

## Staff Briefing Papers

Meeting Date February 19, 2026

Agenda Item 3\*\*

Company Northern States Power Co. d/b/a Xcel Energy

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

**In the Matter of Xcel Energy’s Petition for Approval of the 2024 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities (EGPS) & for Transmission, Distribution, and General Accounts (TD&G)**

- Issues
1. Should the Commission approve Xcel Energy’s Petition for its 2024 annual update of remaining lives and depreciation rates for electric and gas production and gas storage (EGPS) facilities?
  2. Should the Commission approve Xcel Energy’s Petition for its 2024 annual update of remaining lives and depreciation rates for transmission, distribution, and general (TGD) accounts?

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✓ **Relevant Documents**

	<b>Date</b>
Xcel Energy – Annual Review of Depreciation Rates (ARL - EGPS)	September 9, 2024
Xcel Energy – Annual Review of Depreciation Rates (ARL – TD&G)	September 9, 2024
Xcel Energy – Modified Initial Filing (ARL- EGPS)	October 7, 2024
Xcel Energy – Supplemental Filing (ARL-TD&G)	January 31, 2025
Department of Commerce – Comments	September 8, 2025
Office of the Attorney General – Reply Comments	September 19, 2025
Xcel Energy – Reply Comments	September 19, 2025

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

✓ **Relevant Documents**

Xcel Energy – Errata

**Date**

October 17, 2025

Department of Commerce – Response to Reply Comments

February 5, 2026

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## I. Background

### A. 2024 Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities

On September 9, 2024, Xcel filed its initial Petition, seeking approval of its 2024 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Electric and Natural Gas Production and Storage Facilities (EGPS).

On October 7, 2024, Xcel filed a modified petition, which made corrections to the initial petition and provided: (1) Attachment K – Total Life of Plants, and (2) relevant information for Blue Lake Units 9-11 in their proposed Electric Other Production Facilities. Blue Lake Units 9-11 are new assets that are expected to go into service in December 2025.

On January 31, 2025, Xcel filed a supplement to its September 9, 2024 petition, as modified on October 7, 2024. The supplemental filing provided an update of remaining lives and depreciation rates for Electric and Natural Gas Production Facilities.

On September 8, 2025, the Department filed its Comments, in which it recommended approval of some aspects of the petition and denial of others; and requested that the Company provide additional information in reply comments.

On September 19, 2025, Xcel Energy filed its Reply Comments, in which it requested the Commission to approve implementation of its proposed changes, as amended by the Reply Comments and in their pending electric rate case (Docket No. E-002/GR-24-320) and their next Gas Rate Case.

On September 19, 2025, the Office of the Attorney General (OAG) filed its Reply Comments to the Department's September 8, 2025 Comments, and recommended deferral of any decision on the remaining lives of Sherco 3 and King.

On October 17, 2025, Xcel filed an errata to its September 19, 2025 Reply Comments, to correct an error discovered during rebuttal testimony in the current pending rate case in Docket No. E-002/GR-24-320, regarding the Luverne Wind2battery decommissioning cost.

### B. 2024 Annual Review of Remaining Lives and Depreciation Rates for Transmission, Distribution and General Accounts (TD&G)

On September 9, 2024, Northern States Power Co. d/b/a Xcel Energy (Xcel or the Company) filed its initial Petition seeking approval of its 2024 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Transmission, Distribution and General Accounts.

## II. Discussion

### A. 2024 Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities

The Company noted that this modified Petition continues the proposal of a decrease of approximately \$16.3 million in 2025 total Company annual depreciation and amortization expenses, for existing assets for electric utility generating facilities and gas utility generation and storage facilities based on beginning of year balances for assets not presently included in rate riders.

Xcel requested approval of the following items, effective January 1, 2025:

- Passage of time adjustments for all electric and natural gas production and gas storage facilities, except as discussed,
- Modification to the remaining lives for electric *RDF Plants: Red Wing and Wilmarth; Hydro plants: Hennepin Island, Upper Dam and St. Croix Falls; Other Production plants: Black Dog Unit 5 and Inver Hills and Wind Facilities: Border Wind and Pleasant Valley Wind,*
- Updates to net salvage rates, based on a preliminary July 2024 Dismantling Study. The comprehensive Dismantling Study will be available in February 2025, at which time Xcel will be able to calculate final net salvage rates,
- Proposed initial remaining lives and net salvage rates for *Other Solar: Sherco Solar Units 1 & 2, Battery Storage: Sherco Battery, and Other Production: Blue Lake Units 9- 11,*
- *Allen S. King and Sherco 3* – Early Retirement for Ratemaking,
- Changes necessitated by FERC Order No. 898, and
- Removal of the Luverne Wind2Battery System.

Additionally, Xcel requested approval of their proposal to modify existing filing requirements, to require Production and TD&G filings only with major rate cases. The Company contended that this would align the remaining lives, depreciation, and net salvage rates with the authorized revenue requirement and customer bills.<sup>1</sup> Moreover, this would lessen the administrative burden of processing two filings each non-rate case year.

In compliance with the Commission's Order in the Company's recent remaining life filing and standard practice in past filings, Xcel provided the following items:<sup>2</sup>

- An update on removal costs for Black Dog Units 3 and 4, Minnesota Valley, Key City, Granite City, and the Luverne Battery System.

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<sup>1</sup> Xcel's Petition (EGPS), at 2.

<sup>2</sup> See Order in Docket No. E,G002/M-22-299 (January 9, 2024). Schedule K as required in the Commission's Order is required with our comprehensive 5-year TD&G filing. There should be no Schedule K reference in the Production ARL filing because that requirement doesn't apply to the Production filings.

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- A supplemental schedule including actual costs to date, projected future costs and percentage of completion-to-date for Minnesota Valley Plant, Granite City Plant, and Black Dog Units 3-4, as applicable.

The Company also provided details of its various attachments to this filing.<sup>3</sup>

## 1. Review of Remaining Lives and Net Salvage Rates

### Background

The Commission approved Xcel's current remaining lives and net salvage rates effective January 1, 2023 in their January 9, 2023 Order, in Docket No. E- G-002/D-22-299. The Order set the filing date for their 2023 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Electric and Gas Production and Storage Facilities (Production); and Transmission, Distribution, and General Accounts (TD&G) filings on April 8, 2024.

The Company received approval of an extension request for the April 8, 2024 filing date. One of the reasons for the extension request was that Xcel would not have received its five-year Dismantling Study, which updates removal costs in time to incorporate into the filing. Xcel also needed additional time to gather and analyze the necessary data to ensure the accuracy and completeness of the filing – and to better ensure timing alignment between any changes in depreciation and rates charged to its customers.<sup>4</sup> Additionally, the Company discussed with the Department a February 1, 2025 filing date for their five-year Dismantling Cost Study rather than submitting it with the ARL Production and TD&G filings on September 9, 2024.<sup>5</sup>

The review provided by Xcel in this petition used previously approved remaining lives and net salvage rates, assuming a two-year passage of time adjustment as the starting point for this filing. The Company has reviewed the remaining lives of their electric and natural gas production and gas storage facilities as of January 1, 2025 – considering system demand, availability of fuel supplies, operating and maintenance costs, and future technological advancements that influence the decision about retiring electric and natural gas facilities.<sup>6</sup>

## 2. Passage of Time Adjustment

Xcel incorporated a two-year passage of time adjustment to the 2023 certified remaining lives of all facilities. The passage of time adjustment does not change the annual depreciation accrual but simply reflects that Xcel Energy production facilities will have aged two years since January 1, 2023.

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<sup>3</sup> Xcel Energy's Petition; at 3.

<sup>4</sup> See Xcel Energy Request for Extension, Docket No. E-G002/D-23-356 (March 11, 2024).

<sup>5</sup> This means that to meet the Company's September 9, 2024 Remaining Life filing requirement, Xcel would use a Preliminary Dismantling Cost Study to calculate net salvage.

<sup>6</sup> Xcel's Petition (EGPS); at 4.

### 3. Recommended Changes to Remaining Lives for Production Facilities

The Company requested approval for changes to the remaining lives of nine facilities. The life extension of these nine facilities, along with updated net salvage and reserve reallocation results in a decrease of \$30.1 million presented below in Table 1. The decrease is offset by removal cost net increase across production facilities where life extensions are not requested. The net result is a \$16.3 million dollar decrease to overall depreciation and amortization.<sup>7</sup>

**Table 1**  
**Summary of Production Remaining Lives Changes**

Function	Plant	Plant Balance	Reserve Balance	Present Depreciation Expense	Proposed Depreciation Expense	Proposed Less: Present Expense
Steam	Red Wing	81,573,180	80,850,579	6,630,766	1,596,20	(5,034,564)
Steam	Wilmarth	79,875,535	77,775,229	7,569,398	1,737,281	(5,832,117)
Hydro	Hennepin Dam	22,717,195	16,310,296	1,272,778	264,970	(1,007,808)
Hydro	St. Croix	2,234,201	1,801,191	256,046	56,614	(199,432)
Hydro	Upper Dam	4,514,522	4,730,036	107,594	27,175	(80,419)
Other	Black Dog Unit 5	266,588,001	179,376,663	13,259,119	6,461,904	(6,797,215)
Other	Inver Hills	64,989,367	68,740,836	4,428,234	2,283,476	(2,144,758)
Other	Borders Wind	266,659,262	103,381,213	11,788,167	7,821,517	(3,966,650)
Other	Pleasant Valley Wind	335,796,991	131,966,469	15,194,923	10,149,090	(5,045,833)
	Total	\$1,124,948,254	\$664,932,512	\$60,507,025	\$30,398,229	(30,108,796)

#### ***a. Electric Utility – Steam Production – RDF (Refuse Derived Fuel) Red Wing and Wilmarth***

Xcel asserted that its Red Wing and Wilmarth Waste-to-Energy Generating Plants are key components of its strategy, to providing a reliable source of baseload power that contributes to

<sup>7</sup> Xcel's Petition (EGPS); at 5.

the Company's ability to provide reliable renewable energy to Minnesota customers. Waste-to-energy generating plants, unlike other forms of renewable energy, can operate around the clock, supplying a consistent source of dispatchable power.<sup>8</sup> Consequently, the Company proposed extending the lives and operations of its Red Wing and Mankato (Wilmarth) renewable Refuse Derived Fuel (RDF) plants. These plants are slated for retirement in 2027 and in the Company's pending Upper Midwest Integrated Resource Plan, is proposing to extend the operating lives of these plants from 2027 to 2037.<sup>9</sup>

These plants also provide value to the local communities they serve, including: (1) diversification of renewable energy sources; (2) landfill avoided costs and greenhouse gas emissions reductions; (3) encouragement of waste reduction and recycling; (4) green jobs and economic growth; and (5) lower comparative costs thanks to negotiated tipping fees.

The Red Wing plant is two-unit generating, with a capacity of 23 MW. Both units were originally placed in-service in 1949 and converted to burn RDF in 1986. The Wilmarth plant is a two-unit generating plant with a power production capacity of 20 MW. The units were placed in-service originally in 1948 and each was converted to burn RDF in 1987.

**Table 2**  
**Steam Proposed Retirement Date Changes**

Account	Proposed Retirement Date	Current Retirement Date
Wilmarth		
E311	Jun-37	Jun-27
E312	Jun-37	Jun-27
E314	Jun-37	Jun-27
E315	Jun-37	Jun-27
E316	Jun-37	Jun-27
Red Wing		
E311	Dec-37	Dec-27
E312	Dec-37	Dec-27
E314	Dec-37	Dec-27
E315	Dec-37	Dec-27
E316	Dec-37	Dec-27

<sup>8</sup> Xcel's Petition (EGPS); at 6.

<sup>9</sup> *Id.*; at 7.

**b. Electric Utility – Hydro Production Hennepin Island, Upper Dam and St. Croix Falls**

Xcel asserted that it intends to pursue several projects to extend the life of the Hennepin Island and Upper Dam Hydro facilities (Saint Anthony Falls). A new license will be pursued from the Federal Energy Regulatory Commission (FERC), beginning in the late 2020's with a 40-year license extension expected to be issued in 2034. Additionally, several capital projects are to be completed to include replacement of the horseshoe dam flashboard system and a new trash rack raker. Furthermore, a tailrace project planned for the downstream side of the powerhouse to replace an aging support structure. There is also a plan to stabilize a downstream riverbank at the facility that has experienced erosion because of Mississippi River floods.

The St. Croix Falls Hydro facility is a 23.2 MW hydro production plant located on the St. Croix River, on the border between Minnesota and Wisconsin. The production facility is owned by Xcel Energy Operating Company, Northern States Power Company-Wisconsin (NSPW). The Northern States Power Company-Minnesota (NSPM) Operating Company owns the west end portion of the dam for the hydro plant that is located on the Minnesota side of the river. The facility is still being used to produce electricity for NSPW and may provide service to NSPM customers through the Interchange Agreement.

**Table 3  
Hydro Proposed Retirement Date Changes**

Account	Proposed Retirement Date	Current Retirement Date
Hennepin Island		
E302	Feb-74	Feb-34
E331	Feb-74	Feb-34
E332	Feb-74	Feb-34
E333	Feb-74	Feb-34
E334	Feb-74	Feb-34
E335	Feb-74	Feb-34
E336	Feb-74	Feb-34
St. Croix Falls		
E331	Dec-47	Dec-27
E332	Dec-47	Dec-27
Upper Dam		
E332	Feb-74	Feb-34
E335	Feb-74	Feb-34

**c. Electric Utility – Other Production: Black Dog Unit 5 and Inver Hills**

Xcel proposed an extension of the life of Black Dog 5 from December 2031 to December 2042. The currently approved remaining life is a thirty-year lifespan, but the Company noted it has

evidence that this type of installation is lasting upwards of forty years or more, which also aligns with other similar installations at the Company's Riverside and High Bridge facilities.<sup>10</sup> The Black Dog Generating Station is an operating power station located in Burnsville, Minnesota. The original Units 1 and 2 boilers were replaced in 2000-2002 with a natural gas combined-cycle unit (Unit 5). Units 3 and 4 were retired in 2015 and will be replaced with a new natural gas fired combustion turbine. Unit 5 operates on natural gas. It utilizes state-of-the-art technology for controlling nitrogen oxide (NOx) releases. The plant's power production capability is 282 megawatts – enough to power over 210,000 homes annually.

Xcel further proposed to extend the life of Inver Hills 1-6, in this proceeding, from the currently approved retirement date of December 2026 to December 2029. This generating plant is a peaking electrical generation facility, located in Inver Hills, Minnesota. The facility is composed of six identical pre-NSPS General Electric natural gas or fuel oil-fired simple cycle combustion turbine/generator units.<sup>11</sup> It is on call to operate, as needed, any of the six primary turbine/generator sets.

**Table 4**  
**Other Proposed Retirement Date Changes**

Account	Proposed Retirement Date	Current Retirement Date
<b>Black Dog Unit 5</b>		
E341	Mar-58	Mar-58
E342	Dec-42	Dec-31
E343	Dec-42	Dec-31
E344	Dec-42	Dec-31
E345	Dec-42	Dec-31
E346	Dec-42	Dec-31
<b>Inver Hills</b>		
E341	Dec-29	Dec-26
E342	Dec-29	Dec-26
E343	Dec-29	Dec-26
E344	Dec-29	Dec-26
E345	Dec-29	Dec-26
E346	Dec-29	Dec-26

***d. Electric Utility – Other Wind: Border and Pleasant Valley***

The Company received approval to repower four currently existing wind facilities – Border,

<sup>10</sup> Xcel Petition (EGPS); at 10.

<sup>11</sup> Xcel's Petition (EGPS); at 11.

Grand Meadow, Nobles, and Pleasant Valley in a January 22, 2021 Order in Docket No. E-002/M-20-620; for economic relief and recovery in the wake of the COVID-19 pandemic. Xcel proposed to finalize the remaining life extensions for the Nobles and Pleasant Valley wind facilities in this proceeding.

The Border Wind Project is an approximately 150 MW large energy facility, comprised of 75 2-MW wind turbines produced by Vestas. The station is in Rolette County, North Dakota near the Canadian border; spanning approximately 19,000 acres. It was declared operational on October 15, 2015 and was declared in-service in December 2015.

The Pleasant Valley Project is approximately 200 MW large energy facility comprised of 100 2-MW turbines produced by Vestas. The station is located near Austin, Minnesota, on 34,000 acres in Mower and Dodge counties. It was declared operational on October 15, 2015 and declared in-service in November 2015.

**Table 5**  
**Wind Proposed Retirement Date Changes**

Account	Proposed Retirement Date	Current Retirement Date
<b>Border Winds</b>		
E341	Dec-49	Dec-40
E342	Dec-49	Dec-40
E343	Dec-49	Dec-40
E344	Dec-49	Dec-40
E345	Dec-49	Dec-40
E346	Dec-49	Dec-40
<b>Pleasant Valley</b>		
E341	Dec-49	Dec-40
E342	Dec-49	Dec-40
E343	Dec-49	Dec-40
E344	Dec-49	Dec-40
E345	Dec-49	Dec-40
E346	Dec-49	Dec-40

***e. Electric Utility – Other Production: Sherco Solar Unit 1 and Unit 2***

Xcel filed to develop, own, and operate 460 MW of grid-scale solar photovoltaic (PV) capacity at the Company's Sherburne County (Sherco) generation facility site in Docket No. E-002/M-20-891. As Minnesota's largest solar development to date, the Sherco Solar project (Project) will not only play a key part in the state's transition to clean energy—producing enough clean energy to power approximately 100,000 homes in the Upper Midwest each year—it will also support well-paying union construction jobs, reutilize valuable interconnection rights, and fulfill generation

needs identified in the Company's IRP.<sup>12</sup> The need for the Sherco Solar project is tied to both Xcel's last approved IRP (2020 IRP) and its currently pending IRP (2024 IRP). Specifically, the retirement of baseload units, including the cessation of operations at the Sherco coal units, as approved in the last IRP, creates a capacity need in the mid-2020s.

The Company noted that while its 2024 IRP is ongoing, their modeling as well as that from other parties confirmed their capacity need, and all modeling presented in connection with the IRP recommended substantial solar additions to meet the needs.

Xcel observed that the Project will be placed in-service on a rolling basis, with the full Project in operation by Q4 2026. The Company anticipated beginning commercial operations for portions of the Project via a phased approach beginning in 2024 to accommodate an in-service date for the entire Project by Q4 2026.

The Sherco Solar project will generate nearly one million MWh of 100 percent renewable and emissions-free energy in its first full year of operations. The addition of this resource will increase the solar energy produced on Xcel's system by more than 40 percent from current levels and increase their system's generation to a total of approximately 40 percent renewable energy.<sup>13</sup> Additionally, the project will help drive Minnesota's clean energy policy transition by helping meet the state's greenhouse gas emissions targets, Renewable Energy Standard (RES) and Solar Energy Standard (SES).

Table 6 shows the proposed remaining lives, along with the estimated end-of life retirement date for Sherco Solar Units 1 & 2.

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<sup>12</sup> Xcel's Petition (EGPS); at 12.

<sup>13</sup> *Id.*; at 13.

**Table 6**  
**Other Solar Proposed Remaining Life & Retirement Date**

Account	Proposed Remaining Life	Estimated Retirement Date
<b>Sherco Solar Unit 1</b>		
E341	35.0	Oct-59
E342	35.0	Oct-59
E343	35.0	Oct-59
E344	35.0	Oct-59
E345	35.0	Oct-59
E346	35.0	Oct-59
<b>Sherco Solar Unit 2</b>		
E341	35.0	Oct-60
E342	35.0	Oct-60
E343	35.0	Oct-60
E344	35.0	Oct-60
E345	35.0	Oct-60
E346	35.0	Oct-60

***f. Electric Utility – Other Production: Sherco Battery***

Xcel noted that its enterprise-wide vision to provide its customers with 100 percent carbon-free electricity by 2050 directly aligns with the State of Minnesota’s policy goals and statutes, including Minnesota’s latest standard requiring utilities to achieve 100 percent carbon-free energy by 2040. Furthermore, the Company recognized that advanced and evolving technologies, including energy storage, will play a critical role to eliminate the remaining carbon emissions from their system while maintaining safe, affordable, and reliable electric service.

Consequently, in Docket No. E-002/M-23-119, the Company requested approval of a 10 megawatt (MW)/1,000 megawatt-hour (MWh) long-duration energy-storage pilot project at the Sherco facility site.<sup>14</sup> The Commission approved the pilot in its August 1, 2023 Order. This innovative pilot in partnership with Form Energy allows Xcel to test a new cutting-edge storage technology and gain valuable lessons with energy storage while minimizing cost impacts to their customers. The pilot allows the Company to continue supporting the Becker community’s energy transition plan while also qualifying for improved investment tax credit treatment. The pilot will be a fully integrated modular energy storage system offering 100-hour (multi-day) duration that can deliver grid-scale reliable capacity year-round, with expected life of 10 years.

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<sup>14</sup> Xcel’s Petition (EGPS); at 15.

**g. Electric Utility – Other Production: Blue Lake Units 9-11**

The Company pointed out that it has budgeted \$103.4 million in 2025 capital additions to replace the retiring Blue Lake Unit 3 capacity with new Reciprocating Internal Combustion Engine generator (RICE) capacity.<sup>15</sup> The project includes improvements to the existing Blue Lake Units 7 and 8 to increase redundancy and reliability. The conceptual design of the project includes 28 MW of new reciprocating engine capacity; installation of new medium voltage switchgear with upgraded (or new) controls; installation of a redundant combustion turbine starting system; and completion of other site and equipment improvements. Xcel observed that the addition of the new reciprocating engine capacity will greatly improve system reliability and resiliency, providing firm dispatchable fast-start, fast-ramp capable generation.

The Company proposed a retirement date of December 2065 or a 40-year life and a negative 10.0 percent net salvage. This is consistent with Blue Lake Units 7 & 8, which have an approved 40-year life and negative 12.7 percent net salvage.

**Table 8**  
**Other Blue Lake Units 9 thru 11 Proposed Remaining Life & Retirement Date**

Account	Proposed Remaining Life	Estimated Retirement Date
Blue Lake Units 9 thru 11		
E341	40.0	Dec-65
E342	40.0	Dec-65
E343	40.0	Dec-65
E344	40.0	Dec-65
E345	40.0	Dec-65
E346	40.0	Dec-65

**4. Change in Net Salvage Rates**

Xcel noted that it satisfied the Commission’s September 2, 2021 Order in Docket No. E,G002/D-19-723, which required the Company to submit “a historical comparison in remaining lives and net salvage rates,” by use of the recently completed Preliminary Dismantling Study by TLG Services, Inc. (TLG), which provides analysis of the cost of removal and net salvage for its electric and gas facilities. The Company provided a comparison of Present and Proposed Lives as Attachment B to this filing, which summarized the depreciation expense impact of the proposed change to net salvage rates in combination with the proposed changes to remaining lives. Additionally, Attachment I provided a comparison of Present and Proposed Net Salvage Rates. This Attachment shows the calculation of proposed net salvage rates and compares them to the previously approved net salvage rates.

<sup>15</sup> Xcel’s Petition (EGPS); at 15.

***a. Completion of the Study and Net Salvage Calculations***

The Company noted it is scheduled to provide a five-year update to its net salvage calculations, which were updated in 2019, based on a study performed by TLG. TLG performed a comprehensive dismantling study (2020 Study) on all steam, hydro, and other production electric generating plants, as well as gas production and storage facilities.

For this proceeding, the Company again contracted with TLG to conduct a five-year update to the 2020 Study. This update will be a multi-version update due to the timing of the regularly scheduled comprehensive study to be completed in February 2025. Xcel provided the Preliminary 2025 Dismantling Study as Attachment J to this Petition. The main purpose of the Dismantling Studies is to estimate the present-day costs for retiring and demolition of the facilities, also known as final removal of existing facilities.

**5. Removal Update**

Ordering Paragraph 8 of the Commission's September 2, 2021 Order in Docket No. E-G002/M-19-723, required the Company to provide specific information for the following facilities:

Minnesota Valley Plant,  
Key City Plant,  
Granite City Plant, and  
Black Dog Units 3 & 4

Ordering Paragraph 8 also required the Company to provide a supplemental schedule with the (1) actual costs to date, (2) projected future costs, and (3) percentage of completion to date for the same plants plus the Luverne Wind2Battery, as applicable. The Company provided this information in Attachment H.<sup>16</sup> In this section, Xcel discussed the removal of the Luverne Wind2Battery System and recent changes to Federal Coal Combustion Residuals (CCR) regulations that are resulting in unanticipated additional costs for the Company.

***a. Electric Utility – Steam Production: Minnesota Valley***

The Minnesota Valley Plant is a former steam production facility located in Granite Falls, Minnesota, along the Minnesota River. Minnesota Valley last burned coal in 2004, and the air permit was formally retired in 2009. The plant is no longer in operation. The Minnesota Valley power-house demolition project is closed. The Company implemented a fast-track project at the property in 2024 that resulted in the removal of previously closed ash landfill at the property. Xcel provided an update to actual and forecast costs, along with an estimated completion percentage status in Attachment H.

***b. Electric Utility – Other Production: Key City and Granite City***

The Key City Peaking Plant is located in Mankato, Minnesota, adjacent to Xcel Energy's Wilmarth

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<sup>16</sup> Xcel's Petition (EGPS); at 18.

Power Plant. The Key City plant had four units that generated a total of 64 MW of electricity using natural gas and oil as fuel. The plant became operational in 1970 and reached its end of life at the end of 2012.

The Granite City Peaking Plant is located in St. Cloud, Minnesota. It was built in 1969 and operationally retired in mid-2019. The plant consisted of four units that generated a total of 61 MW of electricity using natural gas and oil.

Demolition at Key City and Granite City plants was completed in fall of 2021.

***c. Electric Utility –Steam Production: Black Dog Units 3 and 4***

Black Dog Units 3 and 4 were officially retired from service in April 2015. Their removal from service ended the coal-fired production of electricity at Black Dog after more than 60 years.<sup>17</sup> Xcel reported that the Unit 4 turbine, generator, and boiler have been removed. The ash ponds have been dredged, filled, and covered. Furthermore, the original coal stacks for Units 2 and 3 and the tall common stack have been removed, and the coal yard remediation has been completed. The Unit 3 turbine, the boiler for Units 2 and 3, and related plant equipment, are planned for removal in future years.

There is also a portion of the facility that is necessary for the continued operation of Units 5 and 6. It is anticipated that these shared portions of the generating facility will not be removed until the cessation of all Black Dog location operations. Site monitoring and clean-up continues as the Company waits for letter and final approval.

Xcel noted that Black Dog Units 3 & 4 removal process and current dismantling scope of work were completed at the end of 2023. The Company is waiting for the Minnesota Pollution Control Agency to issue their final approval letter. An update to actual and forecast costs, along with an estimated completion percentage status, is provided in Attachment H.

***d. Luverne Wind2Battery System Removal***

The Commission's July 27, 2023 Order, in Docket No. E-002/GR-21-630, Ordering Paragraph 19, approved a reserve reallocation of no more than \$2.14 million<sup>18</sup> of a reasonable cost to dismantle, dispose of, and fully restore the site associated with the Wind2Battery system and requires Xcel to perform the proposed "inverse reverse allocation" of reallocated amounts, if actual costs are lower than \$2.14 million. Furthermore, the Company shall not seek additional reserve allocations from assets in the Other Production plants account.

The removal project is complete and received final documentation on August 30, 2024 from the vendor, pending final project costs by September 30, 2024. The current estimate is just over \$1.2 million. The Company will therefore "inverse reverse allocation" the \$1.2 million versus the \$2.4 million, using the previous allocation mix, and will update any differences when it receives the

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<sup>17</sup> Xcel's Petition (EGPS); at 19.

<sup>18</sup> Xcel's Petition (EGPS); at 19.

final project costs.

### ***e. Coal Combustion Residual (CCR)***

Coal Ash or coal combustion residuals (CCRs) are the by-product of burning coal in coal-fired power plants. Recently, there has been changes to the Federal CCR regulations, which exceed the current state requirements that the Company has adhered to.<sup>19</sup> The Company's environmental team has been engaged in remediating the known identified CCR remediations, where the Company has incurred unanticipated additional costs. Xcel stated it is committed to meeting the Federal CCR regulations, and in the upcoming 2025 Minnesota Electric rate case, the Company will present a witness to discuss coal combustion residuals in greater detail.

## **6. Allen S. King and Sherco Unit 3 – Early Retirement for Ratemaking Docket No. E-002, E-015, E-017/CI-23-375**

Xcel proposed no changes to the remaining lives for Allen S. King and Sherco Unit 3. In the previous Production filing, the Company proposed acceleration of the retirement dates for Allen S. King (King) and Sherco Unit 3. The acceleration was proposed in the Company's 2021 Minnesota Electric Rate Case in Docket No. E-002/GR-21-630, for which the Commission opened a new docket (E-002, E-015, E-017/CI-23-375) to investigate depreciation accounting or other ratemaking issues for retiring generating facilities.<sup>20</sup>

## **7. Resource Plan Comparison**

The Company noted that a standard element of this filing is a comparison and rationale for any depreciation and planning life differences of its electric production plant facilities, between their latest Integrated Resource Plan (IRP) and what is proposed in this Petition. Xcel provided this information for the IRP Reference Plan as Attachment F.

The most recently filed IRP is the 2024-2040 Upper Midwest Integrated Resource Plan (2024 IRP) Docket No. E-002/RP-24-67, currently underway. After that docket concludes, any resulting changes to plant lives will be reflected in the subsequent Annual Remaining Life docket.

## **8. Minnesota Jurisdictional Depreciation**

Xcel observed that for regulatory purposes, the depreciation expense and the accumulated provision for depreciation are based solely on the remaining lives and net salvage rates approved by respective state Public Utility Commissions. For financial purposes, however, the Company accounted for the impact of those differences in their approved rates in Company retail jurisdictions. Xcel achieved this by calculating a depreciation expense for each jurisdiction based on its remaining lives, then applied a jurisdictional allocator to each resulting amount and added the amounts together to get a total Company financial view.<sup>21</sup> The Attachments to this filing with reserve amounts are the reserve amounts applicable to the Minnesota jurisdiction,

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<sup>19</sup> Xcel's Petition (EGPS); at 20.

<sup>20</sup> See July 17, 2023 Commission Order, Order Point 2, Docket No. E002/GR-21-630.

<sup>21</sup> Xcel's Petition (EGPS); at 21.

shown at a total Company level. This method has been in use for the Minnesota assets since 2009 and has been filed in the last five electric rate case proceedings.

The Company stated the depreciation reserve, using Minnesota-approved lives and net salvage rates in this filing cannot be compared directly with total Company financial results reported in Securities and Exchange Commission or other financial filings. This stems from the fact that the North Dakota Public Service Commission and the South Dakota Public Utilities Commission have applied remaining lives for some production plants that are materially different from what the Minnesota Commission has approved in previous remaining life filings.<sup>22</sup>

## 9. Future Reporting and Request to Modify Filing Requirements

Xcel proposed filing both the Production and TD&G filings concurrently only with major rate case(s).<sup>23</sup> This aligns the remaining lives, depreciation, and net salvage rates with the authorized revenue requirement and customer bills. Additionally, this lessens the administrative burden of processing two filings each non-rate case year, as the annual passage of time updates would cease. Xcel stated it would still file a dismantling and depreciation update within the 5-year timeframe and requested the Commission aligns the TD&G timing with the Production filing.

The Company noted that FERC Order No. 898 is the final rule, where the Federal Energy Regulatory Commission (FERC) is amending the Uniform System of Accounts for public utilities and licensees to:

- create new accounts for wind, solar, and other renewable generating assets;
- create a new functional class for energy storage accounts;
- codify the accounting treatment of environmental credits; and
- create new accounts within existing functions for computer hardware, software, and communication equipment.

FERC Order No. 898 is scheduled to be effective January 1, 2025; subsequent to the September 9, 2024 filing schedule of this Petition, which may occur after the Commission's Order in this docket. Consequently, for the impacted production-related assets (wind and solar), Xcel requested the Commission approve the proposed remaining lives and net salvage percentages that align with the Order 898 changes. This action will not change the depreciation amounts filed, only the "geography" and the numbering of the impacted FERC accounts.

## 10. Effect of the Change in Rates

The Company asserted that this petition would not impact customer rates, the price of Xcel Energy natural gas and electric service, or the terms and conditions of service. Rather, the proposed changes will modify and reflect the way the Company recognizes depreciation

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<sup>22</sup> *Id* (2020 North Dakota Electric Rate Case, Case No. PU-20-441; 2022 South Dakota Electric Rate Case, Docket No. EL22-017).

<sup>23</sup> *Id.*

expenses for relevant assets in the current year.

## 11. Conclusion

Xcel requested approval of their proposed decrease of approximately \$16.3 million for existing assets. Additionally, the Company requested approval of the passage of time adjustments, modifications to the remaining lives for electric RDF plants, the updates to net salvage rates based on a preliminary dismantling study, their proposed initial remaining lives and net salvage rates for Sherco Solar Units 1&2, Other Sherco Battery, and Other Production Blue Lake Units 9-11; the changes necessitated by FERC Order No. 898, and removal of the Luverne Wind2Battery System. Furthermore, Xcel requested that upon Commission approval, the new Electric remaining lives become effective January 1, 2025 for assets included in base rates, effective with the in-service date for assets included in Riders, and for Gas remaining lives effective with their next Gas Rate Case.

Finally, the Company requested approval of their proposal to modify existing filing requirements, requiring Production and TD&G filings only with major rate cases.

### B. 2024 Annual Review of Remaining Lives and Depreciation Rates for Transmission, Distribution and General Accounts (TD&G)

On September 9, 2024, Xcel filed its sixth annual update to the remaining lives and depreciation rates for transmission, distribution, and general accounts (TD&G) in compliance with previous Orders,<sup>24</sup> which reflects the passage of two years to include additions and retirements that impact the average remaining lives and depreciation rates. The Company stated that the average service lives, net salvage rates, and retirement curves have not changed since being approved in the 2022 Five-Year Transmission, Distribution and General Depreciation Study Petition (2022 TD&G Filing).

The impact to annual depreciation expense is a net increase of \$9.6 million. After allocating the Common Utility plant, the impact to Electric Utility expense is an increase of \$7.7 million, and the impact to Gas Utility expense is an increase of \$1.9 million. This variance represents a 1.79 percent increase in annual depreciation, compared to present depreciation at current rates. Xcel requested approval to implement the new depreciation rates effective January 1, 2025.

In this petition, Xcel provided the following:

- Updated depreciation and amortization rates for Transmission, Distribution and General Accounts based on 2023 year-end plant balances;
- Backup Schedules to support rate calculations;

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<sup>24</sup> May 4, 2018 Order in Docket No. E,G002/D-17-581, February 19, 2019 Order in Docket No. E,G002/D-18 523, December 13, 2019 Order in Docket No. E,G002/D-19-490, and March 24, 2021 Order in Docket No. E,G002/D-20-635 July 12, 2022 Order in Docket No. E,G002/D-21-584 and January 9, 2024 Order in Docket No. E,G002/D-22-299.

- In compliance with Xcel's commitment in its September 17, 2018 Reply Comments in Docket No. E, G002/D-18-523, Schedule C includes a comparison of currently approved average remaining lives to proposed average remaining lives;
- In compliance with Ordering Paragraph 7 in the December 13, 2019 Order, Xcel included Schedule G which is a supplemental plant-in-service activity schedule that excludes fully depreciated (i.e. fully reserved) plant amounts from the overall beginning and ending plant balances;
- Details the breakout of assets within FERC Account 390 – Structures and Improvements as well as a proposal of future major locations; Chanhassen, St Cloud, Grand Forks and Belgrade Service Centers (Schedule I).
- Changes necessitated by FERC Order No. 898

The Company reiterated its request for approval of their proposal to modify existing filing requirements, to require Production and TD&G filings only with major rate cases.<sup>25</sup>

## 1. Review of Remaining Lives and Depreciation Rates

### *a. Background Information*

This annual update is in compliance with the Commission's Order, effective January 1, 2018,<sup>26</sup> which approved the Company's proposed depreciation lives and rates. The Commission also approved the Company's request to change from an average service life (ASL) depreciation method to an average remaining life (ARL) depreciation method. The change from ASL to ARL required the Company to file an annual update of remaining lives and depreciation rates.

This filing presents the change in remaining lives and depreciation rates solely due to plant changes throughout 2023. This passage of time can alter the average remaining life as new plant is added at a longer remaining life and older plant is retired at a shorter remaining life. Xcel noted that all statistical parameters (ASL, net salvage, and retirement curves) are unchanged from the parameters approved in the 2022 TD&G Filing.

### *b. Discussion*

Depreciation is the system of accounting to distribute the cost of capital assets, less net salvage (which is gross salvage less removal cost and may be negative), over the estimated useful life of the unit in a systematic and rational manner.

The depreciation method chosen varies depending on the type of asset and whether the asset is a homogeneous group of assets (like poles and conductor) versus an individual asset (such as a generating unit). The average remaining life and the undepreciated plant balance, incorporating expected net salvage, serve as the basis for the required remaining life depreciation rate to be used in recording depreciation expense.

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<sup>25</sup> Xcel's Petition (TD&G); at 2.

<sup>26</sup> *Id.*

For Minnesota regulatory purposes, the depreciation expense and the accumulated provision for depreciation are based solely on the depreciation rates approved by the Commission. For financial purposes, the Company accounts for the impact of differences in their approved depreciation rates between the various retail jurisdictions. Xcel noted that it used a multi-step process to update the average remaining lives and depreciation rates. The Company reported plant and reserve balances as of December 31, 2023 by vintage year. All transmission and general plant and reserve balances are total Company. Electric and gas distribution have specific plants located within the State of Minnesota, so their corresponding plant and reserve balances are only for assets within the State of Minnesota.

The updated plant balances incorporate any additions, retirements, transfers, and adjustments that occurred during 2023. The updated reserve balance incorporates recorded depreciation provision, retirements, transfers, adjustments, gross salvage, and cost of removal in 2023.<sup>27</sup> The Company used the approved average service lives, net salvage rates, and retirement curves from the 2022 TD&G filing to determine the average remaining lives by vintage within each FERC account. The average service lives, net salvage rates, and retirement curves determined in the 2022 Study were not changed and served as the basis for the updated remaining lives presented in this annual compliance filing. All remaining lives were determined using the straight line, broad group, remaining life depreciation method.

### ***c. Findings***

The estimated change to annual depreciation expense allocated to each utility is summarized below in Table 8 and discussed on page 16, under Item B.

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<sup>27</sup> Xcel's Petition (TD&G); at 4.

**Table 8**  
**Depreciation Expense Impact**

	Estimated Change to Depreciation before allocations	Common Utility allocations	Estimated Change to Depreciation after allocations
Electric Utility	\$ 4,681,901	\$ 3,049,261	\$ 7,731,162
Gas Utility	1,642,146	226,603	1,868,749
Common Utility	3,275,864	(3,275,864)	-
<b>Total Estimated Impact</b>	<b>\$ 9,599,911</b>	<b>\$ -</b>	<b>\$ 9,599,911</b>

The passage of time, in addition to other factors, affects the determination of the depreciation rate, including current-year additions, the age of retirements, and the overall net change in plant when compared to the overall change in reserve. For example, any additions in the current vintage would cause the average remaining life to increase; at the same time, retirements in older vintages also cause an increase in average remaining life. If the net change in reserve outpaces the net change in plant, causing a decrease to the undepreciated balance even though plant and depreciation reserve both increase, this could cause the depreciation expense and the depreciation rate to decrease.

It is normal for the change in average remaining life to moderate between positive and negative in one year. If no change is assumed in gross plant, the average remaining life will decrease by exactly one year. The combination of additions and retirements may increase the average remaining life above the one-year decrease. By contrast, a substantial addition on a newer vintage or a substantial retirement on an older vintage could overcome the initial one-year decline of the average remaining life and cause an average remaining life increase compared to the prior year.

Finally, the comparison of the net change in reserve to the net change in gross plant can affect the undepreciated balance. An increase to the undepreciated balance would indicate there are more dollars to allocate over the remaining life, causing the annual depreciation expense to increase. Conversely, a decrease to the undepreciated balance will mean there are fewer dollars to allocate over the remaining life, therefore decreasing the annual depreciation expense.<sup>28</sup>

#### **d. Major Future Additions and Retirements**

Xcel proposed no additional new categories of assets, initial average service lives, net salvage percentages, or depreciation rates in this proceeding. The Company does not anticipate any other major future addition or retirement in the electric, gas, or common utility plant accounts that would materially affect the depreciation rates recommended in this filing. Xcel noted that while there are various large additions planned, the assets being installed should follow the lives established for the current assets, as the type and nature does not differ between the existing and the new assets.

<sup>28</sup> Xcel's Petition (TD&G); at 6.

The absence of clearly identifiable major future additions or retirements means ongoing future additions and retirements influence life and salvage estimates, but usually do not result in dramatic changes. Rather, these additions and retirements indicate gradual changes in the life characteristics of the equipment in the account. In instances where ongoing additions and retirements are believed to influence the life and salvage estimates, these effects have been discussed in the individual account analyses.

## 2. Account 390 Structures & Improvements

### a. Update on Location Breakout

In Docket No. E-G002/D-20-635, in response to a prior Commission Order, Xcel proposed to begin depreciating individually large buildings booked to plant Account 390 – Structures and Improvements, and to continue to use group depreciation for the remaining buildings in that account. In its March 24, 2021 Order in Docket No. E-G002/D-20-635, the Commission approved Xcel’s proposal.<sup>29</sup> There are currently seven authorized depreciated locations to which assets have been transferred to separate depreciable groups.<sup>30</sup>

### b. Future Significant Locations

Xcel asserted that based on the analysis in their Reply Comments to Docket No. E-G002/D-19-490 filed October 10, 2019, the Company determined \$10 million to be a reasonable threshold to separate out an asset location for individual depreciation.<sup>31</sup> It interpreted “depreciated separately” in the Order Point to mean that all buildings and structures in the asset location will be treated as one “separate” asset and depreciated individually. For instance, a service center location may have a garage, an office building, a maintenance building, and numerous other structures which would all count as one location and be depreciated over the same period.

The Company proposed approval of four new service centers in this proceeding to be depreciated separately. Additionally, Xcel proposed to use a life of 50 years and a net salvage of negative 25 percent, which was approved in Docket No. E-G002/D-22-299 for FERC Account 390. Below are some details about the four service centers.

- St Cloud Service Center (common general) – To meet the growing needs of the territory the existing service center will be vacated and operations relocated to a 19-acre green site in Waite Park, Minnesota. The new service center will include 64,648 sq/ft of office space, crew rooms, vehicle storage, warehouse, and various support spaces. The site will also include a 33,265 square-foot heated vehicle storage building and a 34,115sq/ft fleet maintenance garage. The current cost estimate and in-service-date are \$59.2 million and September 2025, respectively.

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<sup>29</sup> Xcel’s Petition (TD&G); at 7.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

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- Chanhassen Service Center (electric general) – This is a new 20-acre facility that has been purchased in Chanhassen, Minnesota. The site is an ideal location to consolidate existing end of life facilities (Shorewood and Waconia). The new campus will include five structures: a main service center with vehicle storage, fleet garage, enclosed storage, and two covered storage structures totaling 132,000 square feet. The site has significant site work to meet watershed and city requirements and will include significant sustainability features. The new site will accommodate operations well into the future. The current cost estimate and in-service-date are \$70.7 million and December 2025 respectively.
- Grand Fork Service Center (common general) – This is a new facility that meets the growing needs of the service area. The existing service center will be demolished and replaced with a new 34,535 square-foot building. Operations will consist of office space, crew rooms, vehicle storage, fleet maintenance, warehouse, and various support spaces. Additionally, a 10,537 square foot out building will be constructed consisting of a weld shop and heated vehicle storage. The current cost estimate and in-service-date are \$31.1 million and September 2025 respectively.
- Belgrade Service Center (electric general) – This is a consolidation of the existing Albany/Paynesville service centers to a 5–7-acre parcel of undeveloped land. The Company developed a new 12,600 square foot service center with a cold storage building. The service center serves as a local field office for electric operations. The cost and in-service-date are \$11.3 million and August 2024, respectively.

For the separately depreciated locations, Xcel depreciated these assets based on the end-of-life methodology, similar to the treatment of the lives of their production plants. The end-of-life methodology ensures all assets at the location will be fully reserved (including net salvage) by the retirement date.

### 3. Future Reporting

The TD&G FERC accounts impacted are 303-software, 391-network equipment, and 397-communication equipment. The reclassification for the impacted TD&G accounts is slightly different than for the impacted production assets.

The Company proposed no changes to the depreciation groups associated with FERC accounts 303 and 391, and that they will retain their one-to-one relationship and proposed depreciation parameters, albeit in a different functional class or “geography” change. Regarding FERC 397, there are four depreciation groups, and the Company proposed to retain two 397 subaccounts related to the FERC Order 898 rule change. Xcel’s current proposal is to utilize the two largest 397 depreciation groups as proxies and their proposed depreciation parameters for this initial implementation, which will produce a change in depreciation. The Company included Schedule I, which presents the depreciation impact. Additional discussion of this topic is on page 15, under: *Future Reporting and Request to Modify Filing Requirement*.

### 5. Conclusion

This annual compliance report provided the Schedules to support the proposed depreciation

two-year passage of time update. Xcel requested approval of the updated service electric and common depreciation rates effective January 1, 2025. Additionally, the Company requested approval of the updated gas depreciation rates effective with their next gas rate case, and new individual locations for Account FERC 390 Structures and Improvements (Specific); St. Cloud, Chanhassen, Grand Forks and Belgrade Service Centers, and file the Production and TD&G filings only with major rate cases.

### C. Xcel Energy – Supplemental Filing (EGPS)

Xcel's initial petition filed on September 9, 2024 as modified on October 7, 2024,<sup>32</sup> provided updates to Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities, contained a Preliminary Dismantling Study, which the Company planned to update with the final study on February 1, 2025. Consequently, this Supplement contained the final Five-Year Dismantling Cost Study for their non-nuclear electric generating facilities, and updates to the related Schedules.

The Company observed that the preliminary study reported a net reduction to depreciation expense of \$16.3 million. After updating the dismantling costs, using the final Dismantling Study, there was an additional reduction of approximately \$6.5 million to annualized depreciation expense – bringing the total decrease in annual depreciation expenses to \$22.8 million.<sup>33</sup> Upon incorporating the results of the final Dismantling Study, Xcel requested the Commission to approve a decrease of approximately \$22.8 million in 2025 total Company annual depreciation and amortization expense for electric utility generating facilities and gas utility generation and storage facilities.

This Supplement discusses the overall results of the final Dismantling Study, changes in the net salvage rates, and provides an update on removals. It also highlights any major differences between the final study and the preliminary study included in their initial Petition.

#### 1. Background

Every five years, Xcel commissions a dismantling study to determine a site-specific cost estimate for all non-nuclear Electric Production assets. The main purpose of a dismantling study is to estimate the present-day costs for retiring and demolishing the facilities, also known as final removals of existing facilities. These estimates are then used to calculate the net salvage rates necessary to recover removal costs for the production assets.

These costs were last updated in 2019, based on a study performed by TLG Services (TLG).<sup>34</sup> TLG performed a dismantling study (2020 Study) on all steam, hydro, and other production electric generating plants, as well as gas production and storage facilities. This update is a multi-version update due to the timing of the regularly scheduled final Dismantling Study, as described in the

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<sup>32</sup> The filing date of the modified petition was inadvertently referenced in the Supplemental filing as October 4, 2024, instead of October 7, 2024.

<sup>33</sup> Xcel's Supplemental Petition; at 1.

<sup>34</sup> Docket No. E-G002/D-19-723.

initial Petition.

## 2. Scope of the Dismantling Study

TLG's report, provided as Attachment J,<sup>35</sup> provides estimated costs for the complete dismantling of electric generating stations, wind farms, gas storage, and production plants operated by Xcel Energy, which either owns or has a share in ownership of the facility, unless otherwise specified in the report.<sup>36</sup>

The Dismantling Study includes the cost of removing the equipment and structures for each of the facilities and limited restoration of the sites. The electrical switchyards are assumed to remain in place and were not included in the estimate.

The scope of the dismantling estimate includes the following significant work activities and labor, equipment, material, and waste disposal cost elements:

- Preparation of the units for safe dismantling
- Abatement of asbestos containing materials prior to dismantling (where applicable)
- Removal and disposition of all installed equipment (except where noted)
- Demolition and disposition of subsurface utilities and buildings and foundations (except where noted)
- Removal of below grade foundations (except where noted)
- Coal yard and ash pond remediation (Sherco and King)
- Limited site restoration (grading and seeding for drainage and erosion control)
- Demolition contractor's on-site management, engineering, safety, and administrative staff
- Demolition contractor's expenses, including profit, insurance, permits, and fees
- Company on-site management, oversight, and security staff
- A cost credit associated with the disposition of scrap metals
- Cost contingency

Additional details regarding the Scope and General Approach of the study can be found in Sections 1.3 and 1.4 of the Dismantling Study, while more information based on Estimate, Methodology, and Assumptions can be found in Section 3, Cost Estimate.<sup>37</sup>

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<sup>35</sup> Xcel's Supplemental Petition; at 4.

<sup>36</sup> *Id.*

<sup>37</sup> Xcel's Supplemental Petition; at 5.

### 3. Final Dismantling Cost Study Results

#### a. Change To Depreciation Expenses

The preliminary study reported a net reduction to depreciation expenses of \$16.3 million. When the dismantling costs were updated with the final Dismantling Study, there was an additional reduction of approximately \$6.5 million to annualized depreciation expense, bringing the total decrease to \$22.8 million annually.

#### b. Differences Between the Preliminary and Final Dismantling Studies

Estimate for dismantling each fossil-fuel and wind farm generating stations was developed by reassessing the cost to remove existing generating plants and the net salvage rate. A summary of each station's dismantling costs by major cost category is presented in Table 5.1 of Attachment J for fossil stations, and Table 5.2 of Attachment J for wind farms.<sup>38</sup>

As shown in Table 9 below, there was a decrease in projected dismantling costs from the preliminary study to the final Dismantling Study.

**Table 9**  
**Difference in Projected Dismantling Costs**  
Preliminary Study Less Final Dismantling Study

Cost Reported in Preliminary Study	\$1,095,619,529
Cost Reported in Complete Dismantling Study	\$991,135,645
<b>Difference</b>	<b>\$104,483,885</b>

The decrease can be attributed to the following two factors:

First, the escalation in the preliminary study was performed using the second quarter IHS Markit CUSASNS Index (Consumer Price Index, Services). This index provided an escalation factor of 1.2880, or 4.31 percent annually. This factor was then applied to the established costs from 2019 study to calculate the costs in 2025 dollars.

Secondly, the preliminary study was conducted using 2025 dollars, whereas the final Dismantling Study is in 2024 dollars. Overall, Xcel stated that the final Dismantling Study presents a more accurate estimate of the projected dismantling costs, as it is based on more refined and granular calculations.<sup>39</sup>

The impact of these adjustments is a decrease of about \$104.5 million to the total cost of dismantling, or 9.6 percent from the preliminary to the final Dismantling Study. This amount will be spread through a decrease in depreciation expense over the remaining life of the assets. Xcel noted that these differences will be included as an adjustment to requested rates in the

<sup>38</sup> Xcel's Supplemental Petition; 6.

<sup>39</sup> *Id.*; 7.

Depreciation and Remaining Lives Rebuttal Testimony in the active Minnesota electric rate case in Docket No. E-002/GR-24-320.<sup>40</sup>

Additional details are provided below about the three categories that contributed more to the changes in the overall net salvage rate: fossil stations, wind farm dismantling and Sherco Solar.

### 1. Fossil Stations

Table 10 shows the difference in projected costs between the preliminary and final studies.

**Table 10**  
**Difference in Fossil Stations Dismantling Costs**  
Preliminary Study Less Final Dismantling Study

Cost Reported in Preliminary Study	\$342,056,766
Cost Reported in Complete Dismantling Study	\$339,189,126
Difference	\$2,867,640

### 2. Wind Farm Dismantling

The Company asserted that the final Dismantling Study shows a reduction in costs of approximately 17 percent overall for wind farms from the preliminary study, making this category a major driver of the overall decrease in projected dismantling costs. Furthermore, Xcel observed that the cost to dismantle a wind farm increased at a lower rate than general inflation and the estimate used in the preliminary study. Table 11 below shows the costs reported in the preliminary and final studies and the difference.

**Table 11**  
**Difference in Projected Wind Farm Dismantling Costs**  
Preliminary Study Less Final Dismantling Study

Cost Reported in Preliminary Study	\$526,201,792
Cost Reported in Complete Dismantling Study	\$438,817,415
Difference	\$87,384,377

### 3. Sherco Solar

In the preliminary study, Xcel presented a dismantling estimate of zero for Sherco Solar Units 1 & 2, because those generating facilities did not exist at the time of the 2020 Study and therefore were not part of the overall escalation to 2025 dollars. The final Dismantling Study provided in this Supplement includes an estimate of dismantling costs for Sherco Solar Units 1 & 2. There is a projected positive net salvage for these units, which offsets the overall dismantling costs.<sup>41</sup> Table 12 shows this difference, which is subject to change based on future market conditions

<sup>40</sup> Xcel's Supplemental Petition; at 7.

<sup>41</sup> *Id.*; at 8.

and regulations.

**Table 12**  
**Difference in Projected Sherco Solar Dismantling Costs**  
Preliminary Filing Less Final Dismantling Filing

Cost Reported in Preliminary Study	\$0
Cost Reported in Complete Dismantling Study	(\$13,267,553)
Difference	(\$13,267,553)

#### 4. Differences will be addressed in Rate Case Rebuttal

In Direct Testimony of Xcel's current pending rate case, the Company indicated that in the likely event that there were differences between the preliminary and final Dismantling Study, those changes would be included in Rebuttal Testimony in that proceeding.<sup>42</sup> As a result, this difference will be addressed in the Company's rebuttal testimony.<sup>43</sup>

#### 5. Conclusion

Xcel requested for acceptance of this Supplement and approval of the other changes proposed, as outlined in their initial Petition and the Introduction of this Supplement.

#### D. Department of Commerce – Comments (TD&G) and (EGPS)

##### 1. Compliance with Depreciation Statutes, Rules, Filing Requirements, and Prior Commission Orders

Based on its review, the Department concluded that Xcel's TD&G Petition, Modified Production Petition, and Production Petition Supplement satisfied all filing requirements.

Additionally, the Department reviewed Xcel Energy's prior depreciation proceedings for additional filing requirements imposed by Commission order or committed to by the Company. The Department is not aware of any such filing requirements that the Company's Petitions did not satisfy.

##### 2. TD&G Depreciation Proposals

###### *a. Passage of Time and Plant Activity Adjustment*

The Department concluded that Xcel Energy's proposal is reasonable, but noted that during its review of the Company's Petition, two small calculation errors were found, and in response to information requests about the errors, the Company identified a third error.

Xcel applied a 15-year average service life to Electric Account 370 Meters– AGIS. However, in the

<sup>42</sup> Docket No. E-002/GR-24-320, Initial Filing, Vol. 2D, 1 of 4 Johnson Depreciation at 30 - 31.

<sup>43</sup> The referenced Rebuttal Testimony was scheduled to take place in the Fall of 2025.

2022 TD&G Docket, the Commission approved a 20-year average service life for that account.<sup>44</sup> In its response to Department Information Request 21, the Company confirmed that the proposed average service life and the resulting depreciation rate reflected in the TD&G Petition were incorrect and proposed to correct the error by retaining the depreciation rate approved in the 2022 TD&G Docket. This change resulted in a reduction in annual depreciation expense of approximately \$2.1 million.<sup>45</sup> The Department concluded that the Company's proposed correction is reasonable.

Additionally, the remaining lives proposed in the TD&G Petition for Electric Account 390 – Structures and Improvements and Common Account 390 – Structures and Improvements (which include buildings that are depreciated on a group basis, rather than on an individual basis) were calculated incorrectly, causing estimated depreciation expense to be overstated by approximately \$0.7 million. Given these corrections, the Company's proposed depreciation rates are expected to result in an increase of approximately \$6.8 million per year,<sup>46</sup> or roughly \$2.8 million less than initial estimate of a \$9.6 million per year increase as reflected in the Company's September 9, 2024 TD&G Petition.<sup>47</sup>

***b. Account 390 – New Service Centers***

Xcel depreciated buildings with a gross plant value of \$10 million or greater individually, as required by Commission order.<sup>48</sup> In the TD&G Petition, the Company identified four new service centers that will meet the threshold to be depreciated individually, and requested approval to depreciate the buildings based on expected service lives of 50 years and net salvage rates of negative 25 percent. Xcel noted that these life and salvage assumptions are consistent with its other individually depreciated service centers. Based on this, the Department concluded that the Company's proposal is reasonable.

***c. New Energy Storage Equipment Accounts, 351 (Transmission) and 363 (Distribution)***

In the 2022 TD&G Docket, the Company proposed to establish depreciation parameters and rates for two new property accounts, 351 – Energy Storage Equipment – Transmission, and 363 – Energy Storage Equipment – Distribution. With no property booked to the accounts and no planned installations, the Commission declined approval of the proposed depreciation rates due to concerns about the lack of support, particularly for the proposed net salvage rates of zero.

Xcel Energy did not discuss these accounts in the text of its TD&G Petition, but did include proposed depreciation parameters for them in Schedule A, with a note indicating that the

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<sup>44</sup> As originally approved in Docket No. E-G002/D-20-635.

<sup>45</sup> In the TD&G Petition, the Company estimated annual depreciation expense of \$7.94 million for Account 370 Meters AGIS based on a 20-year average service live; in its response to Department IR 21 (Department Attachment 1), the Company estimated annual depreciation expense of \$5.86 million based on an ASL of 15 years, a difference of \$2.08 million.

<sup>46</sup> Department Attachment 1.

<sup>47</sup> Xcel's Petition (TD&G); at 5.

<sup>48</sup> Xcel's Petition (TD&G); at 7.

Company still has no property booked to these accounts.<sup>49</sup> Given the lack of additional information related to these accounts, addressing the concerns raised by the Department and the Commission in the 2022 TD&G Docket, the Department recommended denial of the proposed depreciation rates as presented in Attachment A of the Company's TD&G Petition.

### **3. Production and Storage Depreciation Proposals**

#### ***a. Two-Year Passage of Time Adjustment***

The Department observed that for most of its production plant accounts (all plant accounts other than those addressed specifically below), the Company requested a two-year passage of time adjustment to reflect the two years in between the effective date of the 2022 Depreciation Docket (January 1, 2023) and the requested effective date of depreciation rates approved in this Docket (January 1, 2025). Except for the production facilities addressed individually below, the Department concluded that the proposed two-year passage of time adjustment is reasonable.

#### ***b. Non-Passage of Time Adjustments***

The Department noted that consistent with the outcome of the Company's most recent integrated resource plan proceeding (Docket No. E-002/RP-24-67, the 2024 IRP), it proposed to extend the remaining lives of the Company's two nuclear production facilities and to shorten the remaining lives of its Allen S. King and Sherco 3 coal facilities.<sup>50</sup>

#### ***c. Refuse Derived Fuel (RDF) Production Facilities***

In Docket No. E-G-002/D-22-299, the Commission approved remaining lives for the Xcel's RDF production facilities (Red Wing and Wilmarth), based on anticipated retirement years of 2027. In the Company's Annual Remaining Life Production petition, Xcel proposed to extend the retirement dates for both plants by 10 years, to 2037.

Xcel also proposed to extend the lives of both plants by 10 years in its 2024 Integrated Resource Plan (IRP). The proposed extension was approved in the resource plan proceeding with the following statement:

The Commission is persuaded that operations at the Red Wing and Mankato RDF plants should be extended to 2037. The plants are firm dispatchable resources, which are important for system reliability, particularly as increasing amounts of intermittent solar and wind generation are added to the system. The plants also provide benefits to their host communities and the state and are a preferable alternative to landfilling according to the MPCA's Waste Management Hierarchy. The Commission agrees with Xcel that there have been adequate opportunities for stakeholders to comment on the proposal, and the vast majority of comments strongly supported extending the plants. Further, the Commission balances the need for reliability with impacts to ratepayers and the environment and is

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<sup>49</sup> Department's Reply Comments; at 4.

<sup>50</sup> Department's Reply Comments; at 4.

persuaded that the most reasonable course of action based on the record is to extend the lives of the plants. For these reasons, the Commission will extend the lives of the Red Wing and Mankato RDF plants to 2037.<sup>51</sup>

Based on the Commission's approval, the Department concluded that the Company's proposal to extend the depreciation lives of the Red Wing and Wilmarth RDF plants is reasonable.

#### ***d. Hennepin Island and Upper Dam***

Xcel proposed in its modified Production Petition to extend the remaining lives of its Hennepin Island and Upper Dam Hydro facilities (St. Anthony Falls) by 40 years. With only a passage-of-time adjustment, the remaining life of both facilities would be 9.2 years, based on a retirement year of 2034, which corresponds with the Units' Federal Energy Regulatory Commission (FERC) license.<sup>52</sup> The Company is however proposing a remaining life of 49.2 years. This proposal is based on the Company's stated plan to pursue a 40-year license extension, expected to be issued in 2034. Additionally, Xcel described certain capital projects it plans to undertake at the facility, coupled with other capital projects to maintain the facility that are planned for the next 15 years.

The Department noted that it prefers to base depreciation life extensions on resource planning decisions, completed or imminent life-extending capital projects, or operational data indicating that a plant can operate longer in its current condition than reflected in its current depreciation life.<sup>53</sup> Furthermore, the Department pointed out that in Attachment F of the Modified production Petition, the Company's most recent resource plan assumed the St. Anthony Falls facility will retire in 2034, providing no support for a life extension currently. Moreover, Xcel provided no operational data about the facility indicating that its current approved life does not reflect its current physical condition.

Based on these factors, the Department recommended a denial of the Company's request to extend the depreciation lives of the Hennepin Island and Upper Dam Hydro facilities, but recommended approval of a remaining life of 9.2 years, based on the current expected retirement year of 2034.

#### ***e. St. Croix Falls***

Xcel proposed an extension of the remaining life of its St. Croix Falls Hydro facility by 20 years, from an expected retirement year of 2027 to 2047. The petition contains no explanation of why the Company is proposing a life extension for the St. Croix Falls Hydro facility. Additionally, the modified petition states that while St. Croix Falls has a permit from the Department of the Army, it does not have a FERC license. The Department noted that this contradicts information

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<sup>51</sup> In the Matter of Xcel Energy's 2024–2040 Upper Midwest Integrated Resource Plan and In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation, MPUC Docket Nos. E- 002/RP-24-67 and E-002/CN-23-212, ORDER APPROVING SETTLEMENT AGREEMENT WITH MODIFICATIONS (Apr. 21, 2025) (eDocket No. 20254-217941-01).

<sup>52</sup> Xcel's Petition (EGPS); at 7.

<sup>53</sup> Department's Reply Comments; at 5.

provided in testimony in a prior rate case, in which a Company witness stated that St. Croix Falls has a FERC operating license expiring in 2027.<sup>54</sup> In response to an information request, the Company affirmed that St. Croix Falls does not have a FERC operating license. Based on this, the Department assumed the Facility has a permit from the Department of the Army that expires in 2027.<sup>55</sup>

The Company's 2024 IRP assumed a retirement year of 2027 for St. Croix Falls. In its response to Department IR 8, Xcel provided a schedule of completed and planned capital projects at the facility, which indicated that while significant projects are planned for 2027 and beyond, very little investment was made in the facility from 2000-2025 (less than \$1 million over 25 years). According to the Department, these factors weigh against a life extension for St. Croix Falls at this time.

The Department however noted that NSPW sought and received a life extension for the portion of the facility it owns with the Public Service Commission of Wisconsin (PSCW) in 2022.<sup>56</sup> Given the small portion of the facility owned by Xcel, relative to the much larger portion owned by NSPW, the Department concluded it is reasonable to align the remaining life for the Minnesota portion of the facility with the remaining life of the Wisconsin portion of the facility, as approved by the Public Service Commission of Wisconsin. Consequently, the Department recommended approval of the life extension for St. Croix Falls.

#### ***f. Black Dog Unit 5***

Xcel proposed extending the expected retirement year of Black Dog Unit 5 from 2031 to 2042. The Company stated in its petition that it has evidence that this type of installation lasts upwards of 40 years or more, which aligns with other similar installations at the Company's Riverside and High Bridge facilities. Xcel, however, did not describe this evidence in its modified production petition. The 2024 IRP assumed Black Dog Unit 5 would retire in 2031, consistent with the current depreciation life.<sup>57</sup> The Company did not describe any significant recent or imminent capital improvements at the unit, which would be expected to extend its operational life, both of which weight against a life extension at this time.

In Xcel's response to Department IR 11, it noted that one of the significant pieces of data informing a plant of this type's life is the rotor life on Black Dog Unit 5; currently at 77,000 operating hours after 23 years of operations and has a normal life of 150,000 operating hours, which weighs in favor of a life extension.

Based on the approved 40-year lives for the Company's similar production plants and the operational data provided by the Company, the Department concluded that the proposed life extension for Black Dog Unit 5 is reasonable.

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<sup>54</sup> Direct Testimony of Lisa Perkett in Docket No. E002/GR-15-826 at 39.

<sup>55</sup> Department's Reply Comments; at 6.

<sup>56</sup> PSCW Docket No. 4220-DU-111.

<sup>57</sup> Department Attachment 4.

#### ***h. Inver Hills Units 1-6***

The Company proposed extending the life of Inver Hills Units 1-6 from the currently approved date of December 2026 to December 2029. This extension is consistent with the Company's proposals in and the outcome of the 2024 IRP. Therefore, the Department concluded that it is reasonable.

#### ***i. Border Winds and Pleasant Valley Wind***

Xcel proposed extending the lives of its Border Winds and Pleasant Valley Wind facilities. These wind production facilities are two of four that the Company recently repowered.<sup>58</sup> The repowering projects for Border Winds and Pleasant Valley Wind have been completed, making a life extension appropriate at this time. The proposed life extensions are consistent with those approved for Grand Meadow and Nobles in the 2022 Depreciation Docket, as well as other repowered wind production facilities. Therefore, the Department concluded the Company's proposed extensions are reasonable.

#### ***j. Sherco Solar Unit 1 and Unit 2***

The Company proposed establishing remaining lives of 35 years for its new Sherco Solar Units 1 and 2. The Department noted that this assumed operational life is consistent with the life assumption used in the acquisition process reviewed in Docket No. E-002/M-20-891, in which the Units were selected and conditionally approved. Additionally, in response to Department IR 14, the Company provided information from the U.S. Department of Energy and Burns & McDonnell Engineering Company, Inc. with additional support for the assumed 35-year life.<sup>59</sup> Based on the information provided, the Department concluded that Xcel Energy's proposed remaining lives for Sherco Solar Units 1 and 2 are reasonable.

#### ***k. Sherco Battery***

Xcel proposed to establish a 10-year remaining life for its Sherco Battery facility, a long-duration energy-storage pilot project at the Sherco site. However, the Company's Petition contains no explanation of or justification for that life assumption.

The proposed 10-year life is consistent with the assumptions made in Docket No. E-002/M-23-119, in which the Commission initially approved the Sherco Battery project. However, the Department noted that in the 2024 IRP, Xcel Energy assumed a 15-year life for generic long-duration battery storage systems based on a white paper by Form Energy, the developer of the Sherco Battery facility.<sup>60</sup> Additionally, certain research institutes and trade publications have discussed the potential for batteries of the same type as the Sherco Battery to operate for 30 years.<sup>61</sup> Both of these estimates weigh in favor of a longer remaining life the Sherco Battery facility.

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<sup>58</sup> Department's Reply Comments; at 8.

<sup>59</sup> Department Attachment 5.

<sup>60</sup> Department Attachment 6.

<sup>61</sup> Department Attachment 7.

In response to Department IRs, Xcel explained that the 15-year life assumed for generic long duration storage batteries is a reasonable assumption for larger projects developed in the future and assumes improvements in research and development as well as manufacturing.<sup>62</sup> Xcel however stated that the 15-year life is not appropriate for the Sherco Battery project because it is a smaller demonstration project.<sup>63</sup>

Based on Xcel's explanation of risks associated with the novelty of technology and other relevant factors, the Department concluded that the proposed 10-year remaining life is reasonable.

#### ***I. Blue Lake Units 9-11***

The Department stated that Xcel's proposal to establish a 40-year remaining life for its new Blue Lake Units 9-11, contained no information specific to the new units, such as warranty periods or life estimates from the supplier of the units. The Department observed that Blue Lake Units 9-11 will be a different type of generator than Blue Lake Units 7 & 8, but concurred that the remaining life for Units 7 & 8 is generally instructive with respect to the remaining life for Units 9-11. Additionally, the Department has supported 40-year remaining lives for relatively new fossil units in the past, based on data and analysis from the Energy Information Administration.<sup>64</sup> As a result, the Department concluded that the proposed 40-year remaining life for Blue Lake Units 9-11 is reasonable.

#### ***m. Department Proposal to Extend the Lives of the Monticello and Prairie Island Nuclear Plants***

As discussed in the Direct Testimony of Department witness Holly Jones in Xcel's pending electric rate case (Docket No. E-002/GR-24-320), the Department proposed extending the lives of the Company's two nuclear plants, Monticello and Prairie Island, by 10 and 20 years, respectively.<sup>65</sup> The Department noted that Monticello and Prairie Island Units 1 & 2 currently have remaining lives based on retirement years of 2040 and 2034, respectively. In the 2024 IRP, however, the Commission approved the extensions of both plants' operating lives for planning purposes to 2050 and 2054.<sup>66</sup> The Department therefore recommended the Commission aligns the depreciation lives of both facilities with the approved IRP lives.

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<sup>62</sup> Department Attachment 6.

<sup>63</sup> Department's Reply Comment; at 9.

<sup>64</sup> See the Department's Comments in Docket No. E-G002/D-12-151 in which the Department supported life extensions for both the High Bridge and Riverside plants. The Commission initially approved 30-year lives for both units in Docket Nos. E,G002/D-08-189 and E,G002/D-09-160, respectively, but then extended both lives to 40 years shortly thereafter, in Docket No. E-G002/D-12-151.

<sup>65</sup> Xcel's Rate Case (Docket No. E-002/GR-24-320), Department's witness, Holly Jones Direct, at 14-15.

<sup>66</sup> Order Approving Settlement Agreement with Modifications, Docket No. E002/RP-24-67 (Apr. 21, 2025).

#### 4. Net Salvage Rates for Production and Storage Facilities

##### *a. Updated Net Salvage Rates Based on New 2024 Dismantling Study*

In Xcel's modified Production Petition and in its Supplement, the Department noted that the Company's new dismantling study was not yet ready at the time it filed its Modified Production Petition. After completing its new, full dismantling study (the 2024 Dismantling study), the Company filed the Production Petition Supplement with updated depreciation schedules reflecting the 2024 Dismantling Study's results.

For the fossil and hydro plants, the net decommissioning cost estimates derived in the 2024 Dismantling Study were close to the escalated 2019 Dismantling Study estimates. Consequently, the net salvage rates proposed in the Jan. 31 Supplement are not significantly different from those proposed in the Modified Production Petition. To the contrary, however, Xcel's wind farms updated decommissioning cost estimates in the 2024 Dismantling Study were notably lower than the estimates in the escalated 2019 study. The differences are largely attributable to a few specific dismantling activities whose costs are primarily non-labor, including "Backfill of below grade voids" and "Landscaping with topsoil."<sup>67</sup>

The Department reviewed the 2024 Dismantling Study and the Company's updated net salvage rate calculations shown in Attachment I of the Jan. 31 Supplement and concluded that the Company's proposals are reasonable.

##### *b. New Salvage Rates*

###### 1. Sherco Battery Net Salvage Rate

The Department noted that Xcel's proposal to establish a net salvage rate of negative 18.4 percent for the Sherco Battery facility did not include any explanation of or support for the net salvage rate in its Modified Production Petition or Production Petition Supplement. In the Company's response to Department IR, Xcel provided a trade secret estimate of total net decommissioning costs on which the proposed net salvage rate was based, provided by the project's developer (Form Energy).<sup>68</sup>

The Department concurred that at this time it is reasonable to rely on the net decommissioning cost estimate provided by the vendor to determine a net salvage rate for the Sherco Battery facility. However, it is concerned that the Company's calculation of the proposed negative 18.4 percent salvage rate is inconsistent with how the net salvage rate will be applied and used in calculating depreciation expense going forward, if approved.<sup>69</sup> As a result, the Department requested the Company to clarify in reply comments whether the calculation of the negative 18.4 percent net salvage rate is correct and will result in the desired depreciation accruals.

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<sup>67</sup> Production Petition Supplement, Attachment J at 127-128.

<sup>68</sup> Department's Reply Comments; at 11.

<sup>69</sup> *Id.*

### ***c. Sherco Solar Net Salvage Rates***

Xcel initially proposed to establish net salvage rates of zero for both Sherco Solar Units 1 and 2 in its Modified Production Petition. However, in its Production Petition Supplement, the Company proposed establishing net salvage rates for its new Sherco Solar Units 1 and 2 of positive 1.9 percent and 2.0 percent, respectively. In response to Department IR 15, the Company explained that the net salvage rates proposed in the Production Petition Supplement are based on information from the Decommissioning Plan provided in Docket No. E002/GS-21-191, the Permit Application proceeding for Sherco Solar.<sup>70</sup>

The Department agreed that it is reasonable to use the estimates from decommissioning plan from the Permit Application, until Sherco Solar Units 1 and 2 are examined in a future dismantling study.

#### **1. Blue Lake Units 9-11 Net Salvage Rate**

Xcel proposed to establish a net salvage rate of negative 10 percent for Blue Lake Units 9-11. The Company, however, did not include the Units in its dismantling study, or any discussion of the proposed net salvage rate in its production and storage filings. In response to a Department IR, the Company explained that its proposed net salvage rate is based on the proposed salvage rate of negative 12.0 percent for Blue Lake Units 7 & 8, with a small conservative adjustment in favor of ratepayers.<sup>71</sup>

The Department concluded that it is reasonable to temporarily use the net salvage rate for Blue Lake Units 7 & 8, with a small conservative adjustment, until the Company's next dismantling study is completed.

### **5. Update on Plant Removal Costs and Proposed Reserve Reallocations**

The Commission's September 2, 2021 Order in Docket No. E-G002/D-19-723 required Xcel to provide updates on the facilities listed below until retirement or removal is completed, with impact on depreciation reserves and a final true-up. Xcel provided the required updates in its Modified Production Petition as follows.

#### ***a. Black Dog Units 3 & 4***

In its Modified Production Petition, the Company stated as follows:

As of today, the Unit 4 turbine, generator, and boiler have been removed. The ash ponds have been dredged, filled, and covered. The original coal stacks for Units 2 and 3 and the tall common stack have been removed, and the coal yard remediation has been completed.

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<sup>70</sup> Department Attachment 9.

<sup>71</sup> Department Attachment 10.

The Department noted that this language is identical to the language included in the Company's prior Production Petition from the 2022 Depreciation Docket. Attachment H to the Modified Production Petition similarly seems to indicate that little removal work has been completed over the past two years. Additionally, in the Company's Petition in Docket No. E,G-002/D-19-723, it stated, "[t]he Unit 3 turbine, the boiler for Units 2 and 3, and related plant equipment are planned for removal in 2021-2025."<sup>72</sup> In the instant petition however, the Company described the same work as "planned for removal in future years."<sup>73</sup> In response to a Department IR, Xcel stated that it now plans to remove this equipment when it removes Black Dog Units 5 & 6.<sup>74</sup>

The Department noted that the Company has changed its allocation of Black Dog's net decommissioning cost estimate between Units 3 & 4, Unit 5, and Unit 6. In its dismantling studies, the Company developed a single decommissioning cost estimate for the Black Dog facility as a whole, which it used to allocate between Black Dog – Steam and Black Dog – Other. In the Company's Petition in Docket No. E,G-002/D-19-723, approximately 40 percent (\$20 million) of the total Black Dog dismantling costs were allocated to Black Dog – Steam. The only depreciation activity remaining for Black Dog – Steam is the continuing amortization of expected costs for removal and remediation of ash ponds and the facilities coal pile.<sup>75</sup>

In its response to Department IR 3, Xcel stated that because net salvage costs are recovered in depreciation expense, and only facilities currently in-service are depreciated, it is reasonable to attribute all expected Black Dog decommissioning expense to the units (5 and 6) that are currently operating.<sup>76</sup> The Department however noted that ideally, Black Dog Units 3 & 4 would have accrued a large enough cost of removal balance to cover their expected costs of decommissioning, and there would be no need to reallocate steam-related costs to other production units.

The Department requested that the Company provide in Reply Comments a more detailed discussion of the completed and remaining removal work at Black Dog – Steam, its best estimates of the costs of that work, and an explanation of why it is reasonable to accrue decommissioning expense necessary to cover the remaining costs via depreciation expense for Black Dog – Other. Additionally, given the need to recover additional decommissioning expense for Black Dog – Steam via Black Dog – Other, the Department requested that the Company explain further in reply comments why it proposed to transfer \$8.4 million in depreciation reserves from Black Dog – Steam to Minnesota Valley, as discussed below.

#### **a) Minnesota Valley**

The Company reported that the power-house demolition project at its Minnesota Valley Plant is closed, and that it removed a previously closed ash landfill at the property in 2024. Attachment

<sup>72</sup> E-G002/D-19-723, August 18, 2020 Petition at 16.

<sup>73</sup> Modified Xcel's Petition (EGPS); at 17.

<sup>74</sup> Department Attachment 11.

<sup>75</sup> Department's Reply Comments; at 13.

<sup>76</sup> Department Attachments 11, 12, and 13.

H of the Modified Production Petition indicates that removal work at Minnesota Valley was expected to be completed by the end of 2024, and that upon completion of the work, the plant was expected to have an unrecovered cost of removal balance of \$8.4 million.

The Department observed that the Petition's Attachments indicate that the Company is proposing to reallocate \$8.4 million of reserves from Black Dog - Steam accounts to Minnesota Valley to cover the shortfall.<sup>77</sup> Given that the Minnesota Valley plant has no remaining life, absent this reallocation, the Company would have to record a one-time \$8.4 million expense to cover the shortfall. By transferring reserves from Black Dog to Minnesota Valley, the Company will record that incremental \$8.4 million of depreciation expense over Black Dog's remaining life.

**b) Key City and Granite City**

Xcel reported that all removal work at its Key City and Granite City plants is complete.<sup>78</sup> Attachment H indicates that Key City and Granite City had excess cost of removal balances of \$3.4 and \$3.8 million, respectively. Although not discussed in the text of its Modified Production Petition, the attachments indicate that the Company is proposing to reallocate those excess reserves to its remaining Other Production plants, which will marginally reduce depreciation expense for those plants going forward.<sup>79</sup>

**c) Removal of the Luverne Wind2battery System**

In Docket No. E-002/GR-21-630, Xcel Energy's 2021 Rate Case, the Commission approved a reserve reallocation of \$2.14 million from Account 344 Generators to Account 348 Energy Storage to cover a reasonable cost to dismantle, dispose of, and fully restore the site associated with the Luverne Wind2Battery System.<sup>80</sup> The Commission also required the Company to reverse this reallocation if actual costs turned out to be lower than \$2.14 million. In its Petition, the Company stated that the removal project is complete, and that its current estimate of total costs was \$1.21 million, or \$0.93 million less than the initial \$2.14 million estimate. As a result, the Company proposed to reallocate the \$0.9 million from Account 348 back to Account 344.<sup>81</sup>

At the time of filing this petition, final actual costs had not been determined. The Company stated that it would update any differences between the \$1.21 million estimate and actuals when it receives final actual costs expected September 30, 2024. The Department requested that the Company provide an update regarding final actual costs in Reply Comments.

Subject to review of the final costs, the Department concluded that the Company's proposal is

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<sup>77</sup> In its pending rate case, the Company did state that it was proposing to "perform reserve reallocations for Minnesota Valley, Key City, Granite City and Black Dog Units 3 & 4" but did not specifically describe the reallocation from Black Dog to Minnesota Valley. See the Nov. 1, 2024 Direct Testimony of Allison M. Johnson in Docket No. E002/GR-24-320 at 44.

<sup>78</sup> Xcel's Petition (EGPS); at 18 and Schedules 11 and 12.

<sup>79</sup> Department's Reply Comments; at 14.

<sup>80</sup> Petition at 19; Docket No. E002/GR-21-630 Order, Order Point 19; Direct Testimony of Xcel Energy witness David Moeller in Docket No. E002/GR-21-630 at 46.

<sup>81</sup> Docket E002/GR-24-320, Johnson Direct at 44 and Schedule 12.

reasonable.

## 6. FERC Order 898

FERC Order 898, which became effective January 1, 2025, amended the Uniform System of Accounts for public utilities in ways that are relevant to the Company's depreciation schedules (Read details on page 15, under Item 9 of this document). Prior to the implementation of FERC Order 898, the utilities booked non-hydro renewables to the same "Other Production accounts" used for non-steam fossil plant, and there was not a uniform accounting treatment of certain types of equipment associated with renewable production facilities.<sup>82</sup> In Xcel's TD&G and Production petitions, the Company proposed certain changes to comply with FERC Order 898.

### *a. Production Plant Accounts*

The Company did not describe the specific changes anticipated, nor did it provide depreciation schedules documenting the proposed changes in the Production Plant accounts. However, the Company stated, "for the impacted production-related assets (wind and solar), we request the Commission to approve the proposed remaining lives and net salvage percentages that align with the Order 898 changes. This action will not change the depreciation amounts filed, only the "geography" and the numbering of the impacted FERC accounts."<sup>83</sup> Any plant transferred to a new property account will retain the same approved depreciation parameters and rates.

Given that the production plant account changes will affect only "geography" and not depreciation parameters or expense, the Department concluded that it is reasonable to approve the Company's request at this time.

### *b. TD&G Plant Accounts*

For its TD&G plant accounts, Xcel stated that three accounts will be affected by FERC Order 898: 303- software, 391-network equipment, and 397-communication equipment.<sup>84</sup> The Company proposed no changes to the depreciation groups associated with FERC accounts 303 and 391 and stated that properties booked to these accounts will be transferred to new accounts within other functional classes, while retaining their current (and proposed) depreciation parameters.<sup>85</sup> As a result, the changes for these accounts will have no impact on depreciation expense.

For Account 397 – Communication Equipment, Xcel stated that the proposed changes will result to a change in depreciation expense.<sup>86</sup> The Company stated that Account 397 currently has four depreciation subgroups, but it proposed to retain only the two largest groups, along with their proposed depreciation parameters; pursuant to its initial implementation of FERC Order 898.

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<sup>82</sup> See FERC Order 898.

<sup>83</sup> Modified Xcel's Petition; at 22.

<sup>84</sup> Xcel's Petition (TD&G); at 9.

<sup>85</sup> *Id.*

<sup>86</sup> Department's Reply Comments; at 16.

The Department requested the Company provide in reply comments the attachment that presents the changes to Account 397 proposed, pursuant to FERC Order 898. Additionally, the Department requested an explanation of the proposed treatment of property currently booked to the two depreciation groups the Company is proposing to eliminate. The Department will provide a final recommendation after reviewing this information.

### **7. Request to Modify Filing Requirements for Production/Storage and TD&G Depreciation Filings**

Xcel requested to modify its existing requirements to file Production/Storage and TD&G depreciation filings annually. The Company proposed to file depreciation studies only with major rate cases. The Company stated that this change would align authorized revenue requirements and customer bills with depreciation parameters and rates and reduce the administrative burden of depreciation filings.

The Department expressed no objections to this change, as described in its testimony in the Company's current rate case. The Department, however, recommended the Commission require the Company file depreciation studies 90 days prior to any future rate case filing; and continue to file depreciation studies at least once every five years in the absence of a rate case.

### **8. Department Recommendations**

The Department made the following recommendations:

- Deny the Company's request to establish depreciation parameters for Accounts, 351 – Energy Storage Equipment – Transmission, and 363 – Energy Storage Equipment – Distribution;
- Approve the Company's proposed depreciation parameters and rates for all other transmission, distribution, and general plant accounts as amended to correct:
  - the average service life for Electric Account 370 Meters – AGIS;
  - the remaining lives for Electric Account 390 – Structures and Improvements and Common Account 390 – Structures and Improvements;
- 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;
- Deny the Company's proposed remaining lives for its Monticello and Prairie Island Units 1 & 2 nuclear plants and instead approve remaining lives for the plants based on expected retirement years of 2050 and 2054, respectively;
- Deny the Company's requested remaining lives for its Allen S. King and Sherco 3 generating facilities, and instead approve remaining lives for the plants based on retirement years of 2028 and 2030, respectively;
- Approve all other remaining lives proposed by the Company for its Production and Storage facilities;
- Approve all of the Company's proposed net salvage rates for its Production and Storage facilities, except for the net salvage rates proposed for Sherco Battery and

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Black Dog Units 5 and 6 (the Department will provide final recommendations on the salvage rates for these facilities after reviewing the Company's reply comments);

- Approve the Company's proposed modifications to its accounting for its production and storage accounts pursuant to FERC Order 898; and
- Approve the Company's request to modify the filing requirements for its depreciation filings to align with its rate case filings.

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

The Department requested that the Company provide in Reply Comments:

- Clarification of whether its proposed net salvage rate of negative 18.4 percent for its Sherco Battery facility is correct and will result in the desired depreciation accruals;
- Additional explanation of the Company's proposals related to decommissioning costs, net salvage rates, and reserve reallocations from Black Dog plant accounts, as described above; and
- An update regarding final actual costs for Decommissioning the Luverne Wind2battery System, and the final amounts of any reserve reallocation.

The Department will provide a final set of recommendations to the Commission after it reviews the information provided in the Company's reply comments.

### **E. Office of the Attorney General (OAG) - Reply Comments**

The OAG filed its Reply Comments in response to the Department's Reply Comments filed on September 8, 2025. In its Reply Comments, the Department recommended shortening the remaining lives of Sherburne County Generating Plant Unit 3 (Sherco 3) and the Allen S. King (King), two coal-fired generators, to match the retirement dates that the Commission has approved for these generators in resource-planning proceedings.

Xcel's current depreciation schedules assume that Sherco 3's service life will end in 2034 and King's in 2037.<sup>87</sup> The Commission however accepted Xcel's proposal to retire these plants early—Sherco 3 in 2030 and King in 2028, in its 2019 integrated resource plan (IRP).<sup>88</sup> Given that the Commission's decision on Xcel's 2019 IRP was decided while Xcel's 2021 rate case was pending, the Company 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.<sup>89</sup>

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<sup>87</sup> Department's Comments; at 10.

<sup>88</sup> 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).

<sup>89</sup> 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)

The Commission denied Xcel's proposal, considering that important policy considerations and significant ratepayer impact of early retirement were not developed in the record.<sup>90</sup> The Commission opened a broader docket across Utilities to investigate depreciation accounting and other ratemaking issue created by early retirement. In this docket,<sup>91</sup> the Commission adopted the Department's recommendation and established a four-tiered framework for the rate treatment of early-retiring generating facilities.<sup>92</sup> Additionally, the Commission ordered that "any changes to the ratemaking treatment of early-retiring generating facilities be handled in rate cases and informed by depreciation and IRP decisions."<sup>93</sup>

In the instant docket, however, the Department has proposed shortening Sherco 3 and King lives and accelerating depreciation-expense recovery in the 2024 Rate Case 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.<sup>94</sup>

The OAG recommended that since 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.

When accelerated depreciation is proposed, as the Department has in this docket 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.<sup>95</sup> No party has responded to the Department's recommendation provided in direct testimony in the 2024 Rate Case.

The OAG recommended the Commission 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. Additionally, the OAG contended that dealing with the issue in the rate case will ensure that appropriate analysis is done regarding the important public-policy questions surrounding rate treatment of early-retired generation facilities.

In conclusion, the OAG recommended 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

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(21-630 Rate Case).

<sup>90</sup> 21-630 Rate Case, Findings of Fact, Conclusions, and Order at 12-13 (July 17, 2023).

<sup>91</sup> Docket Nos. E-002, E-015, E-017/CI-23-375.

<sup>92</sup> OAG's Reply Comments; at 2.

<sup>93</sup> *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).

<sup>94</sup> See Jones Direct at 14-16, 17.

<sup>95</sup> 23-375 Early Retirement Order

in Xcel's 2024 Rate Case.

## F. Xcel Energy – Reply Comments

On September 19, 2025, Xcel filed its Reply Comments to the Department's September 8, 2025 Comments. The Company requested the Commission approve implementation of its proposed changes, as amended in this Reply Comments, in their pending electric case and their next gas rate case.

### 1. Depreciation

The Department recommended that the Commission approve most of the Company's proposals regarding depreciation parameters and remaining lives. In some cases, however, the Department recommended denial or alternatives, compared to the Company's proposal. Xcel did not object to the Department's recommendations, as explained below.

#### *a. Energy Storage Equipment*

The Department recommended that the Commission deny the Company's request to establish depreciation parameters for Accounts, 351 – Energy Storage Equipment – Transmission, and 363 – Energy Storage Equipment – Distribution. Currently, there is no balance in these accounts and therefore the Company does not object to the Department's recommendation. Xcel will propose depreciation parameters and rates for this account in the future, when a plant is added to these accounts.

#### *b. Hennepin Island and Upper Dam Hydro*

The Department recommended that the Commission deny the Company's request to extend the depreciation lives of the Hennepin Island and Upper Dam Hydro facilities and instead approve a remaining life of 9.2 years. The Department's recommendation is based on the current expected retirement year of 2034, given that the Company has not yet begun the life extension process.

The Company does not object to this recommendation. The depreciation expense impact of this adjustment is an increase of \$1,535,305. Xcel's pending electric rate case in Docket No. E-002/GR-24-320 assumes the extended depreciation lives.<sup>96</sup> Hence, the Company will make a rebuttal adjustment in the rate case to account for this Department recommendation.

#### *c. Monticello and Prairie Island Units 1 & 2; Allen S. King and Sherco 3*

The Department recommended the Commission approve remaining lives for Monticello and Prairie Island Units 1 & 2, based on expected retirement years of 2050 and 2054 respectively, as this is consistent with the Company's approved Resource Plan.<sup>97</sup> Similarly, the Department recommended approving remaining lives for the Allen S. King and Sherco Unit 3 generating

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<sup>96</sup> Xcel's Reply Comments; at 2.

<sup>97</sup> The Commission approved retirement dates of 2053 for Prairie Island Unit 1 and 2054 for Unit 2 for planning purposes, however, the plant has one remaining life for both units and will be depreciated with expected retirement date of the latter 2054.

facilities, based on retirement years of 2028 and 2030 respectively. The Company will address the Department's proposal in rebuttal testimony due October 10, 2025 in the pending electric rate case in Docket No. E-002/GR-24-320.

## 2. Additional Requested Information

### *a. Net Salvage Rate for the Sherco Battery Facility*

The Department requested clarification about whether the Company's proposed net salvage rate of negative 18.4 percent for its Sherco Battery facility is correct and will result in the desired depreciation accruals.

Xcel noted that the Sherco Battery referenced in this instance is the Form Energy battery storage pilot at the Company's Sherco site. Xcel affirmed that the proposed net salvage rate of negative 18.4 percent for this project is correct and will result in the desired depreciation accrual.<sup>98</sup> The Form Energy project's estimated in-service date has changed from October 2025 to 2027.<sup>99</sup> The Company removed this battery storage pilot from the pending electric rate case as part of the RES Rider Removal. As such, a rebuttal adjustment is not necessary to account for the in-service date change.

### *b. Black Dog Plant Accounts*

The Department requested that the Company provide in Reply Comments a more detailed discussion of the completed and remaining removal work at Black Dog – Steam, its best estimates of the costs of that work, and an explanation of why it is reasonable to accrue decommissioning expense necessary to cover the remaining costs via depreciation expense for Black Dog – Other. Additionally, the Department requested that Xcel explained its proposal to transfer \$8.4 million in depreciation reserves from Black Dog – Steam to Minnesota Valley.

Black Dog Unit 5, a natural gas fired combined cycle combustion gas turbine, replaced the original Unit 1 boiler and steam turbine. The coal yard facilities have been removed as well as the boiler chimneys. The Unit 4 primary precipitator, air heater, forced draft, induced draft and gas recirculation fans, storage tank, and one feed-water heater remain in place, including Unit 3 and Unit 2 boiler. Xcel pointed out that these assets can be removed efficiently later, when other larger portions of the plant will also be removed. The current estimate to remove the assets and perform restoration of the Black Dog site is \$59.0 million.<sup>100</sup>

The Department noted that Black Dog – Steam Units should have accrued a large enough cost of removal balance to cover their expected costs of decommissioning; and therefore, requested an explanation of why it is reasonable to accrue decommissioning expense necessary to cover the remaining costs via depreciation expense for Black Dog – Other. Xcel explained that Black Dog – Steam has an excess reserve balance, meaning the Company has recovered more than it has

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<sup>98</sup> Xcel's Reply Comments; at 3.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*; at 4.

spent for the actual costs of decommissioning that has been completed to-date.

The Company noted that if cost estimates change between studies, the Company will request additional, or less, recovery. Part of the reason for the excess reserve balance for Black Dog – Steam is due to the amortization of costs associated with Coal Combustion Residual (CCR) compliance for Black Dog – Steam, which Xcel completed through Minnesota Pollution Control Agency’s (MPCA) Voluntary Investigation and Cleanup (VIC) program.<sup>101</sup> After the 2010 Remaining Lives filing, the Company entered into the program to remediate the former coal-fired plant – or CCR. The Department and the Company recommended, and the Commission approved a 15-year amortization period, effective January 1, 2013, of \$33.2 million. This cost is shown in Schedule H as “COR expense for Black Dog.”<sup>102</sup> Xcel proposed reserve adjustments to reallocate the differences to other units, once final costs are incurred.

The U.S. Environmental Protection Agency’s (EPA) recent amendment to the CCR regulation required a fast-track project in Minnesota Valley, which was not included in previous dismantling estimates. Minnesota Valley has a negative cost of removal reserve balance on the Company’s books. Xcel asserted that since the \$8.4 million in excess reserve balance is not needed imminently for Black Dog, a reserve reallocation to Minnesota Valley is appropriate to cover the unanticipated CCR costs.<sup>103</sup>

### ***c. Luverne Wind2battery System***

In response to the Department’s request for an update regarding final actual costs for decommissioning the Luverne Wind2battery System, and the final amounts of any reserve reallocations, the Company stated that its initial estimate was \$1,209,904. The actual costs came in at \$1,157,096, or a decrease of \$52,805.<sup>104</sup> Xcel will make the appropriate adjustment and update the reserve reallocation calculation in the rate case.

## **3. Implementation Dates for Gas and Electric**

With reference to the Department’s support of the Company’s request to modify the filing requirements for depreciation filings to align with rate case filings, Xcel proposed implementing the lives and net salvage rates included in this proceeding, the implementation of rates in the current Minnesota electric rate case (Docket No. E-002/GR-24-320) and the next gas rate case.

## **4. Conclusion**

The Company requested approval for implementation of the Company’s proposed changes, as

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<sup>101</sup> Xcel’s Reply Comments; at 4.

<sup>102</sup> *Id.*

<sup>103</sup> New federal CCR regulations may require future remediation at other sites as well, but the extent and costs are unknown at this time and are therefore not included in TLG’s recent dismantling study. Further discussion of the impact and proposed future recovery of CCR costs are addressed in direct testimony of Company witnesses Jeff West and Allison Johnson/Mark Moeller in the pending electric rate case.

<sup>104</sup> Xcel’s Reply Comments; at 5.

amended by this Reply Comments, in its current electric rate case and their next rate case.

## **G. Xcel Energy – Errata to Reply Comments**

### **1. Luverne Wind2battery System**

On October 17, 2025, Xcel filed errata regarding their September 19, 2025 Reply Comments. In the initial Reply Comments, Xcel updated final actual costs for Decommissioning the Luverne Wind2battery System and the final amounts of any reserve reallocations was stated as follow: “The Company initial estimate was \$1,209,904. The actual costs came in a \$1,157,096, or a decrease of \$52,805.” While finalizing Rebuttal testimony in the pending rate case in Docket No. E-002/GR-24-320, the Company discovered an error in the above statement, provided in the Company’s Reply Comments. In these errata, Xcel provide the following corrections: “The Company’s initial estimate was \$1,209,904. The actual costs came in at \$1,262,709, or an increase of \$52,805.<sup>105</sup> Xcel noted it will make the appropriate adjustment and update the reserve reallocation calculation in the rate case.

## **H. Department – Response to Xcel’s Reply Comments**

On February 5, 2026, the Department filed a response to Xcel Energy’s September 19, 2025 Reply Comments.

The Department noted that the Company agreed with several of its proposed modifications, and for others, Xcel responded in rebuttal testimony in its pending electric rate case (Docket No. E-002/GR-24-320). The Department addressed the following issues, which had not been resolved as of its Comments. Furthermore, the Department stated that any issue not addressed below are already resolved.

### **1. Hennepin Island and Upper Dam Remaining Lives**

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

### **2. 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, the Department recommended extension of the lives of Monticello and Prairie Island Nuclear facilities by 10 and 20 years respectively. Additionally, the Department recommended shortening the remaining lives of the Allen S. King Plant (King) and Sherco 3 to reflect retirement years of 2028 and 2030, respectively.

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<sup>105</sup> Xcel Energy Reply Comments – Errata; at 5.

In Reply Comments, Xcel stated that it would address these proposals in its pending electric rate case. The Department agreed that it would be reasonable for the Commission to retain the current depreciation parameters for now and make final determinations for these facilities in the pending electric rate case.

### **3. Sherco Battery Facility**

In its Comments, the Department noted that Xcel Energy did not calculate its proposed salvage rate for the Sherco Battery Facility based on the facilities' gross plant balance, but based on an adjusted plant balance reflecting a significant and unexplained adjustment. The Department asked the Company to clarify its calculations in Reply Comments.

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

### **4. Black Dog**

Prior to the recent depreciation study, Xcel had allocated its single decommissioning cost for its Black Dog plant approximately 40 percent and 60 percent between its Steam Production and Other Production, respectively. In this proceeding however, Xcel allocated 100 percent of Black Dog's new decommissioning cost estimate to Black Dog – Other. Additionally, the Department noted in its Comments that Xcel had not completed certain removal/decommissioning projects it originally expected to complete by the end of 2025. The Department observed that Xcel expects to complete these projects when Black Dog Units 5&6 are retired in 2042. The Department is concerned that inflationary pressures may result in cost increases when projects are delayed. The Department requested that the Company address these issues in Reply Comments.

The Company's responses about these issues in its Reply Comments (see page 44), left the Department with concerns about Xcel's general decommissioning practices, including Xcel's decisions about the timing of decommissioning projects and the transfer of costs between different units. Be as it may, however, the Department resolved that it 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 recommended 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.

### **5. Luverne 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. Given that cost came in higher than initially expected, but still well below \$2.14 million, the reallocation back will be slightly smaller than anticipated. The Department noted that Xcel made a corresponding adjustment in its pending electric rate case. As a result, the Department concluded that the Company's treatment of these costs is reasonable.

## 6. FERC Order 898

Xcel stated in its September 9, 2024 Petition related to its transmission, distribution, and general plant accounts, 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.

The Department noted in its Comments that Xcel may 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 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.

## 7. Conclusion

The Department concluded that it is now in agreement on all issues in the proceeding with the Company. Consequently, the Department recommended as follows:

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, 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.

*Note: In the recommendations above, the Department's Comments date is inadvertently stated as September 9, 2024. The right date is: September 8, 2025.*

The Department noted 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. E-002/GR-24-320.

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

### **I. Staff Comments**

Staff notes that in its analysis of Xcel's Petition for approval of its 2024 Transmission, Distribution, and General Accounts (TD&G), the Department requested and received responses to information requests. Based on the analyses and responses and clarifications received, staff agreed with the Department's recommendations for the Company's 2024 TD&G petition.

Regarding the Company's petition for approval of its Electric, Gas Productions and Storage Facilities (EGPS), staff observed that the Company discovered errors in its initial petition were corrected in a modified petition. Additionally, the Company submitted supplemental filing in which it provided an update from its final Dismantling Study, resulting to further reduction of its annualized depreciation expense. Xcel additionally provided responses to the Department's requests for additional information in its Reply Comments. Based on the analysis, responses and the Errata filed by the Company to correct the final actual costs for decommissioning the Luverne Wind2battery System, staff concur with the Department's recommendations.

### **J. Decision Options**

#### **Production and Storage Facilities**

1. Approve Xcel's proposed depreciation parameters and rates for electric and gas production and gas storage facilities, as presented in its January 31, 2025 Supplemental filing with modifications. (Department, Xcel)

#### **Transmission, Distribution and General Accounts**

2. Approve Xcel's proposed depreciation parameters and rates for all transmission, distribution, and general plant accounts, with modifications. (Department, Xcel)

#### **Modifications:**

#### **FERC Account 351 & 363**

3. Defer a decision on whether to approve of Xcel's proposal to establish depreciation parameters for Accounts 351 - Energy Storage Equipment – Transmission, and 363 – Energy Storage Equipment – Distribution until assets are purchased. (Department, Xcel)

**Electric Account 370 Meters - AGIS**

4. Approve depreciation parameters and rates reflecting a 20-year average service life per Attachment 1 of the Department's September 8, 2025 Comments. (Department, Xcel)

**Account 390 - Structures and Improvements**

5. Approve the depreciation parameters and rates included in Attachment 1 of the Department's September 8, 2025 Comments, which reflected corrected remaining lives. (Department, Xcel)

**Hennepin Island and Upper Dam**

6. Deny Xcel's proposed extension of the remaining lives of its Hennepin Island and Upper Dam Hydro facilities (St. Anthony Falls) by 40 years; instead, approve a remaining life of 9.2 years, based on the current expected retirement year of 2034. (Department, Xcel)

**Monticello and Prairie Island Nuclear Plants**

7. Extend the remaining lives of Xcel's two nuclear Plants, Monticello and Prairie Island Units 1 and 2 to 2050 and 2054 respectively, consistent with the facilities depreciation lives approved in the Company's Integrated Resource Plan (IRP). (Department, Xcel)

**Allen S King and Sherco 3**

8. Authorize remaining lives for the Allen S. King and Sherco Unit 3 generating facilities based on retirement years of 2028 and 2030 respectively. (Xcel, Department)

Or

9. Defer any decision on the remaining lives of Sherco 3 and King until the Commission has had an opportunity to address the ratemaking implications in Xcel's 2024 Rate Case. (OAG)

**Sherco Battery**

10. Authorize Xcel's proposal to establish a 10-year remaining life for its Sherco Battery facility, a long-duration energy-storage pilot project at the Sherco site. (Xcel, Department)

**Modification of Accounting Consistent with FERC Order 898**

11. Approve Xcel's proposed modifications to its accounting for its production and storage accounts pursuant to FERC Order 898. (Xcel, Department)

### **Modification of filing requirements**

12. Approve Xcel's proposal to file depreciation studies only with major rate cases. (Xcel, Department)