

The Commission met on **Thursday May 16, 2013**, with Chair Jones Heydinger and Commissioners Boyd, O'Brien, and Wergin present.

The following matters were taken up by the Commission:

### **ENERGY AGENDA**

#### **G-007,011/PA-13-201**

#### **In the Matter of the Petition of Minnesota Energy Resources Corporation (MERC) for Approval of Property Acquisition**

Commissioner Boyd moved to approve the company's petition.

The motion passed 4-0.

#### **ET-2/RP-12-1114**

#### **In the Matter of Great River Energy's 2012 Integrated Resource Plan**

Commissioner Boyd moved to deny Al-Corn's extension request and find that Great River Energy shall not respond to any of Al-Corn's information requests in this proceeding.

The motion passed 3-1. Commissioner O'Brien voted against the motion.

#### **E,G-002/C-12-1369**

#### **In the Matter of a Complaint by Suburban Rate Authority (SRA) Against Northern States Power Company d/b/a Xcel Energy's use of a Billing Format for Damage Claims**

Commissioner O'Brien moved to take the following actions:

1. Find that the Commission has jurisdiction over the subject matter of the SRA's complaint.
2. Find that SRA met the requirements of Minn. Stat. § 216B.17, subd. 1.
3. Serve the complaint on the Company pursuant to Minn. R. pt. 7829.1800, subp. 2, and allow Xcel to work with SRA, interested municipalities, the Department, and Commission Staff in the Consumer Affairs Office to explore potential further changes to its notice of claim for damages with the goal of achieving an efficient and satisfactory result that balances the interests of the parties. If a satisfactory result is achieved, the parties shall submit the agreement for the Commission's approval within 45 days. If Xcel is unable to achieve a satisfactory result, require Xcel to answer the allegations in the complaint within the same time period (45 days). If Xcel files an answer, the parties shall have 20 days to comment and 20 days to reply.

4. Require Xcel to include in its answer either a justification for its use of the Commission-approved billing format for damage claims or propose a new method of notice for damage claims

The motion passed 4-0.

### **E,G-001/AI-12-249**

#### **In the Matter of Interstate Power and Light Company's Petition for Approval of an Affiliated Interest Agreement**

Chair Heydinger moved to take the following actions:

1. Approve Interstate Power and Light Company's affiliate master service agreement ("MSA") between Interstate Power and Light Company, its sister utility, Wisconsin Power and Light Company, and the centralized service company, Alliant Energy Corporate Services, Inc. ("AECS"), as filed, effective as of its execution date of February 20, 2012.
2. Clarify that approval is limited to the normal services provided by a service company under a holding company arrangement as specified in the agreement and the provision of any services under the MSA Section 1.1, beyond the normal service company "services", must be approved by the Commission in an affiliated interest filing.
3. Require IPL to file a red-lined comparative of the Department-reviewed draft of AECS's service agreement with non-utility affiliates and the final version that is approved by the Wisconsin Public Service Commission ("WPSC"), or a cover letter stating that there are no changes, within 30 days of WPSC's approval.
4. Require IPL to file, within 30 days of its submission to FERC, annual compliance filings of AECS's FERC Form 60.
5. Require IPL to file, by May 31, annual compliance filings of AECS's billing report showing all service company costs by function and the allocation of those costs to all entities as well as the Minnesota jurisdictional amounts for the current month and year to date;
6. Require IPL to file, within 30 days of its submission to IUB, compliance filings of all progress and status reports of its implementation of the audit recommendations, as required by the IUB Order Accepting Audit and Requiring Reports ("IUB Order"), resulting from IPL's recent management audit report (IUB Docket No. INU-2011-0001).
7. For the purposes of setting IPL's rates in a future rate case, require IPL to use, in its allocation of compensation for use of AECS's capital, the after tax rate of return approved by the Minnesota Commission for IPL's jurisdictional electric (or gas) utility rather than using the rate of return of the Commission having majority jurisdiction.

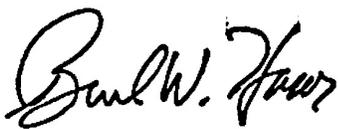
8. Require IPL to exclude the revenue dollars charged for the cost of fuel, gas, purchased power, and the cost of purchased goods sold from the calculation of its Operating Revenues Ratio.
9. Require IPL to present the next version of its MSA to the Department before filing it with its majority jurisdiction.
10. Require IPL, in its next electric general rate case, to cite this docket and include in its initial testimony and supporting schedules
  - a. Discussion of the annual results of AECS's direct and indirect cost allocations to IPL since the inception of the new master service agreement ("MSA");
  - b. Discussion of the relative cost impacts of the nearly 300 employees transferred from AECS to IPL;
  - c. Include a meaningful comparative of AECS's overall costs allocated to IPL prior to and after the implementation of the new MSA; and
  - d. Identify the adjustments made in the rate case filing to reflect the change in the recovery means of AECS's allocated costs for use of its capital since its last rate case (Docket No. E-001/10-276).
11. Require IPL, in its next gas general rate case, to cite this docket and include in its initial testimony and supporting schedules,
  - a. Discussion of annual results of AECS's direct and indirect cost allocations to IPL since the inception of the new MSA;
  - b. Discussion of the relative cost impacts of the nearly 300 employees transferred from AECS to IPL; and
  - c. Include a meaningful comparative of AECS's overall costs allocated to IPL prior to and after the implementation of the new MSA.
12. Require IPL to include in all its future general rate case initial testimonies along with supporting schedules, a discussion of the difference in cost of capital used by AECS to allocate a capital cost to IPL in accordance with the terms of the MSA, and the amount of those same costs that are requested for rate recovery, identifying the ratemaking cost of capital proxy being used.
13. Require IPL to file as compliance filings copies of certain reports requested by Federal Energy Regulatory Commission as stated in the recent FERC audit report produced by the Division of Audits within the Office of Enforcement (FERC Docket No. FA12-13-000). Each of these required filings should be submitted to the Commission within 60 days of this order, or at the time the report is filed with the FERC, whichever is later:
  - a. AEC's plans for implementing audit recommendations;

- b. AEC's updated policy and procedures that were developed to address account classification and reporting issues;
  - c. Results of studies conducted to evaluate service company affiliate misallocations and impacts of service company erroneous account classification of transaction; and
  - d. The quarterly reports of AEC's progress in completing corrective action per FERC audit recommendations.
14. Direct IPL to evaluate how the MSA contract's proxy for AECS's chargeable cost of capital rate, rather than using AECS's actual cost of capital, conforms to the "at cost" standard utilized by FERC for centralized service companies; to explain how assigning the IPL rate of return to AECS's assets might potentially affect the overall capital structure of IPL; and to submit its findings to the Commission and other parties to this filing.
15. Require IPL to file compliance annual reports, by May 31, showing the allocation outcomes of the applicable AECS's shared costs to all affiliates, using each of the following distinct scenarios:
- a. An operating revenues ratio including revenues amounts for fuel, gas, purchased power and the cost of purchased goods sold;
  - b. An operating revenues ratio excluding revenue amounts for fuel, gas, purchased power and the cost of purchased goods sold; and
  - c. Applying the general ratio, rather than the Operating Revenue ratio, to the otherwise operating revenue ratio driven allocator.
16. Make no findings on the reasonableness of the cost allocation methodologies set forth in the MSA.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: June 5, 2013**



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**Burl W. Haar, Executive Secretary**