pursuant to Iowa Code § 476.76 and 199 IAC Chapter 32, regarding the sale of IPL's Minnesota Gas Assets to MERC. IPL believes that this sale does not constitute a reorganization pursuant to Iowa Code § 476.76 and 199 IAC Chapter 32. Iowa Code § 476.76(1) defines reorganization to include, among other things, the direct or indirect disposition of "the whole or any substantial part of a public utility's assets." The proposed sale of Minnesota Gas Assets to MERC for approximately $9,335,000 does not involve a substantial part of IPL's assets.

The IUB has enacted rules to administer its statutory mandate under § 476.76, which are found in Chapter 32 of Division 199 of the IAC. In particular, IUB rule 199-32.2 (1) states "unless an application pursuant to Iowa Code § 476.77 and this chapter has been filed or a waiver obtained pursuant to rule 32.8 (476), no public utility shall acquire or lease assets directly or indirectly, with a value in excess of 3 percent of the utility's Iowa jurisdictional utility revenue during the immediately preceding calendar year or $5 million dollars, whichever is greater." IPL's 2012 Iowa jurisdictional utility revenue was $1.5 billion, thus the IPL threshold for Iowa Code § 476.77 is $45 million (3 percent of $1.5 billion) and the sale price for IPL's Minnesota Gas Assets to MERC for approximately $9,335,000 does <u>not</u> exceed this amount.

C. Federal Energy Regulatory Commission (FERC) Filings

FERC approval of the sale of IPL's Minnesota Gas Assets to MERC is not necessary, pursuant to the Natural Gas Act, because the Minnesota Gas Assets do not constitute "facilities subject to the jurisdiction" of FERC. At the current time, IPL serves a small number of its Minnesota retail natural gas customers off of its facilities located in Iowa. The most efficient means for MERC to serve these customers after completion of the Transaction will be for MERC to take interstate gas transportation services from IPL. IPL will need, and will request, a blanket certificate from FERC, pursuant to 18 CFR 284.224, to provide these interstate transportation services to MERC, as well as other shippers desiring such service.

D. Reservation by the Joint Petitioners

IPL and MERC each respectfully reserves the right to withdraw from this Joint Petition and from the performance of the proposed Transaction in the event that the Commission modifies the proposals made by IPL and MERC or requires other terms and conditions in connection with this Joint Petition.

E. Trade Secret Information

Some of the information provided in this filing is privileged or trade secret information as defined in Minn. Stat. § 13.37, subd. 1(b) and the Commission's Revised Procedures for Handling Trade Secret and Privileged Data dated September 1, 1999. Pursuant to Minn. Rule 7829.0500, the information has been clearly marked with the caption "Trade Secret Information" or "Privileged Information," and the requisite number of public and private copies of the filing are being provided. A Statement of Justification for the treatment of this data as protected accompanies this filing. The Joint Petitioners request that such trade secret information and privileged information not be disclosed to any party, other than the appropriate and relevant Minnesota governmental agencies, without the Joint Petitioners' prior written consent or pursuant to a Commission-issued protective order.

IX. CONCLUSION AND REQUESTED COMMISSION ACTION

Based on the information provided in this Joint Petition, the Joint Petitioners request that the Commission:

1. Find that the Transaction is consistent with the public interest;
2. Approve the sale and acquisition of utility property and other aspects of the Transaction, as described in this Joint Petition and pursuant to the terms and conditions of the Gas Asset Purchase and Sale Agreement;
3. Approve the transfer of IPL's rights and obligations to provide natural gas distribution service to the current IPL customers from IPL to MERC subject to MERC's current rates and tariffs along with a transfer to MERC of IPL's collection of the current FMGP rate element;
4. Approve the withdrawal by IPL from the provision of gas distribution service in all areas it currently serves in Minnesota as of the date of closing of the Transaction.
5. Approve the termination and cancellation of the IPL gas distribution tariffs in Minnesota as of the date of closing of the Transaction.

6. Grant such other authorizations as are consistent with the intent of the foregoing.

Dated: February 4, 2014

Respectfully submitted,

INTERSTATE POWER AND LIGHT COMPANY

By: */s/ Erik C. Madsen*
Its Authorized Representative

Erik C. Madsen
Director, Regulatory Affairs

INTERSTATE POWER AND LIGHT COMPANY
P.O. Box 351
Cedar Rapids, IA 52406
Telephone: (319) 786-7765

Richard J. Johnson
Valerie M. Means

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

MINNESOTA ENERGY RESOURCES CORPORATION

By: /s/ *Gregory J. Walters*
Its Authorized Representative

Gregory J. Walters
Regulatory and Legislative Affairs Manager

MINNESOTA ENERGY RESOURCES CORPORATION
2665 145th Street West, Box 455
Rosemount, MN 55068-0455
Telephone: (507) 529-5100

Michael J. Ahern
Kristin M. Stastny

DORSEY & WHITNEY LLP
50 South Sixth Street
Suite 1500
Minneapolis, MN 55402
Telephone: (612) 340-2600

Attorneys for Minnesota Energy Resources Corporation

VERIFICATION

STATE OF IOWA)
) ss.
COUNTY OF LINN)

Erik C. Madsen verifies that he is Director, Regulatory Affairs, of Interstate Power and Light Company; that he has read the Petition for Approval Asset Purchase and Sale Agreement and Transfer of Service Rights and Obligations; and that he verifies the information contained therein is true and correct to the best of his knowledge.

/s/ *Erik C. Madsen*
Erik C. Madsen
Director, Regulatory Affairs
Interstate Power and Light Company

Subscribed and sworn to before me
this 4th day of February, 2014.

/s/ *Tonya A. O'Rourke*
Tonya A. O'Rourke
Notary Public, State of Iowa
My commission expires on January 28, 2017

VERIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF DAKOTA)

Gregory J. Walters verifies that he is Regulatory and Legislative Affairs Manager of Minnesota Energy Resources Corporation; that he has read the Petition for Approval Asset Purchase and Sale Agreement and Transfer of Service Rights and Obligations; and that he verifies the information contained therein is true and correct to the best of his knowledge.

/s/ *Gregory J. Walters*
Gregory J. Walters
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

Subscribed and sworn to before me
this 4th day of February, 2014.

/s/ *Linda J. Herr*
Linda J. Herr
Notary Public, State of Minnesota