division of energy resources
Minnesota Department of Commerce

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December 21, 2012

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G002/D-12-858

Dear Dr. Haar:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

> Northern States Power Company's Five-Year Transmission, Distribution, and General Depreciation Study.

The petition was filed on July 31, 2012 by:

> Lisa Perkett
> Director, Capital Asset Accounting
> Xcel Energy
> 414 Nicollet Mall, 4th Floor
> Minneapolis, MN 55401

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

Sincerely,

/s/ CRAIG ADDONIZIO
Financial Analyst

CA/ja
Attachment

division of energy resources
Minnesota Department of Commerce

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES

DOCKET NO. E,G002/D-12-858

I. SUMMARY OF PROPOSAL

On July 31, 2012, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) filed a five-year depreciation study (the 2012 Depreciation Study) for its transmission, distribution and general plant accounts for its electric, gas, and common utilities reflecting plant and reserve balances as of December 31, 2011. The Company reviewed the depreciation statistics of these assets and is proposing updated average service lives and salvage rates for many plant accounts based on that review.

The Company is also proposing to change from an average service life (ASL) depreciation method to an effective average remaining life (ARL) method in order to reduce the difference between the utility's actual depreciation reserves and its theoretical depreciation reserves. In order to implement this effective ARL method, the Company is, for the first time, requesting approval of remaining lives for each of the accounts included in the study. The Company is proposing to amortize the difference between each account's actual and theoretical depreciation reserves over the account's remaining life. Additionally, Xcel is proposing to redistribute its existing depreciation reserves by functional class to better align with each account's theoretical reserve with the new, proposed depreciation parameters (i.e. the new average service lives, remaining lives and salvage rates). The Company proposes an effective date of January 1, 2013 for these changes.

The Company states that, when applied to January 1, 2012 plant and redistributed reserve balances, the proposed method and parameters result in a level of total depreciation expense that is $1.5 million less than the currently approved method and parameters ($184.0 million versus $185.5 million).

II. DETAILS OF XCEL'S PROPOSAL

A. BACKGROUND

The Company's currently effective depreciation rates (Settlement Agreement Rates) were set in a November 14, 2011 settlement agreement (Settlement Agreement) in Xcel's recent rate case, Docket No. E002/GR-10-971 (2010 Rate Case). The depreciation rates that were in effect prior to the Settlement Agreement (2007 Rates) were approved by the Minnesota Public Utilities Commission (Commission) in Docket No. E,G002/GR-07-1528 based on the Company's last five-year transmission, distribution, and general plant depreciation study (2007 Depreciation Study). For all gas and common utility accounts, as well as several electric utility accounts, the 2007 Rates and the Settlement Agreement Rates are identical. The Settlement Agreement updated the depreciation rates for most electric transmission and distribution accounts in response to the concerns of certain parties in the 2010 Rate Case, discussed below.[1]

In the Settlement Agreement, the Company stated that during the 2010 Rate Case "several parties advocated for adjustments to depreciation expense to restore generational equity and provide rate mitigation benefit for ratepayers in challenging economic conditions."[2] As a result, Xcel reduced its base rate revenue increase by $30 million through reductions in depreciation expense. Of the $30 million reduction, $4.5 million is attributable to reductions in generation plant depreciation expense, and $25.5 million is attributable to reductions in transmission and distribution plant depreciation expense. The reduction in depreciation expense for transmission and distribution plant accounts was achieved through direct dollar amount adjustments to each account's annual depreciation expense.[3]

In the Settlement Agreement, the Company stated that:

> The Parties acknowledge the Company intends to file an updated depreciation study for Transmission, Distribution, and General Assets in July 2012, which could impact the Commission's decision in the Company's next rate case. However, the Company anticipates that [the adjustments] will be supported in the July 2012 5-year depreciation study.[4]

Table 1 compares the depreciation expense produced by applying the various sets of depreciation rates to the Company's January 1, 2012 plant and redistributed reserve balances.

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[1] Schedule B, page 4, of the 2012 Depreciation Study identifies the accounts affected by the Settlement Agreement.
[2] Settlement Agreement, page 9.
[3] Schedule B, pages 3 and 4 of the 2012 Depreciation Study contain the detailed calculations of the adjustments.
[4] Settlement Agreement, page 9.

Table 1
Comparison of Annual Depreciation Expense Under
Prior, Current, and Proposed Depreciation Rates
($)

Panel A: Comparison of Depreciation Expense Under 2007 Depreciation Study Rates and Proposed Rates

	Depreciation Expense Calculated with:			Impact of:		
	2007 Depreciaton Study Rates	Proposed Rates Excluding Amort. of Act./Theo. Reserve Difference	Proposed Rates Including Amort. of Act./Theo. Reserve Difference	Proposed Parameter Changes	Switch to ARL Method	Total Change from 2007 Depreciation Study Rates
	[a]	[b]	[c]	[d]=[b]-[a]	[e]=[c]-[b]	[f]=[d]+[e]=[c]-[a]
Total Electric Utility	157,603,032	139,734,802	130,263,830	(17,868,230)	(9,470,972)	(27,339,202)
Total Gas Utility*	30,440,749	28,768,678	26,650,194	(1,672,072)	(2,118,484)	(3,790,556)
Total Common Utility*	26,445,872	26,144,534	27,112,474	(301,337)	967,940	666,603
Total Utility	214,489,653	194,648,014	184,026,498	(19,841,639)	(10,621,516)	(30,463,155)

Panel B: Comparison of Depreciation Expense Under Settlement Agreement Rates and Proposed Rates

	Depreciation Expense Calculated with:			Impact of:		
	Settlement Agreement Rates	Proposed Rates Excluding Amort. of Act./Theo. Reserve Difference	Proposed Rates Including Amort. of Act./Theo. Reserve Difference	Proposed Parameter Changes	Switch to ARL Method	Total Change from Settlement Agreement Rates
	[a]	[b]	[c]	[d]=[b]-[a]	[e]=[c]-[b]	[f]=[d]+[e]=[c]-[a]
Total Electric Utility	128,640,690	139,734,802	130,263,830	11,094,112	(9,470,972)	1,623,140
Total Gas Utility*	30,440,749	28,768,678	26,650,194	(1,672,071)	(2,118,484)	(3,790,555)
Total Common Utility*	26,445,872	26,144,534	27,112,474	(301,338)	967,940	666,602
Total Utility	185,527,311	194,648,014	184,026,498	9,120,703	(10,621,515)	(1,500,812)

Source: 2012 Depreciation Study, Schedule C
* Depreciation Totals for Gas and Common Utility were unaffected by the 2010 Rate Case and the Settlement Agreement.

Panel A compares the depreciation expense produced by applying the depreciation rates approved in the 2007 Depreciation Study (2007 Rates) to the depreciation expense produced by the proposed rates. The expense totals in columns [b] and [c] reflect the Company's proposed average service lives and salvage rates, but column [b] excludes the proposed amortization of the difference between actual and theoretical depreciation reserves (discussed further below) while column [c] includes it. The difference between columns [a] and [b] therefore represents the impact of the proposed parameter changes, shown in column [d]. The difference between columns [b] and [c] represents the impact of the change to an effective ARL depreciation method, shown in column [e].

Panel B contains the same set of calculations as Panel A, but compares the depreciation expense produced by applying the depreciation rates approved in the Settlement Agreement (Settlement Agreement Rates) to the depreciation expense produced by the proposed rates. As shown, for Total Utility, the proposed level of depreciation expense ($184.0 million) is close to the level of expense produced by the Settlement Agreement Rates ($185.5 million).

B. UPDATES TO DEPRECIATION PARAMETERS

As noted, the 2012 Depreciation Study is a comprehensive five-year depreciation study. Xcel states that it is proposing certain changes to currently approved service lives and salvage rates after a review undertaken in conjunction with an outside consultant.

Schedule B of the 2012 Depreciation Study contains the proposed depreciation parameters and associated rates and compares them to the parameters and rates approved in the 2007 Depreciation Study, as well as the rates approved in the Settlement Agreement.

1. Average Service Lives and Remaining Lives

Xcel states that it analyzed the retirement experiences of each account to determine if the currently approved average service lives remain appropriate. Schedule D of the 2012 Depreciation Study contains the Company's retirement analysis. In establishing the proposed average service lives, the Company states that it also relied on interviews with key personnel, including employees responsible for purchasing, maintaining and utilizing the assets. For a majority of accounts, Xcel proposes average service life extensions, although some are left unchanged, and a shorter life is proposed for one account.

Once a proposed average service life was established for an account, the Company determined the account's remaining life using the ages and retirement pattern of the assets in the account. Pages 23-25 of the 2012 Depreciation Study's Schedule D contain a detailed discussion of the remaining life calculations.

2. Salvage Rates

Xcel analyzed the salvage experience of all of its plant accounts and is proposing to change many of their salvage rates. For the majority of accounts for which Xcel is proposing a salvage rate change, the Company is proposing a higher negative salvage rate due to higher cost of removal, which would increase depreciation expense. In its 2012 Depreciation Study, the Company attributes this proposed change largely to increases in costs of removal due to environmental regulation, stating:

> Over time, the cost of removal has increased beyond just the effect of inflation because environmental requirements require special treatment for many assets during retirement. This includes protecting the environment during deconstruction and removal, and proper disposal of the materials. The negative salvage rates recommended in the Study appropriately reflect the projected higher costs of future removal.[5]

[5] 2012 Depreciation Study, page 14.

In response to Department Information Request No. 3, the Company identified some of the drivers of removal and disposal cost increases.[6] According to Xcel, many of its substations, particularly those installed prior to 1960, contain asbestos, which requires special disposal. The Company also identified several types of widely used equipment (distribution transformers, paper-insulated lead-covered cable, and street lighting lamps) that often contain PCB's which also require costly disposal.

C. PROPOSAL TO SWITCH TO AN AVERAGE REMAINING LIFE DEPRECIATION METHOD

As noted above, during Xcel's 2010 Rate Case, certain parties raised concerns with the size of Xcel's overall depreciation surplus. The Company's transmission, distribution and general property accounts' total actual depreciation reserve exceeds the same accounts' total theoretical reserve by $358.2 million dollars. However, the theoretical reserve is calculated based on the unrealistic assumption that the Company had a perfect view of the future and its initial estimates of average service lives and salvage rates were exactly correct. In other words, had the Company's proposed depreciation parameters been in place all along, the total actual depreciation reserve would be $358.2 million less than it is currently, and the accounts, in this limited sense, are over-depreciated.

Table 2
Comparison of Xcel's
Actual and Theoretical Depreciation Reserves
($)

	Actual Reserve	Theoretical Reserve	Difference	Difference as a % of Theoretical
Total Electric Utility	1,832,153,153	1,515,179,498	316,973,655	20.9%
Total Gas Utility	383,429,839	336,508,249	46,921,590	13.9%
Total Common Utility	89,168,556	94,832,215	(5,663,659)	-6.0%
Total Utility	2,304,751,548	1,946,519,962	358,231,586	18.4%

Source: 2012 Depreciation Study, Schedule C

Depreciation expense should be accrued evenly over the life of an asset as ratepayers consume the usefulness of the asset. Xcel's over-accrual of depreciation expense raises issues of possible generational inequity as rates paid by ratepayers in the past reflected inappropriately high levels of depreciation expense which did not match those ratepayers' consumption of the usefulness of the assets. Conversely, rates in the future will reflect inappropriately low levels of depreciation expense. In other words, past ratepayers have subsidized future ratepayers.

[6] Xcel's response to Information Request No. 3 is included with these Comments as Attachment 1.

To correct this actual/theoretical reserve difference, Xcel proposes to switch from its current ASL depreciation method, which does not consider or correct the difference, to an effective ARL method, which continually corrects for actual/theoretical reserve differences, and eliminates any differences over an asset's (or account's) remaining life.

With an ASL method, depreciation expense is calculated as follows:

$$\text{Depreciation Expense} = \frac{\text{Plant Balance x (1 – Salvage Rate)}}{\text{Average Service Life}}$$

The size of an account's actual depreciation reserve is not reflected in this calculation, and thus depreciation expense will be the same whether the account is under-depreciated or over-depreciated.

With a remaining life depreciation method, annual depreciation expense is calculated as follows:

$$\text{Depreciation Expense} = \frac{\text{Plant Balance x (1 – Salvage Rate) – Actual Depreciation Reserve}}{\text{Remaining Life}}$$

If an account's actual depreciation reserve is higher (lower) than its theoretical reserve, the numerator in the fraction above will be smaller (larger), and depreciation expense will be lower (higher).

Rather than switching to a traditional remaining life method, however, the Company is proposing to replicate the results of a traditional remaining life method with a two-step calculation. Specifically, Xcel proposes to continue to calculate depreciation expense for each account using an average service life method (step 1) and add separately an amortization of the difference between each account's actual and theoretical depreciation reserves over the account's remaining life (step 2):

Step 1: ASL Depreciation	Step 2: Amortization of Actual/Theoretical Reserve Difference

$$\text{Depreciation Expense} = \frac{\text{Plant Balance x (1 - Salvage Rate)}}{\text{Average Service Life}} + \frac{\text{Actual Depr. Reserve - Theoretical Depr. Res.}}{\text{Remaining Life}}$$

D. PROPOSAL TO REDISTRIBUTE EXISTING RESERVES

Xcel is proposing to reallocate its depreciation reserves by functional class (e.g. electric transmission, gas distribution, etc.) to better align the actual reserves of the accounts within the class with the accounts' theoretical reserves. Within a functional class, a portion of the reserve

of an over-depreciated account will be transferred into the reserve of an account that is under-depreciated (or less over-depreciated). Each account's reserve is reallocated as follows:

$$\text{Reallocated Reserve} = \frac{\sum (\text{Actual Reserves of all Accounts in Functional Class})}{\sum (\text{Theoretical Reserves of all Accounts in Functional Class})} \times \text{Theoretical Reserve}$$

This calculation preserves the Company's total actual depreciation reserves, but resets each individual account's actual reserve in proportion to the account's theoretical reserve.

III. DEPARTMENT ANALYSIS

The Department examined Xcel's 2012 Depreciation Study for compliance with filing requirements and previous Minnesota Public Utilities Commission (Commission) Orders, and for the reasonableness of the proposed ARL depreciation method, remaining lives, salvage rates, and overall depreciation expense.

A. COMPLIANCE WITH FILING REQUIREMENTS

The filing requirements for depreciation studies are set by Minnesota Statutes Section 216B.11 and Minnesota Rules, parts 7825.0500-7825.0900. Public utilities are required to seek Commission approval of their depreciation rates and methods, and include certain information (e.g. plant balances, analyses of reserves, summaries of annual accruals, etc.) in their depreciation studies. Utilities must file depreciation studies at least once every five years and must use straight-line depreciation unless a different method can be justified. When utilities use the average service life technique to depreciate group property accounts, the life and salvage factors, as well as the resulting depreciation rates, remain unchanged between studies. When companies choose the remaining-life technique for depreciating group property accounts, the underlying life and salvage factors may not change, but depreciation rates are adjusted annually to reflect the passage of time on remaining lives, as well as the impact of plant additions and retirements. Annual depreciation study updates are required when the remaining life technique is employed to allow the Commission the opportunity to approve changes in depreciation rates.

After reviewing Xcel's 2012 Depreciation Study, the Department concludes that it meets all filing requirements.

B. REASONABLENESS OF PROPOSED AVERAGE SERVICE LIVES, REMAINING LIVES AND SALVAGE RATES

1. Average Service Lives And Remaining Lives

The Department notes that many of Xcel's proposed changes to average service lives are quite large. Table 3 summarizes the changes for accounts with proposed life extensions of ten years or more, though many accounts have proposed extensions of less than ten years.

Table 3
Comparison of Current and Proposed
Average Service Lives of Selected Accounts

		Average Service Life: Current	Proposed	Difference
Electric Transmission				
352	Structures & Improvements	45	68	23
353	Station Equipment	38	56	18
354	Towers & Fixtures	50	70	20
355	Poles & Fixtures	45	62	17
356	Overhead Conductor & Devices	42	63	21
357	Underground Conduit	55	73	18
358	Underground Conductor & Devices	40	55	15
Electric Distribution - Minnesota Only				
361	Structures & Improvements	45	60	15
362	Station Equipment	38	55	17
367	Underground Conductor & Devices	35	45	10
Electric General				
390	Structures & Improvements	45	57	12
Gas Transmission				
366	Structures & Improvements	41	52	11
367	Mains	45	75	30
Gas General				
390	Structures & Improvements	45	55	10
Common General				
390	Structures & Improvements	45	55	10

Source: 2012 Depreciation Study, Schedule B

The Department reviewed the life analyses included in the 2012 Depreciation Study, which include quantitative analysis of retirement experiences and qualitative analysis from Company personnel. Some of the proposed life changes are based more on the former and other changes are based more on the latter. For example, on page 27 of Schedule D, the Company notes that the retirement data for electric account 352 was insufficient to produce a reliable life estimate, and the judgment of Company personnel was relied upon more heavily in determining the proposed average service life. For electric account 355, while Company judgment was

considered in determining the average service life, the retirement data strongly supported the proposed 17 year extension.

The Department concludes that the Company has adequately supported the proposed average service lives and that they are reasonable. The Department also concludes that the proposed remaining lives are reasonable.

2. Salvage Values

In the 2012 Depreciation Study, the Company reviewed the annual salvage experiences of each property account and analyzed the trend in each account over periods ranging from two to ten years. Table 4 below summarizes the proposed salvage rate changes for selected accounts, but is not an exhaustive list of all proposed changes.

Table 4
Comparison of Current and Proposed
Salvage Rates of Selected Accounts

		Salvage Rate: Current	Proposed	Difference
Electric Transmission				
353	Station Equipment	0	-10	-10
354	Towers & Fixtures	-25	-35	-10
355	Poles & Fixtures	-10	-35	-25
Electric Distribution - Minnesota Only				
362	Station Equipment	-10	-20	-10
364	Poles, Towers & Fixtures	-90	-100	-10
365	Overhead Conductor & Devices	-30	-20	10
366	Underground Conduit	0	-10	-10
367	Underground Conductor & Devices	20	0	-20
368	Line Transformers	10	-5	-15
368	Line Capacitors	0	-10	-10
369	Services - Overhead	-35	-70	-35
369	Services - Underground	-35	-5	30
373	Street Light & Signal Systems	-20	-35	-15
Electric General				
390	Structures & Improvements	0	-20	-20
392	Transportation Equipment - Light Trucks	10	0	-10
392	Transportation Equipment - Trailers	10	0	-10
392	Transportation Equipment - Heavy Trucks	5	0	-5
396	Power Operated Equipment	10	0	-10
Gas Transmission				
367	Mains	-30	-15	15
369	Measure & Regulating Station Equipment	-25	-30	-5
Gas Distribution - Minnesota Only				
376	Mains - Metallic	-30	-20	10
379	Measure & Regulating Station Equipment - City Gate	-25	-2	23
380	Services - Metallic	-30	-40	-10
381	Meters	-15	-3	12
Gas General				
390	Structures & Improvements	0	-20	-20
392	Transportation Equipment - Light Trucks	10	0	-10
392	Transportation Equipment - Heavy Trucks	5	0	-5
Common General				
390	Structures & Improvements	0	-20	-20

Source: 2012 Depreciation Study, Schedule B

The Department has reviewed the Company's salvage analysis and the proposed salvage rates, and notes again that many of the proposed changes are quite large. Nonetheless, the Department concludes that the salvage analyses support Xcel's proposed changes. The Department notes that, for several accounts, the Company's salvage experience has changed dramatically since the 2007 Depreciation Study. For example, electric account 355's ten-year salvage rate as of 2011 is negative 102 percent. That account's ten year salvage rate as of 2006 was zero percent. As shown in Table 4, the Company has proposed a large reduction, 25 percentage points, from negative 10 percent to negative 35 percent. While the data could be interpreted to support a larger reduction, the Department supports the Company's conservative approach, which adjusts the salvage rate in the direction of the trend, but does not overreact to what may be a short-term phenomenon.

The Department concludes that the Company's proposed salvage rates are reasonable.

C. PROPOSAL TO SWITCH TO AN AVERAGE REMAINING LIFE DEPRECIATION METHOD

The Department agrees that switching from an ASL method to an effective ARL method is an appropriate way to correct the difference between Xcel's actual and theoretical depreciation reserves and restore generational equity. The Department recommends that the Commission approve the Company's proposed change.

The Department notes that, as discussed above, Minnesota Rules part 7825.0700 require utilities employing an ARL depreciation method to file comprehensive depreciation certification studies at least once every five years, and update remaining lives with depreciation study updates annually. To comply with this requirement, Xcel has proposed to begin filing annual transmission, distribution and general plant depreciation studies beginning on July 31, 2014.[7] Xcel has requested an effective date of January 1, 2013 for the depreciation rates approved in this Docket, and expects to propose an effective date of January 1, 2014 in its next depreciation study. The Company has also proposed to conduct and file a comprehensive depreciation certification study every five years, the next coming in 2017. The Department concludes that this proposal reasonably satisfies Minnesota Rules 7825.0500-7825.0900.

D. PROPOSAL TO REDISTRIBUTE EXISTING RESERVES

1. Redistribution of Electric Utility Reserves

As noted above in Table 2, Xcel's depreciation surplus for its electric utility plant accounts is $317.0 million, or 20.9% of total theoretical reserves. In other words, the Company's individual electric utility accounts are, on average, over-depreciated by 20.9% relative to theoretical reserves, which, as discussed above, unrealistically assume that initial life and salvage estimates were exactly correct. However, the degree of over-depreciation varies widely by account. For

[7] 2012 Depreciation Study, page 15.

example, electric account 356 has an actual, unredistributed depreciation reserve of $120.5 million and a theoretical reserve of $67.5 million (per Schedules C and F, respectively, of the 2012 Depreciation Study), meaning that the account is over-depreciated by 79%. Conversely, electric account 370 Meters has an actual, unredistributed depreciation reserve of $23.7 million versus a theoretical reserve of $56.9 million, meaning that the account is *under-depreciated* by 58%.

Under the Company's proposed ARL depreciation method, the difference between an account's actual depreciation reserve and its theoretical reserve will be amortized over the account's remaining life. If two accounts are equally over-depreciated, the account with the shorter remaining life will have a larger amortization adjustment as the actual/theoretical reserve difference will be amortized over a shorter period of time. Similarly, if reserves are redistributed from an account with a longer remaining life to an account with a shorter remaining life, the impact on the amortization adjustment for the account with the shorter remaining life will be larger than the impact on the account with the longer remaining life. Thus, redistributing reserves impacts overall depreciation expense.

The Department asked Xcel, in Information Request No. 9, to recalculate depreciation expense without redistributing reserves.[8] As shown in Table 5, absent reserve redistribution, total electric utility depreciation expense would increase by $14.8 million relative to the Settlement Agreement (as opposed to $1.6 million when reserves are redistributed). The increase is attributable to the fact that several accounts with short remaining lives are under-depreciated, and for those accounts, the switch from an ASL depreciation method to an ARL method would cause depreciation expense to increase to correct the actual/theoretical reserve difference. In the short term, those increases overwhelm the decreases of the over-depreciated accounts even though Xcel's transmission, distribution and general plant accounts are, as a whole, over-depreciated.

[8] Xcel's response to Department Information Request No. 9 is included with these Comments as Attachment 2.

Table 5

Summary of Electric Utility Depreciation Expense
With and Without Reserve Distribution
($)

	Depreciation Expense With Settlement Agreement Rates	Impact of Proposed: Parameter Changes	Impact of Proposed: Amortization of Act./Theo. Reserve Difference	Cumulative Impact of Proposed Changes	Proposed Depreciation Expense	% Difference from 2007 Rates
	[a]	[b]	[c]	[d]=[b]+[c]	[e]=[a]+[d]	
With Redistribution	128,640,690	11,094,112	(9,470,972)	1,623,140	130,263,830	1.3%
Without Redistribution	128,710,506	11,108,345	3,704,130	14,812,475	143,522,981	11.5%
Difference	(69,816)	(14,233)	(13,175,102)	(13,189,335)	(13,259,151)	

Sources: Schedule C and Response to Information Request No. 9
Note: Prior to redistribution, some accounts include older property that is nearly fully depreciated. Redistributing reserves causes that property to become fully depreciated and, consequently, that property accrues no depreciation expense. When the reserve redistribution is undone, that older property accrues depreciation expense, which accounts for the differences seen in columns [a] and [b].

The Department's main concern with Xcel's proposed redistribution is the large impact it can have on annual depreciation expense, which, if implemented outside of a rate case, could provide an unreasonable financial benefit to a utility at ratepayers' expense. In this instance, the proposed reserve redistribution would cause a significant reduction ($13.2 million) in electric utility depreciation expense. However the Settlement Agreement in the 2010 Rate Case anticipated this reduction, and the level of depreciation expense proposed in the 2012 Depreciation Study is very close to the level of depreciation expense built into current rates. Therefore, the Department concludes that in this instance ratepayers would not be harmed by the proposed reserve redistribution.

Additionally, one of the primary reasons for switching from an ASL depreciation method to an effective ARL method, as was anticipated in the Settlement Agreement, was to mitigate the rate increases in the 2010 Rate case. Xcel's request to redistribute its reserves would preserve this benefit going forward into Xcel's new electric rate case (Docket No. E002-GR-12-961). Because Xcel was able to substantiate its proposed extended lives in this petition, the Department concludes that it is reasonable to approve Xcel's proposal to redistribute its reserves and retain the benefits of the reductions in depreciation expense.

The Department concludes that Xcel's proposal to redistribute the reserves of its electric utility accounts is reasonable.

2. Redistribution of Gas Utility Reserves

As shown in Table 2 above, the Company's gas utility accounts are over-depreciated, on average, by 13.9%. Similar to the Company's electric utility accounts, however, the over-depreciation is not spread evenly among the individual accounts. Some are more over-

depreciated than others, and some are under-depreciated, and for the reasons described above, redistributing the gas utility accounts' reserves would impact depreciation expense. The Company's proposed rates (which incorporate reserve redistribution) would reduce annual depreciation expense by $3.8 million relative to the 2007 Rates (which are identical to the Settlement Agreement Rates), a 12.5 percent decrease. Absent redistribution, annual depreciation expense would decrease by only $1.5 million, or 5.1 percent. Table 6 summarizes the impact of reserve redistribution on gas utility depreciation expense.

Table 6
Summary of Gas Utility Depreciation Expense
With and Without Reserve Distribution
($)

		Impact of Proposed:				
	Depreciation Expense With 2007 Rates	Parameter Changes	Amortization of Act./Theo. Reserve Difference	Cumulative Impact of Proposed Changes	Proposed Depreciation Expense	% Difference from 2007 Rates
	[a]	[b]	[c]	[d]=[b]+[c]	[e]=[a]+[d]	
With Redistribution	30,440,749	(1,672,072)	(2,118,484)	(3,790,556)	26,650,193	-12.5%
Without Redistribution	30,440,749	(1,672,072)	123,858	(1,548,214)	28,892,535	-5.1%
Difference	-	-	(2,242,342)	(2,242,342)	(2,242,342)	

Sources: Schedule C and Response to Information Request No. 9

As discussed above, the Department agrees with the Company's proposed parameter changes, as well as the switch to an effective ARL depreciation method. The proposed parameter changes are data driven and supported by the judgment of the Company's experts and data. The amortization of the actual/theoretical reserve difference will, over time, restore generational equity.

The proposed redistribution of reserves has no similar justification. The redistribution of the Company's electric utility reserves benefits ratepayers, as rates currently reflect the proposed reduction, but the proposed redistribution of gas utility reserves would not benefit ratepayers unless and until the Company files a gas rate case. Reserve redistribution would serve little purpose other than making the Company's depreciation accounting appear cleaner, as depreciation reserves would better reflect each account's depreciation parameters. However, the proposed switch to an effective ARL depreciation method will, over time, achieve the same result, as accounts with larger actual/theoretical reserve differences will receive larger amortization adjustments than accounts with smaller actual/theoretical differences, and all actual/theoretical differences will trend toward zero over time.

As a result, while the Department supports the change to an effective ARL method for gas utility accounts, the Department does not support the Company's proposal to redistribute gas utility depreciation reserves at this time. Instead, the Company can propose to redistribute its gas utility reserves when the Company files its next gas rate case. For now, however, the Department

recommends that the Commission deny Xcel's request to redistribute its gas utility depreciation reserves.

3. Redistribution of Common Utility Reserves

Much of the logic behind the Department's recommendation regarding the redistribution of gas utility reserves also applies to the redistribution of common utility reserves. The redistribution of common reserves serves little purpose other than to make the depreciation accounting appear cleaner, and the switch to an effective ARL depreciation method will allow the differences between actual and theoretical depreciation reserves to trend toward zero over time.

Table 7
Summary of Common Utility Depreciation Expense
With and Without Reserve Distribution
($)

		Impact of Proposed:				
	Depreciation Expense With 2007 Rates	Parameter Changes	Amortization of Act./Theo. Reserve Difference	Cumulative Impact of Proposed Changes	Proposed Depreciation Expense	% Difference from 2007 Rates
	[a]	[b]	[c]	[d]=[b]+[c]	[e]=[a]+[d]	
With Redistribution	26,445,872	(301,337)	967,940	666,603	27,112,474	2.5%
Without Redistribution	26,445,872	(301,337)	(124,045)	(425,383)	26,020,488	-1.6%
Difference	-	-	1,091,985	1,091,986	1,091,986	

Sources: Schedule C and Response to Information Request No. 9

Because the switch to an effective ARL will address the issue, the Department recommends that the Commission deny Xcel's request to redistribute its common utility reserves. The Department notes that the Commission's denial of Xcel's request would result in slightly lower common utility depreciation expense than the Company's proposal.

E. CONSISTENCY WITH SETTLEMENT AGREEMENT

On page 7 of the 2012 Depreciation Study, Xcel stated:

> The Settlement Agreement expense reduction was determined at a fairly high level, not based on specific life or net salvage changes. The Settlement Agreement depreciation expense reduction also assumed that the actual to theoretical reserve surplus was spread over the average remaining life method of the transmission and distribution line assets.

At the level of Total Electric Utility, the depreciation expense included in the Settlement Agreement is quite close to expense produced by the proposed rates. As shown in Table 8, when applied to January 1, 2012 plant and redistributed reserve balances, the depreciation rates from

the Settlement Agreement produce Total Electric Utility depreciation expense of $128.6 million while the proposed rates produce depreciation expense of $130.3 million, a difference of $1.6 million, or slightly more than one percent.

The Department notes, however, that in the Settlement Agreement, the reduction in depreciation expense (relative to the level of depreciation expense produced by the 2007 Rates) was concentrated in fourteen electric transmission and distribution accounts. In the 2012 Depreciation Study, the reduction in depreciation expense relative to the 2007 Rates is spread across all accounts, including transmission, distribution, and general plant accounts.

Table 8
Summary of Reduction in Depreciation Expense
Relative to Expense Under 2007 Depreciation Study Rates
($)

	Depreciation Expense Calculated With:			Difference Between Depreciation Expense Calculated with:		
	2007 Rates	Settlement Agreement Rates	Proposed Rates	2007 Rates and Settlement Agreement Rates	2007 Rates and Proposed Rates	Settlement Agreement Rates and Proposed Rates
	[a]	[b]	[c]	[d]=[b]-[a]	[e]=[c]-[a]	[f]=[c]-[b]
14 Accounts Affected by Settlement Agreement	97,173,390	68,211,048	83,443,549	(28,962,342)	(13,729,841)	15,232,501
All Other Electric Accounts	60,429,642	60,429,642	46,820,281	-	(13,609,360)	(13,609,360)
Total Electric Utility	157,603,032	128,640,690	130,263,830	(28,962,342)	(27,339,201)	1,623,140

Source: 2012 Depreciation Study, Schedule C

As shown in the row titled "Total Electric Utility" in Table 8, the Settlement Agreement Rates and the proposed depreciation rates achieve roughly equal reductions in depreciation expense relative to the 2007 Rates ($27.3 million and $29.0 million, respectively). However, as shown in column [d], the $29.0 million reduction achieved in the Settlement Agreement is solely attributable to the fourteen affected accounts, while annual depreciation expense for all other accounts is unchanged. As shown in column [e], under the proposed rates, the overall reduction is spread more evenly between the 14 affected accounts and all other accounts, which see expense decreases of $13.7 and $13.6 million, respectively. Column [f] compares the expense levels produced by the Settlement Agreement Rates and the proposed rates and shows that while there is little difference at the total electric utility level ($1.6 million), depreciation expense for the fourteen affected accounts would be $15.2 million higher under the proposed rates, and expense for all other accounts would be $13.6 million lower. Thus, while the Settlement Agreement Rates and the proposed rates result in roughly equal levels of annual depreciation expense, the reduction in total utility expense relative to the 2007 Rates is spread more evenly across all electric accounts under the proposed rates.

In a class cost of service study (CCOSS), plant accounts are grouped by function, and the depreciation expense associated with each group is allocated across customer classes with a variety of different allocators. Thus, rebalancing the depreciation expense reductions from the fourteen affected accounts to all accounts may have an impact on cost attribution in the CCOSS in Xcel's current rate case (Docket No. E002/GR-12-961). The Department, however, expects that any such effects would likely be minimal.

IV. RECOMMENDATIONS

Based on its review of Xcel's 2012 Depreciation Study, the Department recommends that the Commission:

- **Approve** Xcel's proposed average service lives, remaining lives and salvage rates, as well as the resulting depreciation rates;

- **Approve** Xcel's request to change from an ASL depreciation method to an effective ARL depreciation method;

- **Approve** Xcel's request to redistribute the depreciation reserves of its electric accounts by functional group;

- **Deny** Xcel's request to redistribute the depreciation reserves of its gas and common accounts;

- **Require** Xcel to file a transmission, distribution and general plant depreciation study update by July 31, 2014; and

- **Require** Xcel to file a comprehensive five-year depreciation study for its transmission, distribution, and general accounts by July 31, 2017.

/ja

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☒ **Public Document**

Xcel Energy
Docket No.: E,G002/D-12-858
Response To: Craig Addonizio Department of Commerce 3
Nancy Campbell
Date Received: October 9, 2012

Question:

Reference: Increasing Salvage Costs

On page 10 of its Petition, Xcel states:

> In summary, for electric transmission, distribution and general plant depreciable accounts, there is a trend toward higher negative net salvage....

Please provide an explanation of the reasons for the trend toward higher negative net salvage and identify specific drivers of the trend (e.g. more stringent environmental regulations, etc.) that support this higher trend continuing.

Response:

The Company has been experiencing a trend of higher costs for removal which have been driving higher negative net salvage rates. As was mentioned on pages 14-15 of the filing petition, one of the drivers of the increase in removal costs is environmental regulations related to the removal and disposal of assets. Some examples are as follows:

- Asbestos may be present in substations in the form of underground distribution cable, distribution circuit breakers, fibrous conduit, circuit board panel, and threaded electrical wire casing. Substations, prior to 1960, may contain relay panel boards made out of asbestos. The buildings may have been constructed of asbestos containing materials such as mortar, caulking materials, and insulation.
- Distribution poles treated with copper chromic arsenate.
- Distribution transformers and other electrical equipment containing PCB at a concentration of 50 parts per million or greater require special disposal.
- Lead-acid batteries.

- Paper-insulated lead-covered cable, underground lines, often referred to as PILC, is widely used in urban underground electric distribution systems. PILC is constructed of copper conductors wrapped with paper, and then jacketed with a lead covering. It may also have a rubber/plastic coating or be asbestos wrapped. The paper layer is impregnated with dielectric oil, which contains regulated levels of PCBs approximately 5% of the time. In accordance with Federal regulations, all removed-from-service PILC must be tested to determine whether it contains PCBs. This includes removed and abandoned in-place PILC. Removed PILC must be stored in a manner that prevents release of oil to the environment. PILC containing certain levels of PCBs may not be sent to a scrap metal collector, and is subject to special disposal requirements. Asbestos wrapping must be removed by trained individuals prior to PILC removal or testing. If a cable section is to be abandoned-in-place it must be tested to determine its PCB content. PILC containing PCBs above a certain level will require U.S.EPA approval for in-place abandonment underground, which are tested to determine if lead present; if so, special disposal and removal is required.
- Electric meters with lithium batteries.
- Street lighting lamps that contain mercury or lead may also contain PCB capacitors.
- Network systems battery backup and other internal components.

Removal costs are related to not only the additional disposal costs, but the cost to inspect and test the removed equipment for contaminated material in order to determine that a special landfill or disposal is not required. Environmental concerns and regulations are continually increasing and it is not expected that it will be reduced in the future. As such, the Company sees current trends towards higher costs of removal continuing in the future.

Response By:	Brandon Kirschner
Title:	Senior Accounting Analyst
Department:	Capital Asset Accounting
Telephone:	(612) 215-5361
Date:	October 26, 2012

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☒ **Public Document**

Xcel Energy
Docket No.: E,G002/D-12-858
Response To: Craig Addonizio Department of Commerce 9
Nancy Campbell
Date Received: October 9, 2012

Question:

Reference: Schedule C

Please provide a new version of Schedule C which utilizes **UN**redistributed reserves to calculate depreciation expense, rather than redistributed reserves, as Schedule C currently uses.

Response:

Please see Attachment A for a version of Schedule C which uses un-redistributed reserves. The change to depreciation expense without the reserve reallocation is an increase of $12,838,878 for all three utilities. The filing with the reserve reallocation presented a decrease to depreciation expense of $1,500,813. One of the reasons for the change in depreciation is that the reallocation smoothed the overall impact for accounts that were quite under depreciated and had short remaining lives. For example for Electric Distribution Account 370, Meters – Old, the known retirements are greater than the unadjusted depreciation reserve. Applying the known retirements swings the depreciation reserve negative and the average remaining life depreciation rate up to 364.73% without reallocation. Another example is Gas Distribution Account 383, House Regulators, where the average remaining life depreciation rate jumps to 41.50% without reallocation.

Response By: Brandon Kirschner
Title: Senior Accounting Analyst
Department: Capital Asset Accounting
Telephone: (612) 215-5361
Date: October 25, 2012

Utility/ Functional Class	Plant Balance 1/1/2012	Present Annual Accrual	Proposed Annual Accrual	Proposed less Present Change	Theoretical to Actual Reserve Difference	Average Remaining Life	Reserve Difference over Remaining Life	Proposed less Present Change in ASL	Proposed Change in Accrual
Electric Utility									
Intangible	15,217,558	3,043,512	3,034,773	(8,738)	23,736	2.72	(8,738)	-	(8,738)
Transmission	1,911,832,463	43,856,740	34,552,285	(9,304,455)	200,466,881	48.69	(4,116,903)	(5,187,552)	(9,304,455)
Distribution - Minnesota Only	2,762,631,816	63,846,784	89,350,631	25,503,847	109,488,426	(13.34)	8,208,330	17,295,517	25,503,847
General	263,842,485	17,963,470	16,585,292	(1,378,179)	7,120,686	18.81	(378,558)	(999,621)	(1,378,179)
Total Electric Utility	4,953,524,321	128,710,506	143,522,981	14,812,475	317,099,729	(85.61)	3,704,130	11,108,345	14,812,475
Gas Utility									
Intangible	3,662,300	732,460	744,027	11,567	(43,733)	3.78	11,567	-	11,567
Transmission	65,679,681	2,018,813	1,065,867	(952,946)	12,731,083	60.48	(210,508)	(742,437)	(952,946)
Distribution - Minnesota Only	751,813,988	24,416,645	24,047,572	(369,073)	32,849,618	(70.26)	467,565	(836,638)	(369,073)
General	39,316,533	3,272,832	3,035,070	(237,762)	1,384,622	9.56	(144,766)	(92,996)	(237,762)
Total Gas Utility	860,472,502	30,440,749	28,892,535	(1,548,214)	46,921,590	(378.83)	123,858	(1,672,072)	(1,548,214)
Common Utility									
Intangible	72,000,048	13,895,648	12,874,048	(1,021,600)	170,650	0.17	(1,021,600)	-	(1,021,600)
General	186,663,417	12,550,224	13,146,441	596,217	(5,834,308)	6.50	897,554	(301,337)	596,217
Total Common Utility	258,663,465	26,445,872	26,020,488	(425,383)	(5,663,658)	(45.66)	(124,045)	(301,337)	(425,383)
Total All Utilities	6,072,660,288	185,597,127	198,436,005	12,838,878	358,357,660		3,703,943	9,134,936	12,838,878

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	As Approved in E,G002/D-07-1528 Annual Rate (%)	As Approved in E,G002/D-07-1528 Annual Accrual	As Settled in E002/GR-10-971 Annual Rate (%)	As Settled in E002/GR-10-971 Annual Accrual	Proposed Annual Rate (ASL)	Proposed Annual Accrual (ASL)	Proposed Annual Rate (ARL)	Proposed Annual Accrual (ARL)	Proposed Annual Accrual (ARL less ASL)	Proposed less Present Change
		(a)		(b)	(c) = (a)*(b)/100	(d)	(e) = (a)*(d)/100	(f)	(g) = (a)*(f)/100	(h)	(i) = (a)*(h)/100	(j) = (i) - (g)	(k) = (i) - (e)
Intangible													
303	Computer Software - 5 year	15,217,558	(1)	20.00	3,043,512	20.00	3,043,512	20.00	3,043,512	19.94	3,034,773	(8,739)	(8,739)
Total Intangible		15,217,558			3,043,512		3,043,512		3,043,512		3,034,773	(8,739)	(8,739)
Transmission													
352	Structures & Improvements	46,878,153		2.22	1,040,695	2.22	1,040,695	1.47	689,385	1.25	586,490	(102,895)	(454,205)
353	Station Equipment	856,268,539		2.63	22,519,863	2.63	22,519,863	1.96	16,819,561	1.80	15,449,798	(1,369,762)	(7,070,064)
354	Towers & Fixtures	113,933,667		2.50	2,848,342	1.87	2,132,838	1.93	2,197,292	1.45	1,652,000	(545,292)	(480,838)
355	Poles & Fixtures	557,866,574		2.44	13,611,944	1.82	10,133,088	2.18	12,147,095	2.00	11,144,803	(1,002,292)	1,011,715
356	Overhead Conductor & Devices	303,746,575		3.10	9,416,144	2.47	7,492,821	2.06	6,267,786	1.73	5,252,082	(1,015,705)	(2,240,739)
357	Underground Conduit	12,146,888		1.82	221,073	1.19	144,548	1.37	166,396	1.19	145,059	(21,337)	511
358	Underground Conductor & Devices	20,992,067		2.50	524,802	1.87	392,888	1.82	381,674	1.53	322,053	(59,621)	(70,834)
Total Transmission		1,911,832,463			50,182,863		43,856,740		38,669,188		34,552,285	(4,116,903)	(9,304,455)
Distribution - Minnesota Only													
361	Structures & Improvements	33,530,827		2.89	969,041	2.89	969,041	2.17	726,501	2.00	669,597	(56,904)	(299,444)
362	Station Equipment	432,935,359		2.89	12,511,832	2.89	12,511,832	2.18	9,445,862	1.93	8,373,451	(1,072,411)	(4,138,380)
364	Poles, Towers & Fixtures	276,983,831		4.75	13,156,732	3.67	10,176,940	4.55	12,590,174	3.74	10,345,698	(2,244,476)	168,759
365	Overhead Conductor & Devices	305,257,633		3.71	11,325,058	2.64	8,055,444	3.08	9,392,543	2.71	8,270,860	(1,121,683)	215,416
366	Underground Conduit	195,485,167		2.00	3,909,703	0.92	1,807,456	2.12	4,135,263	2.01	3,925,071	(210,192)	2,117,615
367	Underground Conductor & Devices	796,388,991		2.29	18,237,308	1.21	9,638,696	2.22	17,697,533	2.24	17,863,330	165,797	8,224,634
368	Line Transformers	327,056,337	(1)	2.81	9,190,283	1.97	6,429,273	3.28	10,731,536	4.14	13,544,770	2,813,234	7,115,497
368	Line Capacitors	18,030,013	(1)	4.00	721,201	3.15	568,468	4.40	793,321	5.14	926,435	133,115	357,967
369	Services - Overhead	67,976,679		3.38	2,297,612	2.53	1,718,654	4.25	2,889,009	4.21	2,865,137	(23,871)	1,146,483
369	Services - Underground	166,419,623		3.38	5,624,983	2.53	4,207,587	2.56	4,261,966	1.98	3,302,195	(959,771)	(905,392)
370	Meters	91,277,436	(1)	6.67	6,088,205	5.82	5,312,347	6.67	6,085,162	13.10	11,956,150	5,870,988	6,643,804
370	Meters - Old	1,680,974	(2)	5.00	84,049	4.15	69,816	5.00	84,049	364.73	6,131,017	6,046,969	6,061,201
373	Street Light & Signal Systems	49,608,946		4.80	2,381,229	4.80	2,381,229	4.66	2,309,382	2.37	1,176,918	(1,132,464)	(1,204,312)
Total Distribution - Minnesota Only		2,762,631,816			86,497,236		63,846,784		81,142,301		89,350,631	8,208,330	25,503,847

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	As Approved in E,G002/D-07-1528 Annual Rate (%)	As Approved in E,G002/D-07-1528 Annual Accrual	As Settled in E002/GR-10-971 Annual Rate (%)	As Settled in E002/GR-10-971 Annual Accrual	Proposed Annual Rate (ASL)	Proposed Annual Accrual (ASL)	Proposed Annual Rate (ARL)	Proposed Annual Accrual (ARL)	Proposed Annual Accrual (ARL less ASL)	Proposed less Present Change
		(a)		(b)	(c) = (a)*(b)/100	(d)	(e) = (a)*(d)/100	(f)	(g) = (a)*(f)/100	(h)	(i) = (a)*(h)/100	(j) = (i) - (g)	(k) = (i) - (e)
General													
390	Structures & Improvements	59,179,857		2.22	1,313,793	2.22	1,313,793	2.11	1,245,892	1.97	1,165,128	(80,764)	(148,665)
391	Office Furniture & Equipment	22,857,009	(1)	5.56	1,270,850	5.56	1,270,850	5.00	1,142,850	4.07	930,060	(212,790)	(340,789)
391	Network Equipment	4,884,082	(1)	25.00	1,221,021	25.00	1,221,021	25.00	1,221,021	25.84	1,262,025	41,004	41,004
392	Transportation Equipment - Automobiles	390,265	(1)	18.00	70,248	18.00	70,248	10.00	39,027	9.74	38,014	(1,012)	(32,234)
392	Transportation Equipment - Light Trucks	21,025,679	(1)	9.00	1,892,311	9.00	1,892,311	8.33	1,752,140	8.08	1,699,678	(52,462)	(192,633)
392	Transportation Equipment - Trailers	7,211,534	(1)	9.00	649,038	9.00	649,038	6.67	480,769	6.32	455,881	(24,888)	(193,157)
392	Transportation Equipment - Heavy Trucks	41,657,907	(1)	7.92	3,299,306	7.92	3,299,306	7.14	2,975,565	7.18	2,992,329	16,764	(306,977)
393	Stores Equipment	1,230,683	(1)	5.00	61,534	5.00	61,534	5.00	61,534	5.15	63,440	1,905	1,905
394	Tools, Shop & Garage Equipment	51,145,841	(1)	6.67	3,411,428	6.67	3,411,428	6.67	3,409,723	6.66	3,408,054	(1,669)	(3,374)
395	Laboratory Equipment	3,622,186	(1)	10.00	362,219	10.00	362,219	10.00	362,219	10.34	374,692	12,473	12,473
396	Power Operated Equipment	20,725,068	(1)	9.00	1,865,256	9.00	1,865,256	8.33	1,727,089	8.44	1,748,747	21,658	(116,509)
397	Communication Equipment	12,184,390	(1)	11.11	1,353,686	11.11	1,353,686	11.11	1,353,821	11.26	1,371,864	18,042	18,178
397	Communication Equipment - Two Way	232,557	(1)	11.11	25,837	11.11	25,837	11.11	25,840	11.08	25,774	(66)	(63)
397	Communication Equipment - AES	4,962,953	(1)	6.67	331,029	6.67	331,029	6.67	330,864	6.70	332,613	1,749	1,584
397	Communication Equipment - EMS	9,748,526	(1)	6.67	650,227	6.67	650,227	6.67	649,902	5.36	522,391	(127,511)	(127,836)
398	Miscellaneous Equipment	2,783,945	(1)	6.67	185,689	6.67	185,689	6.67	185,596	6.99	194,602	9,006	8,913
Total General		263,842,485			17,963,470		17,963,470		16,963,850		16,585,292	(378,558)	(1,378,179)
Total Electric Utility		4,953,524,321			157,687,080		128,710,506		139,818,851		143,522,981	3,704,130	14,812,475

(1): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.
(2): This account is fully depreciated at in 2012

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	Depreciation Reserve 1/1/2012	Estimated Net Salvage Rate (%)	Average Remaining Life	Average Service Life	Theoretical Reserve	Actual to Theoretical Reserve Difference	Difference Divided by Average Remaining Life	Annual Accrual (ARL less ASL)
		(a)		(b)	(c)	(d)	(e)	(f)	(g) = (b) - (f)	(h) = (g)/(d)	(i)
Intangible											
303	Computer Software - 5 year	15,217,558	(1)	6,974,289	0	2.72	5	6,950,553	23,736	(8,738)	(8,739)
Total Intangible		15,217,558		6,974,289				6,950,553	23,736	(8,738)	(8,739)
Transmission											
352	Structures & Improvements	46,878,153		15,988,771	0	52.67	68	10,569,494	5,419,277	(102,895)	(102,895)
353	Station Equipment	856,268,539		250,854,166	-10	44.73	56	189,587,203	61,266,963	(1,369,762)	(1,369,762)
354	Towers & Fixtures	113,933,667		85,584,198	-35	41.30	70	63,064,084	22,520,114	(545,292)	(545,292)
355	Poles & Fixtures	557,866,574		149,944,731	-35	54.12	62	95,699,052	54,245,679	(1,002,292)	(1,002,292)
356	Overhead Conductor & Devices	303,746,575		120,538,245	-30	52.23	63	67,484,864	53,053,381	(1,015,705)	(1,015,705)
357	Underground Conduit	12,146,888		3,795,005	0	57.58	73	2,566,531	1,228,475	(21,337)	(21,337)
358	Underground Conductor & Devices	20,992,067		6,229,266	0	45.84	55	3,496,274	2,732,991	(59,621)	(59,621)
Total Transmission		1,911,832,463		632,934,382				432,467,501	200,466,881	(4,116,903)	(4,116,903)
Distribution - Minnesota Only											
361	Structures & Improvements	33,530,827		16,194,844	-30	40.91	60	13,866,716	2,328,127	(56,904)	(56,904)
362	Station Equipment	432,935,359		168,300,638	-20	41.94	55	123,318,699	44,981,939	(1,072,411)	(1,072,411)
364	Poles, Towers & Fixtures	276,983,831		221,467,440	-100	32.14	44	149,332,277	72,135,164	(2,244,476)	(2,244,476)
365	Overhead Conductor & Devices	305,257,633		112,988,636	-20	30.63	39	78,633,644	34,354,992	(1,121,683)	(1,121,683)
366	Underground Conduit	195,485,167		63,707,118	-10	38.55	52	55,603,411	8,103,706	(210,192)	(210,192)
367	Underground Conductor & Devices	796,388,991		223,222,466	0	32.09	45	228,542,255	(5,319,789)	165,797	165,797
368	Line Transformers	327,056,337	(1)	89,343,623	-5	18.76	32	142,112,762	(52,769,139)	2,813,234	2,813,234
368	Line Capacitors	18,030,013	(1)	9,868,488	-10	10.76	25	11,300,240	(1,431,752)	133,115	133,115
369	Services - Overhead	67,976,679		44,685,062	-70	24.74	40	44,094,549	590,513	(23,871)	(23,871)
369	Services - Underground	166,419,623		93,229,714	-5	24.68	41	69,538,868	23,690,847	(959,771)	(959,771)
370	Meters	91,277,436	(1)	23,684,476	0	5.65	15	56,875,549	(33,191,073)	5,870,988	5,870,988
370	Meters - Old	1,680,974	(2)	(7,515,552)	0	1.50	20	1,554,901	(9,070,453)	6,046,969	6,046,969
373	Street Light & Signal Systems	49,608,946		40,902,034	-35	22.15	29	15,816,691	25,085,344	(1,132,464)	(1,132,464)
Total Distribution		2,762,631,816		1,100,078,987				990,590,561	109,488,426	8,208,330	8,208,330

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	Depreciation Reserve 1/1/2012	Estimated Net Salvage Rate (%)	Average Remaining Life	Average Service Life	Theoretical Reserve	Actual to Theoretical Reserve Difference	Difference Divided by Average Remaining Life	Annual Accrual (ARL less ASL)
		(a)		(b)	(c)	(d)	(e)	(f)	(g) = (b) - (f)	(h) = (g)/(d)	(i)
General											
390	Structures & Improvements	59,179,857		26,921,569	-20	37.84	57	23,865,074	3,056,495	(80,764)	(80,764)
391	Office Furniture & Equipment	22,857,009	(1)	10,995,425	0	12.75	20	8,281,594	2,713,831	(212,790)	(212,790)
391	Network Equipment	4,884,082	(1)	2,531,389	0	1.86	4	2,607,830	(76,441)	41,004	41,004
392	Transportation Equipment - Automobiles	390,265	(1)	96,916	0	7.72	10	89,105	7,811	(1,012)	(1,012)
392	Transportation Equipment - Light Trucks	21,025,679	(1)	6,650,960	0	8.46	12	6,207,276	443,684	(52,462)	(52,462)
392	Transportation Equipment - Trailers	7,211,534	(1)	1,414,216	0	12.72	15	1,097,725	316,491	(24,888)	(24,888)
392	Transportation Equipment - Heavy Trucks	41,657,907	(1)	9,252,680	0	10.83	14	9,434,228	(181,548)	16,764	16,764
393	Stores Equipment	1,230,683	(1)	404,598	0	13.02	20	429,411	(24,813)	1,905	1,905
394	Tools, Shop & Garage Equipment	51,145,841	(1)	17,348,030	0	9.92	15	17,331,479	16,551	(1,669)	(1,669)
395	Laboratory Equipment	3,622,186	(1)	1,802,445	0	4.86	10	1,863,022	(60,577)	12,473	12,473
396	Power Operated Equipment	20,725,068	(1)	3,530,457	0	9.83	12	3,743,411	(212,954)	21,658	21,658
397	Communication Equipment	12,184,390	(1)	4,119,525	0	5.88	9	4,225,592	(106,067)	18,042	18,042
397	Communication Equipment - Two Way	232,557	(1)	88,429	0	5.59	9	88,062	367	(66)	(66)
397	Communication Equipment - EMS	4,962,953	(1)	1,347,542	0	10.87	15	1,366,558	(19,015)	1,749	1,749
397	Communication Equipment - AMR	9,748,526	(1)	4,359,344	0	10.32	15	3,043,893	1,315,451	(127,511)	(127,511)
398	Miscellaneous Equipment	2,783,945	(1)	1,301,969	0	7.62	15	1,370,550	(68,581)	9,006	9,006
Total General		263,842,485		92,165,496				85,044,810	7,120,686	(378,558)	(378,558)
Total Electric Utility		4,953,524,321		1,832,153,153				1,515,053,425	317,099,729	3,704,130	3,704,130

(1): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.
(2): This account is fully depreciated at in 2012

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	As Approved in E,G002/D-07-1528 Annual Rate (%)	As Approved in E,G002/D-07-1528 Annual Accrual	Proposed Annual Rate (ASL)	Proposed Annual Accrual (ASL)	Proposed Annual Rate (ARL)	Proposed Annual Accrual (ARL)	Proposed Annual Accrual (ARL less ASL)	Proposed less Present Change
		(a)		(b)	(c) = (a)*(b)/100	(d)	(e) = (a)*(d)/100	(f)	(g) = (a)*(f)/100	(h) = (g) - (e)	(i) = (g) - (c)
Intangible											
303	Computer Software - 5 year	3,662,300	(1)	20.00	732,460	20.00	732,460	20.32	744,027	11,567	11,567
Total Intangible		3,662,300			732,460		732,460		744,027	11,567	11,567
Transmission											
366	Structures & Improvements	1,017,205		2.44	24,820	2.02	20,540	1.48	15,086	(5,454)	(9,734)
367	Mains	53,675,877		2.89	1,551,233	1.53	823,030	1.15	619,822	(203,208)	(931,411)
369	Measure & Regulating Station Equipment	10,986,598		4.03	442,760	3.94	432,805	3.92	430,959	(1,846)	(11,801)
Total Transmission		65,679,681			2,018,813		1,276,375		1,065,867	(210,508)	(952,946)
Distribution - Minnesota Only											
375	Structures & Improvements	55,163		2.44	1,346	2.44	1,345	2.69	1,483	137	137
376	Mains - Metallic	80,789,038		2.89	2,334,803	2.35	1,900,919	1.78	1,437,940	(462,978)	(896,863)
376	Mains - Plastic	307,169,652		2.56	7,863,543	2.56	7,849,891	2.46	7,569,937	(279,954)	(293,606)
378	Measure & Regulating Station Equipment - General	6,005,195		4.03	242,009	3.29	197,539	2.97	178,242	(19,298)	(63,768)
379	Measure & Regulating Station Equipment - City Gate	1,773,490		4.03	71,472	2.68	47,604	2.27	40,288	(7,317)	(31,184)
380	Services - Metallic	11,675,526		3.25	379,455	3.50	408,643	1.75	204,532	(204,111)	(174,923)
380	Services - Plastic	250,603,763		3.25	8,144,622	3.33	8,353,459	3.12	7,821,560	(531,898)	(323,062)
381	Meters	90,268,507	(1)	5.75	5,190,439	5.15	4,648,828	5.95	5,367,971	719,142	177,531
381	Meters - Telemetering	38,103	(2)	12.50	-	12.50	-	0.00	-	-	-
383	House Regulators	3,435,550	(1)	5.50	188,955	5.00	171,778	41.50	1,425,619	1,253,842	1,236,664
Total Distribution - Minnesota Only		751,813,988			24,416,645		23,580,006		24,047,572	467,565	(369,073)

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	As Approved in E,G002/D-07-1528 Annual Rate (%)	As Approved in E,G002/D-07-1528 Annual Accrual	Proposed Annual Rate (ASL)	Proposed Annual Accrual (ASL)	Proposed Annual Rate (ARL)	Proposed Annual Accrual (ARL)	Proposed Annual Accrual (ARL less ASL)	Proposed less Present Change
		(a)		(b)	(c) = (a)*(b)/100	(d)	(e) = (a)*(d)/100	(f)	(g) = (a)*(f)/100	(h) = (g) - (e)	(i) = (g) - (c)
General											
390	Structures & Improvements	1,945,425		2.22	43,188	2.18	42,446	2.14	41,659	(786)	(1,529)
391	Office Furniture & Equipment	877,862	(1)	5.56	48,809	5.00	43,893	5.71	50,102	6,209	1,293
391	Network Equipment	37,566	(1)	25.00	9,391	25.00	9,391	23.59	8,863	(528)	(528)
392	Transportation Equipment - Automobiles	83,716	(1)	18.00	15,069	10.00	8,372	22.14	18,538	10,166	3,469
392	Transportation Equipment - Light Trucks	3,556,524	(1)	9.00	320,087	8.33	296,377	8.11	288,294	(8,083)	(31,793)
392	Transportation Equipment - Trailers	661,434	(1)	9.00	59,529	6.67	44,096	5.94	39,321	(4,774)	(20,208)
392	Transportation Equipment - Heavy Trucks	4,827,305	(1)	7.92	382,323	7.14	344,808	7.25	350,123	5,315	(32,200)
393	Stores Equipment	10,091	(1)	5.00	505	5.00	505	4.88	493	(12)	(12)
394	Tools, Shop & Garage Equipment	4,305,799	(1)	6.67	287,197	6.67	287,053	6.47	278,614	(8,439)	(8,583)
396	Power Operated Equipment	547,294	(1)	9.00	49,256	8.33	45,608	9.67	52,916	7,308	3,660
397	Communication Equipment	12,593,714	(1)	11.11	1,399,162	11.11	1,399,302	10.92	1,375,499	(23,803)	(23,663)
397	Communication Equipment - EMS	5,634,650	(1)	6.67	375,831	6.67	375,643	6.12	344,895	(30,748)	(30,936)
397	Communication Equipment - AMR	4,166,157	(1)	6.67	277,883	6.67	277,744	4.35	181,270	(96,474)	(96,613)
398	Miscellaneous Equipment	68,994	(1)	6.67	4,602	6.67	4,600	6.50	4,483	(116)	(119)
Total General		39,316,533			3,272,832		3,179,836		3,035,070	(144,766)	(237,762)
Total Gas Utility		860,472,502			30,440,749		28,768,678		28,892,535	123,858	(1,548,214)

(1): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.
(2): This account is fully depreciated at in 2012

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	Depreciation Reserve 1/1/2012	Estimated Net Salvage Rate (%)	Average Remaining Life	Average Service Life	Theoretical Reserve	Actual to Theoretical Reserve Difference	Difference Divided by Average Remaining Life	Annual Accrual (ARL less ASL)
		(a)		(b)	(c)	(d)	(e)	(f)	(g) = (b) - (f)	(h) = (g)/(d)	(i)
Intangible											
303	Computer Software - 5 year	3,662,300	(1)	849,137	0	3.78	5	892,870	(43,733)	11,567	11,567
Total Intangible		3,662,300		849,137				892,870	(43,733)	11,567	11,567
Transmission											
366	Structures & Improvements	1,017,205		557,740	-5	33.83	52	373,255	184,485	(5,454)	(5,454)
367	Mains	53,675,877		23,598,839	-15	61.52	75	11,098,447	12,500,392	(203,208)	(203,208)
369	Measure & Regulating Station Equipment	10,986,598		3,497,799	-30	25.03	33	3,451,593	46,206	(1,846)	(1,846)
Total Transmission		65,679,681		27,654,378				14,923,295	12,731,083	(210,508)	(210,508)
Distribution - Minnesota Only											
375	Structures & Improvements	55,163		28,192	0	18.19	41	30,688	(2,496)	137	137
376	Mains - Metallic	80,789,038		50,155,708	-20	32.54	51	35,090,207	15,065,501	(462,978)	(462,978)
376	Mains - Plastic	307,169,652		103,191,585	-15	33.03	45	93,944,030	9,247,556	(279,954)	(279,954)
378	Measure & Regulating Station Equipment - General	6,005,195		2,889,234	-25	25.90	38	2,389,337	499,898	(19,298)	(19,298)
379	Measure & Regulating Station Equipment - City Gate	1,773,490		450,136	-2	33.73	38	203,359	246,777	(7,317)	(7,317)
380	Services - Metallic	11,675,526		13,892,235	-40	12.00	40	11,443,780	2,448,456	(204,111)	(204,111)
380	Services - Plastic	250,603,763		122,802,487	-30	25.95	39	108,998,849	13,803,638	(531,898)	(531,898)
381	Meters	90,268,507	(1)	45,919,818	-3	8.77	20	52,223,970	(6,304,152)	719,142	719,142
381	Meters - Telemetering	38,103	(2)	-	0	NA	8	-	-	-	-
383	House Regulators	3,435,550	(1)	984,677	0	1.72	20	3,140,237	(2,155,559)	1,253,842	1,253,842
Total Distribution - Minnesota Only		751,813,988		340,314,074				307,464,456	32,849,618	467,565	467,565

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	Depreciation Reserve 1/1/2012	Estimated Net Salvage Rate (%)	Average Remaining Life	Average Service Life	Theoretical Reserve	Actual to Theoretical Reserve Difference	Difference Divided by Average Remaining Life	Annual Accrual (ARL less ASL)
		(a)		(b)	(c)	(d)	(e)	(f)	(g) = (b) - (f)	(h) = (g)/(d)	(i)
General											
390	Structures & Improvements	1,945,425		333,436	-20	48.03	55	295,667	37,770	(786)	(786)
391	Office Furniture & Equipment	877,862	(1)	114,953	0	15.23	20	209,498	(94,545)	6,209	6,209
391	Network Equipment	37,566	(1)	12,406	0	2.84	4	10,907	1,499	(528)	(528)
392	Transportation Equipment - Automobiles	83,716	(1)	36,324	0	2.56	10	62,314	(25,990)	10,166	10,166
392	Transportation Equipment - Light Trucks	3,556,524	(1)	1,094,169	0	8.54	12	1,025,131	69,038	(8,083)	(8,083)
392	Transportation Equipment - Trailers	661,434	(1)	239,062	0	10.74	15	187,779	51,283	(4,774)	(4,774)
392	Transportation Equipment - Heavy Trucks	4,827,305	(1)	1,291,055	0	10.10	14	1,344,738	(53,683)	5,315	5,315
393	Stores Equipment	10,091	(1)	484	0	19.50	20	252	232	(12)	(12)
394	Tools, Shop & Garage Equipment	4,305,799	(1)	2,341,198	0	7.05	15	2,281,689	59,509	(8,439)	(8,439)
396	Power Operated Equipment	547,294	(1)	107,848	0	8.30	12	168,542	(60,694)	7,309	7,308
397	Communication Equipment	12,593,714	(1)	4,940,086	0	5.56	9	4,807,641	132,445	(23,803)	(23,803)
397	Communication Equipment - AES	5,634,650	(1)	1,595,472	0	11.71	15	1,235,372	360,100	(30,748)	(30,748)
397	Communication Equipment - EMS	4,166,157	(1)	2,461,950	0	9.40	15	1,554,946	907,004	(96,474)	(96,474)
398	Miscellaneous Equipment	68,994	(1)	43,807	0	5.62	15	43,152	655	(117)	(116)
Total General		39,316,533		14,612,250				13,227,628	1,384,622	(144,766)	(144,766)
Total Gas Utility		860,472,502		383,429,838				336,508,249	46,921,590	123,858	123,858

(1): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.
(2): This account is fully depreciated at in 2012

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	As Approved in E,G002/D-07-1528 Annual Rate (%)	As Approved in E,G002/D-07-1528 Annual Accrual	Proposed Annual Rate (ASL)	Proposed Annual Accrual (ASL)	Proposed Annual Rate (ARL)	Proposed Annual Accrual (ARL)	Proposed Annual Accrual (ARL less ASL)	Proposed less Present Change
		(a)		(b)	(c) = (a)*(b)/100	(d)	(e) = (a)*(d)/100	(f)	(g) = (a)*(f)/100	(h) = (g) - (e)	(i) = (g) - (c)
Intangible											
303	Computer Software - 3 year	-	(2)	33.33	-	33.33	-	33.33	-	-	-
303	Computer Software - 5 year	63,386,881	(2)	20.00	12,677,376	20.00	12,677,376	20.22	12,816,543	139,167	139,167
303	Computer Software - 7 year	8,328,954	(2)	14.29	1,189,851	14.29	1,189,851	0.35	29,083	(1,160,767)	(1,160,767)
303	Computer Software - 10 year	284,213	(2)	10.00	28,421	10.00	28,421	10.00	28,421	0	0
Total Intangible		72,000,048			13,895,648	0.192995	13,895,648		12,874,048	(1,021,600)	(1,021,600)
General											
390	Structures & Improvements	115,747,921		2.22	2,569,604	2.18	2,525,409	2.23	2,583,785	58,375	14,181
390	Structures & Improvements - Leasehold Improvements	1,163,412		10.53	122,507	10.00	116,341	8.60	100,017	(16,324)	(22,490)
391	Office Furniture & Equipment	23,397,579	(2)	5.56	1,300,905	5.00	1,169,879	5.97	1,396,506	226,627	95,601
391	Network Equipment	27,288,817	(2)	25.00	6,822,204	25.00	6,822,204	27.20	7,422,918	600,713	600,713
392	Transportation Equipment - Automobiles	319,097	(2)	18.00	57,437	10.00	31,910	6.66	21,237	(10,672)	(36,200)
392	Transportation Equipment - Light Trucks	4,350,598	(2)	9.00	391,554	8.33	362,550	8.11	353,010	(9,539)	(38,543)
392	Transportation Equipment - Trailers	1,125,686	(2)	9.00	101,312	6.67	75,046	5.68	63,990	(11,056)	(37,322)
392	Transportation Equipment - Heavy Trucks	4,425,984	(2)	7.92	350,538	7.14	316,142	6.58	291,262	(24,880)	(59,276)
393	Stores Equipment	9,136	(2)	5.00	457	5.00	457	8.18	747	290	290
394	Tools, Shop & Garage Equipment	2,173,877	(2)	6.67	144,998	6.67	144,925	6.76	146,879	1,954	1,881
395	Laboratory Equipment	36,686	(2)	10.00	3,669	10.00	3,669	8.83	3,241	(428)	(428)
396	Power Operated Equipment	707,031	(2)	9.00	63,633	8.33	58,919	8.77	62,011	3,092	(1,622)
397	Communication Equipment	1,367,560	(2)	11.11	151,936	11.11	151,951	14.73	201,395	49,444	49,459
397	Communication Equipment - Two Way	3,738,356	(2)	11.11	415,331	11.11	415,373	12.00	448,734	33,361	33,403
398	Miscellaneous Equipment	811,679	(2)	6.67	54,139	6.67	54,112	6.25	50,708	(3,404)	(3,431)
Total General		186,663,417			12,550,224		12,248,886		13,146,441	897,554	596,217
Total Common Utility		258,663,465			26,445,872		26,144,534		26,020,488	(124,046)	(425,383)

(1): Plant Balance as of 1/1/2012 has been adjusted for known retirements that occurred in the first six months of 2012.
(2): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.

FERC Account	Account Description	Plant Balance 1/1/2012	(Note)	Depreciation Reserve 1/1/2012	Estimated Net Salvage Rate (%)	Average Remaining Life	Average Service Life	Theoretical Reserve	Actual to Theoretical Reserve Difference	Difference Divided by Average Remaining Life	Annual Accrual (ARL less ASL)
		(a)		(b)	(c)	(d)	(e)	(f)	(g) = (b) - (f)	(h) = (g)/(d)	(i)
Intangible											
303	Computer Software - 3 year	-	(2)	-	0	0.00	3	-	-	-	-
303	Computer Software - 5 year	63,386,881	(2)	25,652,507	0	2.94	5	26,062,241	(409,734)	139,167	139,167
303	Computer Software - 7 year	8,328,954	(2)	8,314,412	0	0.50	7	7,734,029	580,383	(1,160,766)	(1,160,767)
303	Computer Software - 10 year	284,213	(2)	184,738	0	3.50	10	184,738	0	(0)	0
Total Intangible		72,000,048		34,151,658				33,981,008	170,650	(1,021,600)	(1,021,600)
General											
390	Structures & Improvements	115,747,921		24,714,374	-20	44.19	55	27,294,114	(2,579,740)	58,375	58,375
390	Structures & Improvements - Leasehold Improvements	1,163,412		613,316	0	5.50	10	523,535	89,781	(16,324)	(16,324)
391	Office Furniture & Equipment	23,397,579	(2)	10,636,103	0	9.14	20	12,707,053	(2,070,950)	226,627	226,627
391	Network Equipment	27,288,817	(2)	10,038,520	0	2.32	4	11,434,532	(1,396,012)	600,713	600,713
392	Transportation Equipment - Automobiles	319,097	(2)	172,816	0	6.89	10	99,307	73,509	(10,672)	(10,672)
392	Transportation Equipment - Light Trucks	4,350,598	(2)	2,256,695	0	5.93	12	2,200,111	56,584	(9,539)	(9,539)
392	Transportation Equipment - Trailers	1,125,686	(2)	456,274	0	10.46	15	340,621	115,654	(11,056)	(11,056)
392	Transportation Equipment - Heavy Trucks	4,425,984	(2)	1,938,033	0	8.54	14	1,725,513	212,520	(24,880)	(24,880)
393	Stores Equipment	9,136	(2)	(4,424)	0	18.15	20	846	(5,270)	290	290
394	Tools, Shop & Garage Equipment	2,173,877	(2)	686,003	0	10.13	15	705,793	(19,790)	1,954	1,954
395	Laboratory Equipment	36,686	(2)	28,584	0	2.50	10	27,515	1,069	(428)	(428)
396	Power Operated Equipment	707,031	(2)	205,921	0	8.08	12	230,906	(24,985)	3,092	3,092
397	Communication Equipment	1,367,560	(2)	588,625	0	3.87	9	779,859	(191,234)	49,444	49,444
397	Communication Equipment - Two Way	3,738,356	(2)	2,179,268	0	3.47	9	2,295,179	(115,912)	33,361	33,361
398	Miscellaneous Equipment	811,679	(2)	506,790	0	6.01	15	486,322	20,468	(3,404)	(3,404)
Total General		186,663,417		55,016,899				60,851,207	(5,834,308)	897,554	897,554
Total Common Utility		258,663,465		89,168,557				94,832,215	(5,663,658)	(124,045)	(124,046)

(1): Plant Balance as of 1/1/2012 has been adjusted for known retirements that occurred in the first six months of 2012.
(2): Plant Balance for vintage group (amortized) assets is for the vintages as of 1/1/2012 that are not fully depreciated.

Northern States Power - Transmission, Distribution and General Study

Xcel Energy
2011 Summary of Annual Depreciation Accruals
Average Service Life
Utility Accounts

FERC Account	NSP Account	Account Description	Plant Balance 1/1/2012	Depreciation Reserve 1/1/2012	Est. Future Net Salvage %	Est. Future Net Salvage Amount	Unaccrued Balance	Remaining Life (Yrs)	Annual Accrual	Depr Rate	Reserve Ratio
Electric											
352	10352000	Transmission Structures and Improvements	46,878,153	15,988,771	0%	-	30,889,382	52.67	586,490	1.2511%	34.11%
353	10353000	Transmission Station Equipment	856,268,539	250,854,166	-10%	(85,626,854)	691,041,227	44.73	15,449,798	1.8043%	29.30%
354	10354000	Transmission Towers and Fixtures	113,933,667	85,584,198	-35%	(39,876,783)	68,226,252	41.30	1,652,000	1.4500%	75.12%
355	10355000	Transmission Poles and Fixtures	557,866,574	149,944,731	-35%	(195,253,301)	603,175,144	54.12	11,144,803	1.9978%	26.88%
356	10356000	Transmission Overhead Conductor and Devices	303,746,575	120,538,245	-30%	(91,123,973)	274,332,303	52.23	5,252,082	1.7291%	39.68%
357	10357000	Transmission Underground Conduit	12,146,888	3,795,005	0%	-	8,351,883	57.58	145,059	1.1942%	31.24%
358	10358000	Transmission Underground Conductor	20,992,067	6,229,266	0%	-	14,762,802	45.84	322,053	1.5342%	29.67%
		Total Transmission	1,911,832,463	632,934,382		(411,880,911)	1,690,778,992		34,552,285		
Distribution -MN only											
361	10361000	Distribution Structures and Improvements	33,530,827	16,194,844	-30%	(10,059,248)	27,395,231	40.91	669,597	1.9970%	48.30%
362	10362000	Distribution Station Equipment	432,935,359	168,300,638	-20%	(86,587,072)	351,221,792	41.94	8,373,451	1.9341%	38.87%
364	10364000	Distribution Poles, Towers and Fixtures	276,983,831	221,467,440	-100%	(276,983,831)	332,500,222	32.14	10,345,698	3.7351%	79.96%
365	10365000	Distribution Overhead Conductor and Devices	305,257,633	112,988,636	-20%	(61,051,527)	253,320,524	30.63	8,270,860	2.7095%	37.01%
366	10366000	Distribution Underground Conduit	195,485,167	63,707,118	-10%	(19,548,517)	151,326,566	38.55	3,925,071	2.0079%	32.59%
367	10367000	Distribution Underground Conductor and Devices	796,388,991	223,222,466	0%	-	573,166,525	32.09	17,863,330	2.2430%	28.03%
369	10369010	Distribution Services - Overhead	67,976,679	44,685,062	-70%	(47,583,675)	70,875,292	24.74	2,865,137	4.2149%	65.74%
369	10369020	Distribution Services - Underground	166,419,623	93,229,714	-5%	(8,320,981)	81,510,890	24.68	3,302,195	1.9843%	56.02%
373	10373000	Distribution Street Lighting	49,608,946	40,902,034	-35%	(17,363,131)	26,070,043	22.15	1,176,918	2.3724%	82.45%
		Total Distribution	2,324,587,055	984,697,951		(527,497,981)	1,867,387,085		56,792,258		
390	10390000	General Structures and Improvements	59,179,857	26,921,569	-20%	(11,835,971)	44,094,259	37.84	1,165,128	1.9688%	45.49%
		Total General	59,179,857	26,921,569		(11,835,971)	44,094,259		1,165,128		
		Total Electric Utility	4,295,599,375	1,644,553,902		(951,214,864)	3,602,260,337		92,509,671		

Xcel Energy
2011 Summary of Annual Depreciation Accruals
Average Service Life
Utility Accounts

FERC Account	NSP Account	Account Description	Plant Balance 1/1/2012	Depreciation Reserve 1/1/2012	Est. Future Net Salvage %	Est. Future Net Salvage Amount	Unaccrued Balance	Remaining Life (Yrs)	Annual Accrual	Depr Rate	Reserve Ratio
Gas											
366	20366000	Transmission Structures and Improvements	1,017,205	557,740	-5%	(50,860)	510,325	33.83	15,086	1.4831%	54.83%
367	20367000	Transmission Mains	53,675,877	23,598,839	-15%	(8,051,382)	38,128,419	61.52	619,822	1.1547%	43.97%
369	20369000	Transmission Measuring and Regulating Equipment	10,986,598	3,497,799	-30%	(3,295,979)	10,784,779	25.03	430,959	3.9226%	31.84%
		Total Transmission	65,679,680	27,654,378		(11,398,221)	49,423,523		1,065,867		
Distribution -MN only											
375	20375000	Distribution Structures and Improvements	55,163	28,192	0%	-	26,971	18.19	1,483	2.6878%	51.11%
376	20376010	Distribution Mains - Metallic	80,789,038	50,155,708	-20%	(16,157,808)	46,791,137	32.54	1,437,940	1.7799%	62.08%
376	20376020	Distribution Mains - Plastic	307,169,652	103,191,585	-15%	(46,075,448)	250,053,515	33.03	7,569,937	2.4644%	33.59%
378	20378000	Distribution Measuring and Regulating- General	6,005,195	2,889,234	-25%	(1,501,299)	4,617,260	25.90	178,242	2.9681%	48.11%
379	20379000	Distribution Measuring and Regulating- City Gate	1,773,490	450,136	-2%	(35,470)	1,358,823	33.73	40,288	2.2717%	25.38%
380	20380010	Distribution Services - Metallic	11,675,526	13,892,235	-40%	(4,670,211)	2,453,502	12.00	204,532	1.7518%	118.99%
380	20380020	Distribution Services - Plastic	250,603,763	122,802,487	-30%	(75,181,129)	202,982,404	25.95	7,821,560	3.1211%	49.00%
		Total Distribution	658,071,827	293,409,578		(143,621,363)	508,283,612		17,253,982		
390	20390000	General Structures and Improvements	1,945,425	333,436	-20%	(389,085)	2,001,073	48.03	41,659	2.1414%	17.14%
		Total General	1,945,425	333,436		(389,085)	2,001,073		41,659		
		Total Gas Utility	725,696,932	321,397,393		(155,408,670)	559,708,209		18,361,508		

Xcel Energy
2011 Summary of Annual Depreciation Accruals
Average Service Life
Utility Accounts

FERC Account	NSP Account	Account Description	Plant Balance 1/1/2012	Depreciation Reserve 1/1/2012	Est. Future Net Salvage %	Est. Future Net Salvage Amount	Unaccrued Balance	Remaining Life (Yrs)	Annual Accrual	Depr Rate	Reserve Ratio
Common											
390	40390000	General Structures and Improvements	115,747,921	24,714,374	-20%	(23,149,584)	114,183,131	44.19	2,583,785	2.2323%	21.35%
390	40390007	General Structures and Improvements - Leased	1,163,412	613,316	0%	-	550,095	5.50	100,017	8.5969%	52.72%
		Total General	116,911,333	25,327,691		(23,149,584)	114,733,226		2,683,802		
		Total Common Utility	116,911,333	25,327,691		(23,149,584)	114,733,226		2,683,802		
		Total ASL- All Utilities	5,138,207,640	1,991,278,985		(1,129,773,117)	4,276,701,772		113,554,981		

Xcel Energy
Computation of Amortization Rate
Vintage Group
Electric Utility

FERC Account	NSP Account	Account Description	Plant Balance 1/1/2012	Depreciation Reserve 1/1/2012	Est. Future Net Salvage %	Est. Future Net Salvage Amount	Unaccrued Balance	Remaining Life (Yrs)	Annual Accrual	Depr Rate	Reserve Ratio
Distribution - MN Only											
368	10368000	Distribution Line Transformers	327,056,337	89,343,623	-5%	(16,352,817)	254,065,531	18.76	13,544,770	4.1414%	27.32%
368	10368010	Distribution Line Capacitors	18,030,013	9,868,488	-10%	(1,803,001)	9,964,527	10.76	926,435	5.1383%	54.73%
370	10370010	Distribution Meters - Old	1,680,974	(7,515,552)	0%	-	9,196,526	1.50	6,131,017	364.7300%	-447.09%
370	10370000	Distribution Meters	91,277,436	23,684,476	0%	-	67,592,960	5.65	11,956,150	13.0987%	25.95%
		Total Electric Vintage Group	438,044,761	115,381,036		(18,155,818)	340,819,543		32,558,374		

Xcel Energy
Computation of Amortization Rate
Vintage Group
Gas Utility

FERC Account	NSP Account	Account Description	Plant Balance 1/1/2012	Depreciation Reserve 1/1/2012	Est. Future Net Salvage %	Est. Future Net Salvage Amount	Unaccrued Balance	Remaining Life (Yrs)	Annual Accrual	Depr Rate	Reserve Ratio
Distribution- MN Only											
381	20381000	Distribution Meters	90,268,507	45,919,818	-3%	(2,708,055)	47,056,744	8.77	5,367,971	5.9467%	50.87%
381	20381010	Distribution Telemetering	-	-	0%	-	-	NA	-	NA	NA
383	20383000	Distribution House Regulators	3,435,550	984,677	0%	-	2,450,873	1.72	1,425,619	41.4961%	28.66%
		Total Gas Vintage Group	93,704,058	46,904,496		(2,708,055)	49,507,617		6,793,590		

Northern States Power - Transmission, Distribution and General Study

Xcel Energy
Computation of Amortization Amount
For Amortized Property
At January 1, 2012

Electric Plant

	Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Theoretical Reserve 1/1/2012	Reserve Difference	Remaining Life	Amortize Reserve Difference
Intangible Plant							
303	Computer Software - 5 Year	38,001,392	29,758,124	29,734,387	23,736	2.72	(8,739)
	Total Intangible Plant	38,001,392	29,758,124	29,734,387	23,736		(8,739)
General Plant							
391	Office Furniture and Equipment	22,857,009	10,995,425	8,281,594	2,713,831	12.75	(212,790)
391	Information System Computers	12,149,587	9,796,894	9,873,335	(76,441)	1.86	41,004
392	Automobiles	390,265	96,916	89,105	7,812	7.72	(1,012)
392	Trucks	21,124,664	6,749,945	6,306,261	443,684	8.46	(52,462)
392	Transportation Equipment - Trailers	7,211,534	1,414,216	1,097,725	316,490	12.72	(24,888)
392	Trucks	41,791,424	9,386,197	9,567,745	(181,548)	10.83	16,764
393	Stores Equipment	1,586,203	760,118	784,931	(24,813)	13.02	1,905
394	Tools, Shop, and Garage Equipment	51,659,027	17,861,215	17,844,664	16,551	9.92	(1,669)
395	Laboratory Equipment	3,805,496	1,985,755	2,046,333	(60,577)	4.86	12,473
396	Power Operated Equipment	20,725,068	3,530,457	3,743,411	(212,953)	9.83	21,658
397	Communication Equipment	12,763,770	4,698,905	4,804,972	(106,067)	5.88	18,042
397	Communication Equipment - Two Way	252,239	108,111	107,744	367	5.59	(66)
397	Communication Equipment - AES	4,962,953	1,347,542	1,366,557	(19,015)	10.87	1,749
397	Communication Equipment - AMR	9,748,526	4,359,344	3,043,893	1,315,451	10.32	(127,511)
398	Miscellaneous Equipment	2,794,004	1,312,028	1,380,609	(68,581)	7.62	9,006
	Total General Plant	213,821,771	74,403,069	70,338,878	4,064,191		(297,795)
	Total Electric Intangible & General	251,823,163	104,161,193	100,073,266	4,087,927		(306,533)

Excluding Fully Accrued Assets

Account	Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Amortization Life	Annual Amortization	Accrual For Reserve Difference	Total Amortization	Amortization Rate
303	Computer Software - 5 Year	15,217,558	6,974,289	5.00	3,043,512	(8,739)	3,034,773	19.9426%
	Total Intangible Plant	15,217,558	6,974,289		3,043,512	(8,739)	3,034,773	
General Plant								
391	Office Furniture and Equipment	22,857,009	10,995,425	20.00	1,142,850	(212,790)	930,060	4.0690%
391	Info Sys Computers	4,884,082	2,531,389	4.00	1,221,021	41,004	1,262,025	25.8395%
392	Transportation Equip - Automobiles	390,265	96,916	10.00	39,027	(1,012)	38,014	9.7406%
392	Transportation Equip - Light Trucks	21,025,679	6,650,960	12.00	1,752,140	(52,462)	1,699,678	8.0838%
392	Transportation Equip - Trailers	7,211,534	1,414,216	15.00	480,769	(24,888)	455,881	6.3216%
392	Transportation Equip - Heavy Trucks	41,657,907	9,252,680	14.00	2,975,565	16,764	2,992,329	7.1831%
393	Stores Equipment	1,230,683	404,598	20.00	61,534	1,905	63,440	5.1548%
394	Tools, Shop, and Garage Equipment	51,145,841	17,348,030	15.00	3,409,723	(1,669)	3,408,054	6.6634%
395	Laboratory Equipment	3,622,186	1,802,445	10.00	362,219	12,473	374,692	10.3444%
396	Power Operated Equipment	20,725,068	3,530,457	12.00	1,727,089	21,658	1,748,747	8.4378%
397	Communication Equipment	12,184,390	4,119,525	9.00	1,353,821	18,042	1,371,864	11.2592%
397	Communication Equipment - Two Way	232,557	88,429	9.00	25,840	(66)	25,774	11.0829%
397	Communication Equipment - AES	4,962,953	1,347,542	15.00	330,864	1,749	332,613	6.7019%
397	Communication Equipment - AMR	9,748,526	4,359,344	15.00	649,902	(127,511)	522,391	5.3587%
398	Miscellaneous Equipment	2,783,945	1,301,969	15.00	185,596	9,006	194,602	6.9902%
	Total General Plant	204,662,628	65,243,927		15,717,958	(297,795)	15,420,164	
	Total Electric Intangible & General	219,880,186	72,218,216		18,761,470	(306,533)	18,454,937	

Gas Utility Plant

Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Theoretical Reserve 1/1/2012	Reserve Difference	Remaining Life	Amortize Reserve Difference
Intangible Plar						
303 Intg Misc Computer Software - 5 Year	4,994,873	2,181,710	2,225,443	(43,733.05)	3.78	11,567
Total Intangible Plant	4,994,873	2,181,710	2,225,443	(43,733.05)		11,567
General Plant						
391 Office Furniture and Equipment	877,862	114,953	209,498	(94,545)	15.23	6,209
391 Information System Computers	37,566	12,406	10,907	1,500	2.84	(528)
392 Transportation Equip - Automobiles	83,716	36,324	62,314	(25,990)	2.56	10,166
392 Transportation Equip - Light Trucks	3,556,524	1,094,169	1,025,131	69,038	8.54	(8,083)
392 Transportation Equip - Trailers	661,434	239,062	187,779	51,283	10.74	(4,774)
392 Transportation Equip - Heavy Trucks	4,827,305	1,291,055	1,344,738	(53,683)	10.10	5,315
393 Stores Equipment	10,091	484	252	231	19.50	(12)
394 Tools, Shop, and Garage Equipment	4,305,799	2,341,198	2,281,689	59,509	7.05	(8,439)
396 Power Operated Equipment	1,132,309	692,863	753,556	(60,693)	8.30	7,308
397 Communication Equipment	12,618,831	4,965,202	4,832,757	132,445	5.56	(23,803)
397 Communication Equipment - AES	5,634,650	1,595,472	1,235,372	360,100	11.71	(30,748)
397 Communication Equipment - AMR	4,166,157	2,461,950	1,554,946	907,003	9.40	(96,474)
398 Miscellaneous Equipment	89,194	64,007	63,352	654	5.62	(116)
Total General Plant	38,001,439	14,909,144	13,562,292	1,346,853		(143,980)
Total Gas Intangible & General	42,996,312	17,090,854	15,787,734	1,303,119		(132,413)

Gas Utility Plant

Excluding Fully Accrued Assets

Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Amortization Life	Annual Amortization	Accrual For Reserve Difference	Total Amortization	Amortization Rate
Intangible Plar							
303 Computer Software - 5 Year	3,662,300	849,137	5	732,460	11,567	744,027	20.3158%
Total Intangible Plant	3,662,300	849,137		732,460	11,567	744,027	
General Plant							
391 Office Furniture and Equipment	877,862	114,953	20	43,893	6,209	50,102	5.7073%
391 Information System Computers	37,566	12,406	4	9,391	(528)	8,863	23.5938%
392 Transportation Equip - Automobiles	83,716	36,324	10	8,372	10,166	18,538	22.1438%
392 Transportation Equip - Light Trucks	3,556,524	1,094,169	12	296,377	(8,083)	288,294	8.1061%
392 Transportation Equip - Trailers	661,434	239,062	15	44,096	(4,774)	39,321	5.9449%
392 Transportation Equip - Heavy Trucks	4,827,305	1,291,055	14	344,808	5,315	350,123	7.2530%
393 Stores Equipment	10,091	484	20	505	(12)	493	4.8825%
394 Tools, Shop, and Garage Equipment	4,305,799	2,341,198	15	287,053	(8,439)	278,614	6.4707%
396 Power Operated Equipment	547,294	107,848	12	45,608	7,308	52,916	9.6687%
397 Communication Equipment	12,593,714	4,940,086	9	1,399,302	(23,803)	1,375,499	10.9221%
397 Communication Equipment - AES	5,634,650	1,595,472	15	375,643	(30,748)	344,895	6.1210%
397 Communication Equipment - AMR	4,166,157	2,461,950	15	277,744	(96,474)	181,270	4.3510%
398 Miscellaneous Equipment	68,994	43,807	15	4,600	(116)	4,483	6.4979%
					0		
Total General Plant	37,371,108	14,278,813		3,137,390	(143,980)	2,993,411	
Total Gas Intangible & General	41,033,408	15,127,950		3,869,850	(132,413)	3,737,437	

Common Plant

FERC Accoun	Account Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Theoretical Reserve 1/1/2012	Reserve Difference	Remaining Life	Amortize Reserve Difference
Intangible Plant							
303	Computer Software - 3 Year	11,905,829	11,905,829	11,905,829	0	0.00	NA
303	Computer Software - 5 Year	135,278,764	97,544,390	97,954,124	(409,734)	2.94	139,167
303	Computer Software - 7 Year	70,726,449	70,711,907	70,131,524	580,384	0.50	(1,160,767)
303	Computer Software - 10 Year	20,801,640	20,702,165	20,702,165	(0)	3.50	0
	Total Intangible Plant	238,712,681	200,864,291	200,693,642	170,649		(1,021,600)
General Plant							
391	Office Furniture and Equipment	31,508,621	18,747,145	20,818,095	(2,070,950)	9.14	226,627
391	Information System Computers	45,809,354	28,559,057	29,955,069	(1,396,012)	2.32	600,713
392	Transportation Equip - Automobiles	319,097	172,816	99,307	73,509	6.89	(10,672)
392	Transportation Equip - Light Trucks	4,350,598	2,256,695	2,200,111	56,584	5.93	(9,539)
392	Transportation Equip - Trailers	1,125,686	456,274	340,621	115,654	10.46	(11,056)
392	Transportation Equip - Heavy Trucks	4,425,984	1,938,033	1,725,513	212,520	8.54	(24,880)
393	Stores Equipment	73,660	60,100	65,370	(5,270)	18.15	290
394	Tools, Shop, and Garage Equipment	2,419,867	931,993	951,783	(19,790)	10.13	1,954
395	Laboratory Equipment	36,686	28,584	27,515	1,069	2.50	(428)
396	Power Operated Equipment	711,999	210,889	235,874	(24,985)	8.08	3,092
397	Communication Equipment	1,499,822	720,887	912,121	(191,234)	3.87	49,444
397	Communication Equipment - Two Way	3,926,377	2,367,289	2,483,200	(115,911)	3.47	33,361
398	Miscellaneous Equipment	917,274	612,386	591,917	20,469	6.01	(3,404)
	Total General Plant	97,125,024	57,062,147	60,406,496	(3,344,349)		855,503
	Total Common	335,837,705	257,926,439	261,100,138	(3,173,699)		(166,098)

Excluding Fully Accrued Assets

	Description	Plant Balance 1/1/2012	Allocated Reserve 1/1/2012	Amortization Life	Annual Amortization	Accrual For Reserve Difference	Total Amortization	Amortization Rate
Intangible Plant								
303	Computer Software - 3 Year	0	0	3.00	0	0	0	33.3333% (2)
303	Computer Software - 5 Year	63,386,881	25,652,507	5.00	12,677,376	139,167	12,816,543	20.2196%
303	Computer Software - 7 Year	8,328,954	8,314,412	7.00	1,189,851	(1,160,767)	29,083	0.3492%
303	Computer Software - 10 Year	284,213	184,738	10.00	28,421	0	28,421	10.0000%
	Total Intangible Plant	72,000,048	34,151,658		13,895,648	-1,021,600	12,874,048	

(2) Rate if new plant is added

General Plant								
391	Office Furniture and Equipment	23,397,579	10,636,103	20	1,169,879	226,627	1,396,506	5.9686%
391	Information System Computers	27,288,817	10,038,520	4	6,822,204	600,713	7,422,918	27.2013%
392	Transportation Equip - Automobiles	319,097	172,816	10	31,910	(10,672)	21,237	6.6555%
392	Transportation Equip - Light Trucks	4,350,598	2,256,695	12	362,550	(9,539)	353,010	8.1141%
392	Transportation Equip - Trailers	1,125,686	456,274	15	75,046	(11,056)	63,990	5.6846%
392	Transportation Equip - Heavy Trucks	4,425,984	1,938,033	14	316,142	(24,880)	291,262	6.5807%
393	Stores Equipment	9,136	(4,424)	20	457	290	747	8.1789%
394	Tools, Shop, and Garage Equipment	2,173,877	686,003	15	144,925	1,954	146,879	6.7565%
395	Laboratory Equipment	36,686	28,584	10	3,669	(428)	3,241	8.8341%
396	Power Operated Equipment	707,031	205,921	12	58,919	3,092	62,011	8.7706%
397	Communication Equipment	1,367,560	588,625	9	151,951	49,444	201,395	14.7266%
397	Communication Equipment - Two Way	3,738,356	2,179,268	9	415,373	33,361	448,734	12.0035%
398	Miscellaneous Equipment	811,679	506,790	15	54,112	(3,404)	50,708	6.2473%
	Total General Plant	69,752,085	29,689,208		9,607,136	855,503	10,462,639	
	Total Common Intangible & General	141,752,133	63,840,866		23,502,784	(166,098)	23,336,686	

CERTIFICATE OF SERVICE

I, Jan Mottaz, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Comments of the Division of Energy Resources of the Minnesota Department of Commerce

Docket No. E,G002/D-12-858

Dated this **21st day of December 2012**

/s/Jan Mottaz

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