

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Joseph K. Sullivan	Vice Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

In the Matter of Northern States Power Co.
d/b/a Xcel Energy’s 2023 Annual Review of
Remaining Lives and Depreciation Rates for
Transmission, Distribution, and General
Accounts

DOCKET NO. E,G-002/D-23-356

**REPLY COMMENTS OF THE OFFICE
OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION**

INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits the following reply comments in response to the September 8, 2025 initial comments of the Minnesota Department of Commerce. The Department recommends shortening the remaining lives of two coal-fired generators to match the retirement dates that the Commission has approved for these generators in resource-planning proceedings. For the reasons explained below, the issue of whether these two units’ depreciation schedules should be changed is best resolved in Northern States Power Company d/b/a Xcel Energy’s (Xcel) pending electric rate case (2024 Rate Case) using the analysis framework approved by the Commission in Docket No. E-002/M-23-375 (the Early Retirements Docket).

BACKGROUND

Sherburne County Generating Plant Unit 3 (Sherco 3) and the Allen S. King Plant (King) are Xcel-owned coal-fired generators that have been on its system for decades. Xcel’s current depreciation schedules assume that Sherco 3’s service life will end in 2034 and King’s in 2037.¹

¹ Department Comments at 10 (Sept. 8, 2025).

However, in its 2019 integrated resource plan (IRP), the Commission accepted Xcel's proposal to retire these plants early—Sherco 3 in 2030 and King in 2028.²

Because the Commission's decision on Xcel's 2019 IRP was decided while Xcel's 2021 rate case was pending, Xcel proposed to accelerate depreciation of Sherco 3 and King in its 2021 rate case through rebuttal testimony. Xcel proposed to increase depreciation expense for the plants to reflect their new anticipated retirement dates, arguing that the rate impact of the increase was largely offset by an extension to one of its nuclear plants' lives.³

The Commission denied Xcel's proposal, reasoning that the important policy considerations and significant ratepayer impacts of early retirement were not developed in the record.⁴ The Commission instead opened a broader docket across utilities to investigate depreciation accounting and other ratemaking issues created by early retirement.⁵

In the new docket, the Commission adopted the Department's recommendation and established a four-tiered framework for the rate treatment of early-retiring generating facilities:

- Tier 1: Data Gathering Phase: Is plant used and useful, plant size, original date of retirement, impact on ratepayers and has the utility prudently operated the plant will also be considered. Move to Tier 2.
- Tier 2: Does the early-retiring asset meet the criteria established for accelerated depreciation? If yes, stop. Assign accelerated depreciation. If no, move to Tier 3.
- Tier 3: Does the early-retiring asset meet the Tier 2 standards, except that accelerated depreciation would cause rate shock? If yes, assign regulatory asset with a possible return. If no, move to Tier 4.

² *In re 2020-2034 Upper Midwest Integrated Res. Plan*, Docket No. E0002/RP-19-368, Order Approving Plan with Modification and Establishing Requirements for Future Filings at 8-9, 13, 31 (Apr. 15, 2022).

³ *In re Application of N. States Power Co., dba Xcel Energy, for Auth. to Increase Rates for Elec. Serv. in the State of Minn.*, Docket No. E002/GR-21-630, Halama Rebuttal at 16-17 (Nov. 8, 2022) (21-630 Rate Case).

⁴ 21-630 Rate Case, Findings of Fact, Conclusions, and Order at 12-13 (July 17, 2023).

⁵ *Id.*

- Tier 4: Further investigation is required to determine appropriate ratemaking treatment. (Tier 4 assumes the asset is of unique nature or the plant was not used and useful at the time of early-retirement or possible prudency concern.)⁶

The Commission further ordered that “any changes to the ratemaking treatment of early-retiring generating facilities be handled in rate cases, although informed by depreciation and IRP decisions.”⁷

The Department has now proposed shortening Sherco 3 and King lives in this docket⁸ and accelerating depreciation-expense recovery in the 2024 Rate Case⁹ to match the assumptions that Xcel has been using for resource planning. The Department’s direct testimony in the rate case makes no mention of the Commission’s four-tiered framework.¹⁰

ANALYSIS

The Commission’s Early Retirement Order recognizes that decisions about a generating facility’s remaining life made in resource-planning and depreciation dockets can inform ratemaking treatment. But the order also directs that “any changes to the ratemaking treatment of early-retiring generating facilities be handled in rate cases.”¹¹ Here, the Department has proposed shortening Sherco 3 and King’s remaining lives for accounting purposes and increasing depreciation expense correspondingly in the 2024 Rate Case. Because the Early Retirement Order contemplates the framework being applied in rate cases, the Commission should defer a decision on these plants’ remaining lives in this docket until the issue of rate treatment is decided.

⁶ *In re Comm. Inquiry into the Ratemaking Treatment for Early Retiring Generating Facilities Owned by Regul. Elec. Utilities*, Docket No. E002, E015, E017/CI-23-375, Order Establishing Four-Tiered Approach for Ratemaking Treatment of Early Retiring Generating Facilities at 8 (May 14, 2025) (23-375 Early Retirement Order).

⁷ *Id.*

⁸ See Department Comments at 10 (Sept. 8, 2025).

⁹ See Jones Direct at 14-16, 17.

¹⁰ See *id.*

¹¹ 23-375 Early Retirement Order at 8.

The Commission has recognized that the rate impact of early retirements is an important issue that requires careful balancing of ratepayer and shareholder interests.¹² To that end, it established a tiered analysis to be applied in rate cases. When accelerated depreciation is proposed, as the Department has proposed here and in the rate case, Tier 2 of the framework requires the Commission to consider whether the early-retiring asset meets the criteria for accelerated depreciation, including but not limited to whether acceleration would cause rate shock.¹³ Rate shock and other relevant questions are issues that are best examined in a rate case. However, no party has yet had an opportunity to respond to the Department's recommendation, provided in direct testimony in the 2024 Rate Case, to accelerate rate recovery for Sherco 3 and King.

The Commission should apply the Early Retirement Order's framework in the 2024 Rate Case to determine the appropriate rate treatment of Sherco 3 and King, consistent with its statutory obligation to ensure that all rates are just and reasonable.¹⁴ Once the Commission has made that determination, it can decide what do with Sherco 3 and King's depreciation schedules in this docket. Dealing with the issue in the rate case first will ensure that appropriate analysis is done regarding the important public-policy questions surrounding rate treatment of early-retired generation facilities.

CONCLUSION

For the foregoing reasons, the Commission should defer a decision on the remaining lives of Sherco 3 and King until it has had an opportunity to address the ratemaking implications in Xcel's 2024 Rate Case.

¹² *Id.* at 7.

¹³ *See id.* at 5, 8.

¹⁴ *Id.* at 7 (citing Minn. Stat. § 216B.03).

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Respectfully submitted,

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