

September 13, 2021

Mr. Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, Minnesota 55101

**RE: Letter from the Minnesota Department of Commerce, Division of Energy Resources (the Department) regarding Northern States Power Company d/b/a Xcel Energy's Petition for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2019 and 2020, and Revised Adjustment Factors**  
Docket No. E002/M-19-721

Dear Mr. Seuffert:

On August 11, 2021, the Department filed Response Comments in response to Xcel Energy's October 30, 2020 Reply Comments in above-referenced docket. However, the Department inadvertently omitted a response to Xcel Energy's reply regarding the depreciation lives for its Advanced Distribution Management System (ADMS) in our Response Comments. The Department addresses this issue below.

In our initial comments filed on October 16, 2020, the Department recommended among other things that Xcel Energy explain in its reply comments if the Company's proposed depreciation changes in Docket No. E002/D-20-635 impact its initial 10-year depreciation life for the ADMS project in this proceeding. If so, the Department recommended Xcel provide the depreciation changes and incorporate them in to its proposed 2019-2020 annual revenue requirement calculations in reply comments.

On page 4 of its Reply Comments, Xcel stated the following regarding ADMS depreciation:

The Department asked us to explain whether any of the changes the Company proposes to several components associated with the AGIS initiative in our current depreciation filing impact the initial 10-year depreciation life for the ADMS project in this TCR proceeding. None of the Company's proposed average service life changes in our pending remaining lives docket impact the ADMS components included for recovery in the TCR Rider. If the Commission orders any changes to ADMS components included in

the rider in that docket, we will adjust the depreciation lives in our next TCR Rider proceeding.<sup>[5]</sup>

Given the above statements (including footnote no. 5), the Department reached out to Xcel via email and asked them the following questions:

1. In what docket was the ADMS life approved? Please provide a specific reference.
2. What support do you have for the 5-year vs. 10-year deprecation life for ADMS? Do you have a manufacturer life information to support the expected operating life?
3. Are the revenue requirement changes in footnote 5 increases in what you initially proposed? Can you show the calculations that support the revenue requirements? Do you have corrected TCR rates or maybe you can agree to do in a compliance filing?

On August 26, 2021, Xcel provided the following response to informal Information Request No. 1:<sup>1</sup>

1. ADMS components are not significantly different from existing capital asset classifications, and therefore they fall under existing FERC [Federal Energy Regulatory Commission] accounts for software and communications equipment. The depreciation rates for these asset categories are reviewed and approved annually, with the most recent approval in the Commission's March 24, 2021 Order in Docket No. E,G002/D-20-635. On July 29, 2021, the Company submitted its next annual depreciation filing, which is still pending in Docket No. E,G002/D-21-584.

Every 5 years the Company performs a comprehensive depreciation study of FERC accounts. The next 5-year study will be filed with the Commission in 2022. At that time, the accounts will be reexamined, and if necessary, we would reset any depreciation lives at that time. However, we do not anticipate separating the ADMS components from the existing software and communications equipment accounts.

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<sup>[5]</sup> We note that our Petition misstated the life of ADMS software. It is 5 years instead of 10. The impact of updating the average service life for this component is minimal, increasing the revenue requirements by approximately \$35,000 in 2019 and \$304,000 in 2020.

<sup>1</sup> See attached information request response to these comments.

2. As noted in Part 1, the ADMS project consists of two asset categories: software and communications equipment. Attachment 1A of our initial Petition incorrectly stated that software has a 10 year life; instead, software has a 5 year life. We apologize for the error. Electric FERC 397 Communications has a 10 to 15 year average service life, depending on sub classifications. The ADMS communications equipment is currently classified as having a 10-year average service life in its subaccount. There is no manufacturer information which documents the expected operating life.
3. Yes, the revenue requirements changes noted in footnote 5 of our Reply Comments are increases in the proposed revenue requirement. Please see Attachment A to this response for supporting calculations showing the difference between the initial petition and the update noted in Reply Comments.

We have not yet calculated the updated rates. Upon issuance of a Commission Order, we will make a compliance filing showing the final rates. The updated schedules will include the discussed depreciation adjustment and will remove ADIT proration from March 2020, as we discussed in our Reply.

In addition to the above, the Department asked Xcel via email to provide a specific reference to the FERC accounts/subaccounts that include the ADMS software and the ADMS communications equipment in Docket No. E,G002/M-20-635. Xcel replied via email that the ADMS software is in FERC Account 303 and the AMS communications equipment is in FERC Account 397.

Based on the above, the Department concludes that Xcel Energy has supported its 5-year life for the ADMS software and its 10-year life for the ADMS communications equipment. As a result, the Department supports the changes in annual revenue requirements detailed in Xcel's Response to Information Request No. 1, Attachment A.

Sincerely,

/s/ MARK JOHNSON  
Public Utilities Analyst Coordinator

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## **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  
Letter**

**Docket No. E002/M-19-721**

Dated this **13<sup>th</sup>** day of **September 2021**

**/s/Sharon Ferguson**

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