

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: May 21, 2015..... **Agenda Item #**__

Company: Northern States Power Company (Xcel)

Docket No. **E,G-002/M-14-958**
In the Matter of a Petition by Northern States Power Company (Xcel) for
Approval of Property Transfer from Electric to Gas Operations

Issue: Should the Commission approve the Xcel – Electric’s proposed accounting
transfer of the 435 James Avenue property (435 Property) to Xcel – Gas? **or**

Should the Commission approve the 435 Property transfer from Xcel –
Electric to Xcel – Gas as an affiliated interest transaction between the two
related utility companies with the same parent?

Staff: Bob Brill..... 651-201-2242
Jerry Dasinger 651-201-2235

Relevant Documents

E,G002/M-14-958
Xcel Initial PetitionNovember 5, 2014
Department of Commerce (Department) Comments December 5, 2014

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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Table of Contents

| | |
|---|---|
| Statement of the Issue | 1 |
| Introduction..... | 1 |
| Minnesota Statutes & Rules..... | 1 |
| Accounting Statute..... | 1 |
| Minn. Stat. § 216B.10 Accounting. | 1 |
| Subd. 1. System of accounts. | 1 |
| Subd. 2. Other business of public utility. | 2 |
| Subd. 3. Manner and form..... | 2 |
| Subd. 4. Reports..... | 2 |
| Subd. 5. Audit..... | 2 |
| Property Transfer Requirements – Statutes & Rules | 2 |
| Minn. Stat. § 216B.50, subd. 1. | 2 |
| Minn. Rules Part 7825.1600, subd. 8..... | 2 |
| Minn. Rules Part 7825.1800 | 2 |
| Affiliated Interest Relationship - Statute | 3 |
| Minn. Stat. § 216B.48, subd. 1 (9)..... | 3 |
| Minn. Stat. § 216B.48, subd. 3. | 3 |
| Affiliated Interest - Minimum Filings Requirements | 3 |
| Minn. Rules 7825.2200B. | 3 |
| Xcel..... | 4 |
| Department..... | 4 |
| PUC Staff Comment | 5 |
| Accounting transfer versus affiliated interest agreement for the 435 Property | 6 |
| 435 Property Costs | 6 |
| 435 Property Included in Docket No. 13-868 Cost of Service | 7 |
| 435 Property Included in Xcel – Gas’s recently approved GUIC filing..... | 7 |
| Impact on Xcel’s electric and gas ratepayers..... | 8 |
| Decision Alternatives..... | 8 |

Statement of the Issue

Should the Commission approve the Xcel – Electric’s proposed accounting transfer of the 435 James Avenue property (435 Property) to Xcel – Gas? **or**

Should the Commission approve the 435 Property transfer from Xcel – Electric to Xcel – Gas as an affiliated interest transaction between the two related utility companies with the same parent?

Introduction

In this petition, Xcel – Electric proposed an accounting transfer of land to Xcel – Gas which will use the 435 James Avenue property¹ (435 Property) in conjunction with its \$70 million Transmission Integrity Management Program (TIMP) initiative to replace 11.5 miles of existing transmission pipeline with 20 inch steel gas main in St. Paul, MN. On the 435 Property, Xcel – Gas proposes to install its TIMP project’s pig launching/receiving facilities and its new valve set for the 20 inch transmission line.²

Alternatively, Xcel proposed that the Commission approve the transaction as an affiliated interest agreement between its Electric and Gas operations.

The Department recommended the Commission approve the requested property transfer from Xcel – Electric to Xcel – Gas as an accounting transfer.

On February 6 and 19, Xcel responded to PUC staff information request numbers one through five. Copies of Xcel’s responses are attached to these briefing papers.

PUC staff reviewed Xcel’s Petition and the Department *Comments*. The Department and Xcel have worked together and resolved all of issues raised by the Department. PUC staff generally agrees with the Department’s December 5, 2014 recommendations with minor qualifications.

Minnesota Statutes & Rules

Accounting Statute

Minn. Stat. § 216B.10 Accounting.

Subd. 1. System of accounts.

..... A public utility which maintains its accounts in accordance with the system of accounts prescribed by a federal agency or authority shall be deemed to be in compliance with the system of accounts prescribed by the commission.....

¹ On July 11, 2001, Xcel - Electric purchased the 435 James Avenue property (435 property) with the intent of using the 435 property for future access for a future spur railroad line to its High Bridge Coal combined cycle plant. This land purchase included an office building. However, the planned railroad spur was not needed for the High Bridge Plant. Xcel – electric used the office building on the 435 property to house the construction support staff for the High Bridge Plant project; after the project was completed in 2008, Xcel - Electric continued to use the office space for corporate employees and contractors that needed temporary offices.

² This TIMP project was discussed in Xcel’s Gas Utility Infrastructure Cost (GUIC) rider in Docket No. 14-336; approved by the Commission’s in its January 27, 2015 Order.

Subd. 2. Other business of public utility.

..... Every public utility engaged directly or indirectly in any other business than that of the production, transmission or furnishing of natural gas or electric service shall, if required by the commission, keep and render separately to the commission in like manner and form the accounts of all the other business, in which case all the provisions of Laws 1974, chapter 429 shall apply to the books, accounts, papers, and records of the other business.

Subd. 3. Manner and form.

.....Every public utility is required to keep and render its books, accounts, papers, and records accurately and faithfully in the manner and form prescribed by the commission, and to comply with all directions of the commission relating to these books, accounts, papers, and records.

Subd. 4. Reports.

.....require any public utility to file annual reports in the form and content, having regard for the provisions of this section, as the commission may require, and special reports concerning any matter about which the commission is authorized to inquire or to keep itself informed. The commission may require the reports to be verified.....

Subd. 5. Audit.

.....The commission may require the examination and audit of all accounts, and all items shall be allocated to the accounts in the manner prescribed by the commission.

Property Transfer Requirements – Statutes & Rules

Minn. Stat. § 216B.50, subd. 1.

.....requires 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 or transmission company operating in this state, without first being authorized so to do by the commission.

Minn. Rules Part 7825.1600, subd. 8

.....requires that "transfer of property" means the sale or acquisition of an operating unit or system for a consideration valued at greater than \$100,000.

Minn. Rules Part 7825.1800

.....requires that Petitions for approval to acquire property shall contain one original and three copies of certain information.³

³ Must include: 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; and D) Other pertinent facts or additional information that the commission may require.

Affiliated Interest Relationship - Statute

Minn. Stat. § 216B.48, subd. 1 (9).

Definition of affiliated interests:.....(9) every part of a corporation in which an operating division is a public utility.....

Minn. Stat. § 216B.48, subd. 3.

.....requires that no contract or arrangement for the purchase, sale, lease, or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interest as defined in subdivision 1, clauses (1) to (8), or any arrangement between a public utility and an affiliated interest as defined in subdivision 1, clause (9), made or entered into after August 1, 1993, is valid or effective unless and until the contract or arrangement has received the written approval of the commission.⁴ [Emphasis Added)

Affiliated Interest - Minimum Filings Requirements

Minn. Rules 7825.2200B.

.....requires that within 30 days of executing a contract or arrangement with an affiliate, the utility must make a filing.^{5,6}

⁴ The commission shall approve the contract or arrangement made or entered into after that date only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest. No contract or arrangement may receive the commission's approval unless satisfactory proof is submitted to the commission of the cost to the affiliated interest of rendering the services or of furnishing the property or service to each public utility. Proof is satisfactory only if it includes the original or verified copies of the relevant cost records and other relevant accounts of the affiliated interest, or an abstract or summary as the commission may deem adequate, properly identified and duly authenticated, provided, however, that the commission may, where reasonable, approve or disapprove the contracts or arrangements without the submission of cost records or accounts. The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility

⁵ Pursuant to Docket E,999/CI-98-651

⁶ The Petition shall include the following information: 1) A heading that identifies the type of transaction; 2) The identity of the affiliated parties in the first sentence; 3) A general description of the nature and terms of the agreement, including the effective date of the contract or arrangement and the length of the contract or arrangement; 4) A list and the past history of all current contracts or agreements between the utility and the affiliate, the consideration received by the affiliate for such contracts or agreements, and a summary of the relevant cost records related to these ongoing transactions; 5) A descriptive summary of the pertinent facts and reasons why such contract or agreement is in the public interest; 6) The amount of compensation and, if applicable, a brief description of the cost allocation methodology or market information used to determine cost or price; 7) If the service or good acquired from an affiliate is competitively available, an explanation must be included stating whether competitive bidding was used and, if it was used, a copy of the proposal or a summary must be included. If it is not competitively bid, an explanation must be included stating why bidding was not used; 8) If the arrangement is in writing, a copy of that document must be attached; and 9) Whether, as a result of the affiliate transaction, the affiliate would have access to customer information, such as customer name, address, usage or demographic information; 10) The filing must be verified.

Xcel

Xcel's Petition requested Commission approval for an accounting transfer of the 435 Property from Electric to Gas operations or, in the alternative, approval of an Affiliated Interest Transaction between the two Xcel operations. On October 16, 2014,⁷ Xcel - Electric transferred its 435 James Avenue, St. Paul, MN property (435 Property) to Xcel – Gas at its current book value of \$297,837⁸ from FERC Account 340 (Electric) to FERC Account 365.1, Gas Transmission Plant Land and Land Rights (Gas).

Xcel requested a Commission Order approving the accounting transfer transaction pursuant to Minn. Stat. § 216B.10 or, in the alternative, approval of an affiliated interest transaction under Minn. Stat. § 216B.48.⁹ There is no formal written contract, but rather an accounting transfer between the two business units of Xcel Energy.¹⁰

Xcel stated that the 435 property transfer was in the public interest because it is economical, efficient, safe, and avoids the need to acquire new property to support its gas operations.¹¹

Xcel stated the 435 property was necessary for its gas operations; for its \$70 million TIMP initiative to replace 11.5 miles of existing pipeline with 20 inch steel gas main in St. Paul, MN.¹² The 435 Property is situated adjacent to its existing pipeline which runs to the location referred to as Island Station,¹³ which is where Xcel's houses its gas valves and other facilities that are currently in service.

The Island Station property is the proposed new office building site, which, when built would require Xcel – Gas to re-locate its current facilities to the 435 property. At the 435 Property, Xcel – Gas proposes to install new facilities for the current Island Station facilities, which includes a valve set and above-ground structure to house pig launcher and receiver equipment.¹⁴ Xcel – Gas states that by continuing to use the 435 property in the gas operations, the existing Xcel assets will be maximized and will avoid the need to acquire new land for the TIMP project.

Department

The Department concluded that the 435 property land transfer between Xcel - Electric and Xcel - Gas falls under Commission jurisdiction as an accounting transfer;¹⁵ see Minn. Stat. § 216B.50 and Minn. Rules Part 7825.1600 and 1800. The Department's primary concern was whether the accounting transfer of the property between the Xcel companies at net book value was consistent with public interest.

⁷ See Xcel's Petition, p. 6

⁸ Represents the original purchase that Xcel paid for the 435 Property.

⁹ See Xcel's Petition pp. 4-5

¹⁰ See Xcel's Petition, pp. 2-3

¹¹ See Xcel's Petition, p. 7-8

¹² See Xcel's Petition, pp. 3-4

¹³ This property owned by a third party.

¹⁴ See Xcel's Petition, p. 4

¹⁵ See the Department Comments, pp. 2-5

Further, the Department's review of the Xcel petition considered whether the:¹⁶

- merits of the agreement and price were reasonable;
- agreement affects operating costs and rate levels;
- agreement affects the competitive situation;
- agreement impairs effective regulation; and
- implementation of the agreement did not result in any subsidization between utility operations (Gas and Electric).

The Department review of Xcel's petition determined that Xcel has provided the required information in compliance with the Commission's Order, and Minn. Statutes and Rules and was consistent with public interest.¹⁷

With respect to its concerns about the merits of the agreement and the transfer price used to record the value of this transaction, the Department reviewed the current Ramsey County property tax valuation records for the 435 Property, and concluded that the accounting transfer was reasonable at Xcel – Electric's original cost of \$297,837.

With respect to its concerns about operating costs and rate levels, effective regulation, and competitive bidding, the Department concluded that the competitive bidding requirements were not applicable in this situation and that the property transfer would have no negative effect on Xcel's competitive situation and/or does not impair effective regulation.¹⁸

With respect to its concerns about subsidization, the Department concluded that Xcel - Electric intends to remove the actual 435 Property facilities costs from its Docket No. 13-868 rate case through its 2014 capital cost true-up, which indicates that Xcel - Electric ratepayers will not continue to pay for this property thus no subsidization exists.¹⁹

The Department recommended to the Commission that it approve Xcel's requested property transfer as an accounting transfer.²⁰

PUC Staff Comment

PUC staff reviewed Xcel's Petition to transfer the 435 Property from electric to gas operations and appreciates the Department's comments. PUC staff believes that the issues have been resolved by the parties and that the Department's analysis covers the majority of the relevant factors, and will not repeat those comments.

¹⁶ See the Department Comments, p. 6

¹⁷ See the Department Comments, pp. 2-6

¹⁸ See the Department Comments, p. 7

¹⁹ See the Department Comments, Department Information Request No. 1, included in Attachment A, p. 2

²⁰ See the Department Comments, p. 7

However, PUC staff does have additional concerns regarding the accounting transfer and issued information requests to Xcel.²¹ PUC staff does not necessarily disagree with the Department's December 5, 2014 recommendations, but does have additional discussion for the Commission to consider before rendering its decision.

Accounting transfer versus affiliated interest agreement for the 435 Property

PUC staff believes that the 435 Property transfer between Xcel – Electric and Xcel – Gas could be approved by the Commission either as an accounting transfer or as an affiliated interest transaction even though no formal affiliated interest agreement exists. Xcel filed the required information to have the 435 property transfer approved as an accounting transfer or as an affiliated interest transaction.

After its review of this docket's record, PUC staff agrees with the Department's recommendation that the 435 Property transfer should be approved as an accounting transfer. The 435 Property transfer qualifies as an accounting transfer under Minn. Statutes and Rules. PUC staff is unaware of any reason why the 435 Property transfer should not be approved as an accounting transfer. However, staff also agrees Commission could approve the 435 Property transfer as an affiliated interest transaction if that is what the Commission wishes to do.

435 Property Costs

Xcel purchased the 435 Property in 2001 for \$297,837, which included both the land and an office building on the premises. Based on the assumption that Xcel - Electric would only use the land and not the office building, Xcel booked 100% of the purchased cost as land. Xcel considered the office building to be un-useful. From this record, PUC staff cannot separately determine the value of the land and the office building.

The 435 Property was originally purchased for a future railroad spur line to its High Bridge Coal Plant; however, as a result of the 2005 Minnesota Emissions Reduction Project (MERP), Xcel converted its High Bridge facility to natural gas and no longer needed to construct the railroad spur for coal operations. As previously mentioned, Xcel originally had no use for the office building, but as a result of the High Bridge facility conversion, in 2005, Xcel-Electric began using the office building to house the additional construction staff which eliminated the need to rent the mobile trailers and/or portable offices.²²

Xcel continued to use the office building to house various construction personnel and Xcel corporation personnel until the summer of 2014,²³ when Xcel determined that the 435 Property could be better utilized to support its gas operations. Xcel's TIMP initiatives needed the land, but not the office building. In 2014, Xcel demolished the office building to enable Xcel – Gas to install the necessary gas facilities for its TIMP initiatives.

²¹ Entered into the record as Reports of Permissible Ex Parte Communication on February 9 and 20, 2015 (Xcel's responses to PUC staff information request numbers 1–5). Copies of Xcel's responses are attached.

²² See Xcel's response to PUC staff information request Nos. 1 and 5.

²³ See Xcel's response to the Department information request No. 3, Department December 5, 2014 *Comments*, Attachment A, pp. 11-12.

PUC staff agrees with Xcel's original 2001 accounting treatment when Xcel purchased the 435 Property for a future railroad spur. The land had value to Xcel while the office building was not used and useful to Xcel - Electric or to its ratepayers. However, in 2005, when Xcel - Electric discovered a purpose for the office building, it became used and useful. PUC staff believes that, at that time, Xcel should have adjusted the original 435 Property purchase entry, and assigned part of the purchase cost to the building and started depreciating the building asset. Furthermore, when the office building was demolished in 2014,²⁴ any remaining book value should have been written off Xcel electric books. Thus, the land value of the accounting transfer from Xcel - Electric to Xcel - Gas may be stated at a higher value than if the 2005 accounting adjustment had been made. Xcel believes that since it did not allocate any portion of the purchase price to the office building at the time of purchase, it did not have to retire the office building.

If the Commission believes the building provided value to Xcel, the Commission may wish to require Xcel - Electric to provide the true 2001 land and office building value. Or, in the alternative, the Commission may wish to assign the \$297,837 property value to land and the office building based on a 50/50 allocation factor or some other factor proposed by Xcel.

Further, PUC staff is unsure which utility operation (electric or gas) paid for the demolition of the building. The Commission may wish to inquire from Xcel which utility operation paid for the demolition cost in 2014. If Xcel - Electric paid for the costs and the costs are included in the Docket No. 13-868 rate case, the Commission may wish to remove the costs from Xcel's rates, as an extraordinary cost that is not recoverable from Minnesota electric ratepayers since the building had no value.

435 Property Included in Docket No. 13-868 Cost of Service

Xcel stated that the 435 Property is currently in the electric operation's rate base and its 2014 and 2015 STEP Year revenue requirements. Xcel stated that the Minnesota jurisdictional amount is \$222,000 which equates to a \$25,000 revenue requirement impact. Xcel proposed to the Department, and it agreed, that the land will be removed when Xcel - Electric submits its proposed capital project multiyear rate plan true-up filing for the 2015 step-year, in Docket No. 13-868.²⁵

PUC staff agrees.

435 Property Included in Xcel - Gas's recently approved GUIC filing

Xcel - Gas stated that the accounting transfer of land valued at \$297,837 was not included in Xcel's recently approved GUIC Rider filing in Docket No 14-336. But, rather Xcel - Gas will seek to recover the \$297,837 of land in its next natural gas rate case.²⁶

PUC staff agrees.

²⁴ Ibid.

²⁵ See Xcel's response to PUC staff informational request No. 2.

²⁶ See Xcel's response to PUC staff informational request Nos. 3 and 4.

Impact on Xcel's electric and gas ratepayers

PUC staff believes that if Xcel – Electric's proposed 435 Property cost true-up for the 2015 step-year is made in Docket No. 13-868 and Xcel – Gas does not include the \$297,837 in its GUIC rider mechanism and waits to include the 435 Property costs in its next rate case, the Xcel customers from both electric and gas operations will not be harmed by one utility's customers subsidizing the other utility's customers for the cost of the land.

The Commission will still need to determine whether Xcel should allocate some of the land value to the building (which would reduce the value of the land transferred to Xcel – Gas) and to determine whether the building demolition costs were correctly accounted for.

Decision Alternatives

Property Transfer from Xcel – Electric to Xcel - Gas

1. Accept the Department recommendation and approve the requested 435 Property accounting transfer from Xcel – Electric to Xcel – Gas in the amount of \$297,837 for land. or
2. Approve the requested 435 Property transfer from Xcel – Electric to Xcel – Gas as an affiliated interest transaction and agreement between Xcel's affiliated companies. or
3. Do not approve the requested 435 Property transfer from Xcel – Electric to Xcel – Gas as either an accounting transfer or an affiliated interest transaction and agreement. or

Alternative Decision Options

4. Accept the Department recommendation and approve the requested 435 Property accounting transfer from Xcel – Electric to Xcel – Gas, but determine that part of the original \$297,837 cost should have been assigned to the building and reduce the value of the land transfer accordingly based on values provided by Xcel. or
5. Accept the Department recommendation and approve the requested 435 Property accounting transfer from Xcel – Electric to Xcel – Gas, but determine that part of the original \$297,837 cost should be allocated between the building and land based on an allocation developed by the Commission. (For example, based on a 50/50 allocation between building and land.)

Demolition Costs

6. Require Xcel to state which utility paid for the Demolition Costs.
7. If Xcel – Electric paid for the demolition costs, require Xcel – Electric to remove the costs from its current rate case and to make a proposal for how to make such an adjustment. (For example, by creating a regulatory liability for this adjustment.)



414 Nicollet Mall
Minneapolis, Minnesota 55401

February 6, 2015

Mr. Bob Brill
Energy Rate Analyst
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

—Via E-Mail—

RE: RESPONSES TO MPUC INFORMATION REQUEST NOS. 1 - 4
PROPERTY TRANSFER FROM ELECTRIC TO GAS OPERATIONS
DOCKET NO. E,G002/PA-14-958

Dear Mr. Brill:

Enclosed please find our responses to the referenced Minnesota Public Utilities Commission's information request in the above-noted docket.

Please call me at (612) 330-5953 if you have any questions regarding this submission.

Sincerely,

/s/

CYNTHIA D. HARRINGTON
REGULATORY CASE SPECIALIST

Enclosures

- Non Public Document – Contains Trade Secret Data**
 Public Document – Trade Secret Data Excised
 Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: MPUC Information Request No. 1

Requestor: Bob Brill

Date Received: January 28, 2015

Question:

Reference: Xcel's Petition in Docket No. E, G-002/PA-14-958

In its Petition, Xcel proposed to transfer the land associated with the 435 property from its electric to its gas operations, at its original net book value of \$297,837. Xcel's Petition also stated that the 435 property included an office building, which Xcel used to house various personnel during the High Bridge project construction and later housed various corporate and construction personnel. The office building and land were purchased on July 11, 2001.

Xcel's Petition does not include a value for the office building. Please provide a response to the following questions:

- a. Was Xcel including the office building in its proposed 435 property transfer from electric to gas operations?
 - i. If yes, why does the Petition not reflect a value associated with the office building and how will this office building be used in the future by Xcel-Gas operations? Please provide a detailed explanation.
 - ii. If not, will Xcel – Gas be charged a rent cost for the office building that is located on 435 land property? Provide a detailed explanation.
 - iii. If Xcel – Electric retained the property, did Xcel – Electric retain any of the land associated with the 435 property?

- b. If the office building was transferred to Xcel – Gas operations, how will the office building be used in the future? Please provide a detailed explanation.

Response:

- a. No. The 435 James Avenue property was purchased in 2001 for our electric operations to secure the land for access to a future spur railroad line to the High Bridge Coal Plant. At the time of purchase, we had no use for the office building that happened to be on the property. However, once the Minnesota Emissions Reduction Project (MERP) started in 2005, we had a new use for the building which was to support our construction processes. Normally, in a plant construction project or a plant outage, we would rent mobile trailers and portable offices to house the additional staff needed to support the projects. However, the office building on the property allowed us to avoid the additional expense and logistics of having temporary offices brought in.

In late 2014, we determined the property could be utilized in our gas operations to support needed improvements. By continuing to use the James Avenue property in the gas operations, we can maximize our existing assets and avoid the need to acquire new land to build the new facilities. The office building has now been demolished to enable the installation of the planned gas facilities. The office building was older and approximately 1,000 square feet so not a good candidate to be moved to another location. Similar to the original needs of the Electric department, the value of the property to the Gas department is in the land itself (and its suitability for future pipeline facilities) not the office building.

The original cost of the property was \$297,837. It has not been depreciated since it is land, thus, the current book value of the asset is \$297,837.

- i. See response to a above.
- ii. No. The office building has been removed and no rent will be charged. The only asset being transferred to the Gas department is the land.
- iii. No, the Company's electric operations did not retain any land in the transition.
- b. The office building will not be used by the gas department, as described above it has already been removed from the property.

Preparer: Tony J. Wendland
Title: Manager
Department: Gas Projects
Telephone: 651-229-2488
Date: February 6, 2015

- Non Public Document – Contains Trade Secret Data
 Public Document – Trade Secret Data Excised
 Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: MPUC Information Request No. 2

Requestor: Bob Brill

Date Received: January 28, 2015

Question:

Reference: Xcel's Petition in Docket No. E, G-002/PA-14-958

In its Petition, Xcel proposed to transfer the land associated with the 435 property from its electric to its gas operations, at its original net book value of \$297,837. Xcel's Petition also stated that the 435 property included an office building, which Xcel used to house various personnel during the High Bridge project construction and later housed various corporate and construction personnel. The office building and land were purchased on July 11, 2001.

Has Xcel removed costs associated with the 435 property from its current electric rate case, Docket No. 13-868? Please provide a detailed explanation of where and when the asset was removed.

Response:

The property located at 435 James Avenue in St. Paul is currently included in rate base in the 2014 and 2015 STEP Year revenue requirements. The Total Company amount is \$297,837. The Minnesota jurisdictional amount is \$222,000 which equates to a \$25,000 revenue requirement.

The company intends to reflect the transfer of actual costs in the 2014 capital cost true-up proposed by the Company and agreed to by the Department in Docket No. E002/GR-13-868.

| | |
|-------------|----------------------------|
| Preparer: | Shari Cardille |
| Title: | Principal Rate Analyst |
| Department: | Revenue Requirements North |
| Telephone: | 612-330-1974 |
| Date: | February 6, 2015 |

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 Public Document – Trade Secret Data Excised
 Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: MPUC Information Request No. 3

Requestor: Bob Brill

Date Received: January 28, 2015

Question:

Reference: Xcel's Petition in Docket No. E, G-002/PA-14-958

In its Petition, Xcel proposed to transfer the land associated with the 435 property from its electric to its gas operations, at its original net book value of \$297,837. Xcel's Petition also stated that the 435 property included an office building, which Xcel used to house various personnel during the High Bridge project construction and later housed various corporate and construction personnel. The office building and land were purchased on July 11, 2001.

Did Xcel – Gas include the 435 property costs in its recent Docket No. 14-336 GUIC rider petition that the Commission approved in its January 27, 2015 Order? If so, please provide a detailed explanation of where the costs were included in the GUIC rider petition.

Response:

The costs for the property at 435 James Avenue were not included in the GUIC rider petition in Docket No. G002/M-14-336.

Preparer: Lisa Peterson
Title: Principal Pricing Analyst
Department: Regulatory Affairs
Telephone: (612) 330-7681
Date: February 6, 2015

- Non Public Document – Contains Trade Secret Data**
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 Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: MPUC Information Request No. 4

Requestor: Bob Brill

Date Received: January 28, 2015

Question:

Reference: Xcel's Petition in Docket No. E, G-002/PA-14-958

In its Petition, Xcel proposed to transfer the land associated with the 435 property from its electric to its gas operations, at its original net book value of \$297,837. Xcel's Petition also stated that the 435 property included an office building, which Xcel used to house various personnel during the High Bridge project construction and later housed various corporate and construction personnel. The office building and land were purchased on July 11, 2001.

If the 435 property costs were not included in Xcel GUIC rider, how does Xcel plan to recover the 435 property costs? Please provide a detailed explanation.

Response:

As noted in response to MPUC IR No. 3, the costs for the property at 435 James Avenue were not included in the GUIC rider petition in Docket No. G002/M-14-336. We plan to include a request for recovery of the costs in our next gas rate case.

| | |
|-------------|----------------------------|
| Preparer: | Shari Cardille |
| Title: | Principal Rate Analyst |
| Department: | Revenue Requirements North |
| Telephone: | 612-330-1974 |
| Date: | February 6, 2015 |



414 Nicollet Mall
Minneapolis, Minnesota 55401

February 19, 2015

Mr. Bob Brill
Energy Rate Analyst
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

—Via E-Mail—

RE: RESPONSE TO MPUC INFORMATION REQUEST NO. 5
PROPERTY TRANSFER FROM ELECTRIC TO GAS OPERATIONS
DOCKET NO. E,G002/PA-14-958

Dear Mr. Brill:

Enclosed please find our response to the referenced Minnesota Public Utilities Commission's information request in the above-noted docket.

Please call me at (612) 330-5953 if you have any questions regarding this submission.

Sincerely,

/s/

CYNTHIA D. HARRINGTON
REGULATORY CASE SPECIALIST

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Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: MPUC Information Request No. 5

Requestor: Bob Brill

Date Received: February 11, 2015

Question:

Reference: Xcel's Petition in Docket No. E, G-002/PA-14-958

In its Petition, Xcel proposed to transfer the land associated with the 435 property from its electric to its gas operations, at its original net book value of \$297,837. Xcel's Petition also stated that the 435 property included an office building, which Xcel used to house various personnel during the High Bridge project construction and later housed various corporate and construction personnel. The office building and land were purchased on July 11, 2001.

In its response to Informational Request No. 1, Xcel stated that

In late 2014, we determined the property could be utilized in our gas operations to support needed improvements. By continuing to use the James Avenue property in the gas operations, we can maximize our existing assets and avoid the need to acquire new land to build the new facilities. The office building has now been demolished to enable the installation of the planned gas facilities. The office building was older and approximately 1,000 square feet so not a good candidate to be moved to another location. Similar to the original needs of the Electric department, the value of the property to the Gas department is in the land itself (and its suitability for future pipeline facilities) not the office building. [Emphasis added]

In its response to Informational Request No. 2, Xcel stated that:

The property located at 435 James Avenue in St. Paul is currently included in rate base in the 2014 and 2015 STEP Year revenue requirements. The Total Company amount is \$297,837. The Minnesota jurisdictional amount is \$222,000 which equates to a \$25,000 revenue requirement.

The company intends to reflect the transfer of actual costs in the 2014 capital cost true-up proposed by the Company and agreed to by the Department in Docket No. E002/GR-13-868.

1. Please provide the 435 property purchase price for both the land and building when purchased on July 11, 2001.
 - a. Show allocation of purchase price to land and to building.

2. Please provide Xcel Energy - Electric accounting entries for the demolition (retirement) of the building.
 - a. If the building has not been retired and removed from Xcel Energy plant accounts, please provide an explanation as to why the retirement has not occurred.

3. Has Xcel Energy - Electric removed the building cost from its rate base in Docket No. 13-868?
 - a. If so, please provide the reference cites in Docket No. 13-868 that illustrate the removal?
 - b. If not, please provide a detailed explanation as to when Xcel Energy plans to remove the building costs from its current rate case, Docket No. 13-868.

Response:

1. The purchase price was \$297,837.09 for the asset. When we classified the asset to the FERC Accounts, none of the purchase price was allocated to buildings. The entire value was classified to land.

2. Since there was no allocation between the land and building, no retirement has been booked at this time for the building. The accounting entries for the transfer can be seen below:

| | FERC Account – 300-Series | Description | Amount |
|--------|---------------------------------|----------------------------------|----------------|
| Debit | 101 - 374 | Gas Plant in Service - Land | \$297,837.09 |
| Credit | 101 - 340 | Electric Plant in Service - Land | (\$297,837.09) |

3. The property located at 435 James Avenue in St. Paul is currently included in rate base in the 2014 and 2015 STEP Year revenue requirements. The Total

Company amount is \$297,837. The Minnesota jurisdictional amount is \$222,000 which equates to a \$25,000 revenue requirement.

The company intends to reflect the transfer of actual costs in the 2014 capital cost true-up proposed by the Company and agreed to by the Department in Docket No. E002/GR-13-868.

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