

February 5, 2026

Sasha Bergman  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: Response Comments of the Minnesota Department of Commerce  
Docket No. E,G002/D-23-356

Dear Ms. Bergman,

Attached are the response comments of the Minnesota Department of Commerce (Department) in the following matters:

*The Petition of Northern States Power Company for Approval of its 2024 Annual Review of Transmission, Distribution, and General Depreciation Certification,*

and

*The Petition of Northern States Power Company for Approval of the 2024 Electric and Gas Production and Gas Storage Facilities Annual Review of Remaining Lives*

The Petitions were filed by Northern States Power Company, doing business as Xcel Energy, on September 9, 2024 and January 31, 2025, respectively. Additionally, Reply Comments were filed by the Company on September 19, 2025 and October 17, 2025.

The Department recommends approval, with modifications, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB  
Assistant Commissioner of Regulatory Analysis

CA/ad  
Attachment



## Before the Minnesota Public Utilities Commission

### Comments of the Minnesota Department of Commerce

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Docket No. E,G002/D-23-356

#### I. INTRODUCTION

Between September 9, 2024 and January 31, 2025, Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company) made multiple filings with the Minnesota Public Utilities Commission requesting approval of changes to depreciation parameters and rates for its production facilities and its transmission, distribution, and general plant accounts. The Company also proposed to stop making annual depreciation filings, and begin filing depreciation studies only with major rate cases.

On September 8, 2025, the Minnesota Department of Commerce filed comments (Comments) recommending approval of a number of the Company's proposals, modifications to some of the Company's proposals, and asking for further information related to certain of the Company's proposals.

On September 19, 2025, the Company filed reply comments responding to the Department's proposed modifications, and responding to some of the Department's requests for further information.

On October 17, 2025, the Company filed an updated version of its reply comments (Reply Comments) correcting the final actual decommissioning cost total reported for its Luverne Wind2Battery system.

#### II. PROCEDURAL BACKGROUND

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|-------------------|---|
| September 9, 2024 | The Company filed two depreciation petitions: the Annual Review of Remaining Lives and Depreciation Rates for Transmission, Distribution and General Accounts (the TD&G Petition), and the 2024 Annual Review of Remaining Lives and Depreciation Rates Electric and Gas Production and Gas Storage Facilities, which incorporated a preliminary dismantling study as the new, final dismantling study was not yet completed. |
| October 7, 2024   | The Company filed a Modified Petition for its 2024 Annual Review of Remaining Lives and Depreciation Rates Electric and Gas Production and Gas Storage Facilities (the Modified Production Petition) that includes certain information inadvertently omitted from the initial filing.   |
| September 9, 2024 | Xcel Energy made its TD&G depreciation filing and an ARL Production filing based on a preliminary July 2024 dismantling study. The Company noted that its comprehensive Dismantling study would be available in   |

February 2025, at which time the Company would be able to calculate final net salvage rates.

- October 7, 2024 Xcel Energy filed a modified ARL Production depreciation study in which it provided certain information it had inadvertently failed to include in its Sept. 9, 2024 ARL Production filing. The modified filing included Attachment K – Total Life of Plants, and relevant information for Blue Lake Units 9-11, new assets expected to go in service in December 2025.
- January 31, 2025 Xcel Energy filed a Supplement to its Modified Production Petition (Production Petition Supplement) with a final comprehensive Dismantling Study for its non-nuclear production and gas storage facilities, with updated net salvage rates.
- September 9, 2025 The Department filed comments on the Company’s Petition.
- September 19, 2025 Xcel Energy filed reply comments.
- October 17, 2025 Xcel Energy filed corrected reply comments.

**III.**

**DEPARTMENT ANALYSIS**

In its Sept. 8<sup>th</sup> Comments, the Department recommended approval of many of Xcel Energy’s proposed remaining lives, salvage rates, and depreciation rates. The Department also recommended modifications to several of the Company’s proposed depreciation parameters and depreciation rates. The Company agreed with several of the Department’s proposed modifications, and for other Department proposals, responded in rebuttal testimony in its pending electric rate case (Docket No. E002/GR-24-320). Below, the Department addresses issues which had not been resolved as of the Department’s Comments. Any issues the Department does not address below are resolved.

**A. HENNEPIN ISLAND AND UPPER DAM REMAINING LIVES**

Xcel Energy initially proposed to extend the lives of its Hennepin Island and Upper Dam hydro production facilities by 40 years. In its Comments, the Department concluded that the proposed extension was not supported by either life-extending capital investments or resource plan decisions and recommended remaining lives of 9.2 years for the facilities, reflecting only a passage-of-time adjustment. In its Reply Comments, Xcel Energy agreed with the Department’s proposal. The Company also reflected the change in its pending electric rate case.

*B. MONTICELLO AND PRAIRIE ISLAND UNITS 1 & 2; ALLEN S. KING AND SHERCO 3*

Consistent with the Department's positions in Xcel Energy's pending electric rate case, in its Comments the Department recommended extending the lives of Monticello and Prairie Island by 10 and 20 years, respectively, and shortening the remaining lives of the Allen S. King Plant (King) and Sherco 3 to reflect retirement years of 2028 and 2030, respectively.

In its Reply Comments, the Company stated that it would address these proposals in its pending electric rate case.

The Department agrees that it would be reasonable for the Commission to retain the current depreciation parameters for these plants for now and make final determinations for these facilities in the pending electric rate case.

*C. SHERCO BATTERY FACILITY*

In its Comments, the Department noted that Xcel Energy did not calculate its proposed salvage rate for its new Sherco Battery Facility based on the facilities' gross plant balance, but rather based on an adjusted plant balance reflecting a significant and unexplained adjustment. The Department noted that if the proposed salvage rate is applied to Sherco Battery's full gross plant balance rather than the adjusted plant balance, it will produce incorrect depreciation accruals, and asked the Company to clarify its calculations in reply comments.

In its Reply Comments, the Company provided no further explanation, but asserted that its proposed salvage rate is correct and will result in correct depreciation accruals. Based on the Company's assurances, the Department recommends that the Commission approve the proposed salvage rate and will review the facility's depreciation accruals in future proceedings.

*D. BLACK DOG*

As described in the Department's Comments, Xcel Energy develops a single decommissioning cost estimate for its Black Dog plant which it then allocates between the plant's steam and other production facilities for purposes of calculating depreciation expense. Prior to this depreciation study, the Company allocated approximately 40 percent of the plant's total decommissioning cost estimate to steam production, and 60 percent to other production. In this proceeding, the Company did not mention any proposed changes to this allocation process in the text of its Petition, but in the supporting schedules, 100 percent of Black Dog's new decommissioning cost estimate is allocated to Black Dog – Other. The Department noted that absent this significant change in the allocation of decommissioning expense, Xcel Energy may be required to incur a significant, one-time depreciation charge to the extent Black Dog – Steam's decommissioning reserve is too small.

In its Comments, the Department raised concerns related to this change in allocation, as it shifts to future ratepayers costs for decommissioning Black Dog's now-retired steam facilities that ideally would have already been borne by the ratepayers that benefited from the use of the steam facilities.

The Department also noted in its Comments that the Company has not completed certain removal/decommissioning projects it originally expected finish by the end of 2025, that it now expects to complete when Black Dog Units 5&6 are retired in 2042. The Department's concern is that inflationary pressures may result in cost increases when projects are delayed. The Department requested that the Company address these issues in reply comments.

In its Reply Comments, the Company stated that "Black Dog – Steam has an excess reserve balance, meaning we have recovered more than we have spent for the actual costs of decommissioning that has been completed to-date." However, the issue is not whether Black Dog – Steam's reserve balance was adequate to cover costs incurred to-date; the issue is whether Black Dog – Steam adequate reserves to cover its reasonable share of the plant's \$59 million of expected, future decommissioning costs. Cost incurred to-date have been only a fraction of that amount, and the Company's definition of the phrase "excess reserve balance" in this context is largely meaningless.

Also in its Reply Comments, the Company discussed its Coal Combustion Residual (CCR) compliance for Black Dog – Steam, which it stated is part of the reason why Black Dog – Steam has an excess reserve balance. However, the CCR cleanup program is and always has been separate and distinct from Black Dog's other decommissioning activities. As the Company stated, the associated costs are not included in the Company's dismantling studies. The Department's concerns relate to the allocation of costs identified in the dismantling studies, and the CCR cleanup is irrelevant.

Thus, the Department continues to have concerns about Xcel Energy's general decommissioning practices, including its decisions about the timing of decommissioning projects and the transfer of costs between different units, achieved either via reserve reallocations or through changes to decommissioning cost estimate allocations. However, the Department does not see clear ways to resolve these concerns or otherwise improve decommissioning practices to better promote intergenerational equity and the matching of costs with benefits. Therefore, the Department recommends that the Commission approve the Company's proposed salvage rates for Black Dog, as well as its proposed reserve reallocation from Black Dog to Minnesota Valley.

*E. LUYERNE WIND2BATTERY*

In its Reply Comments, Xcel Energy noted that final decommissioning costs for its Luverne Wind2Battery System came in at \$1,262,709, or \$52,805 higher than initially expected. As described in the Department's Comments, the Commission had originally approved a reserve reallocation of \$2.14 million to cover these costs, and required any unused portion of that reserve to be reallocated back to other accounts' depreciation reserves. Because costs came in slightly higher than initially expected, but still well below \$2.14 million, the reallocation back will be slightly smaller than anticipated. The Company made a corresponding adjustment in its pending electric rate case. The Department concludes that the Company's treatment of these costs is reasonable.

*F. FERC ORDER 898*

In its September 9, 2024 Petition related to its transmission, distribution, and general plant accounts, Xcel Energy stated that certain changes to its accounting for FERC account 397 pursuant to FERC Order 898 would result in a change in depreciation expense. The Company stated that the changes were shown in Attachment I to its Petition.

In its Comments, the Department noted that Company appeared to have inadvertently omitted the related attachment from its September 9, 2024 Petition and requested that the Company provide the attachment with its reply comments. The Company has since confirmed via email that the statements in its September 9, 2024 Petition were in error and that it is not requesting any changes to FERC account 397 at this time.

**IV. CONCLUSION**

The Department believes that the Company and the Department are now in agreement on all issues in this proceeding. Therefore, the Department recommends that the Commission:

- Approve Xcel Energy’s proposed depreciation lives, salvage rates, depreciation rates, and other depreciation-related proposals (including its proposed reserve reallocations, changes pursuant to FERC Order 898, and its proposal to align filings with rate cases) as presented in its September 9, 2024 for its transmission, distribution, and general plant accounts and in its January 31, 2025 Supplement for its electric and gas production and gas storage facilities, with the following modifications:
  - Defer approval of the Company’s request to establish depreciation parameters for Accounts, 351 – Energy Storage Equipment – Transmission, and 363 – Energy Storage Equipment – Distribution until such a time when assets are purchased;
  - Approve, for Electric Account 370 Meters – AGIS, the depreciation parameters and rate included in Attachment 1 of the Department’s September 9, 2024 Comments, which reflecting a 20-year average service life;
  - Approve, for Electric Account 390 – Structures and Improvements and Common Account 390 – Structures and Improvements, the depreciation parameters and rates included in Attachment 1 of the Department’s September 9, 2024 Comments, which reflect corrected remaining lives; and
  - Deny the Company’s proposal to extend the lives of its Hennepin Island and Upper Dam hydro facilities and instead approve remaining lives of 9.2 years for both facilities based on their currently approved retirement years of 2034;
  - Take no action on the now-withdrawn proposed changes to FERC Account 397.

The Department notes that the recommendations listed above reflect approval of passage-of-time adjustments for the remaining lives of the Company's Monticello and Prairie Island Units 1 & 2 nuclear plants and for its Allen S. King and Sherco 3 generating facilities. The Commission will have the opportunity to make final decisions on the lives of those facilities in Xcel Energy's pending electric rate case, Docket No. E002/GR-24-320.

Finally, the Department emphasizes the Commission's determination in depreciation proceedings is for accounting purposes only and is not a determination for purposes of rates.

## **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  
Response Comments**

**Docket No. E, G002/D-23-356**

Dated this 5<sup>th</sup> day of **February 2026**

**/s/Sharon Ferguson**

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24	Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office		1110 West Avenue Red Wing MN, 55066 United States	Electronic Service		No	23-356D-23-356
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