

April 12, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Letter of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G002/D-17-581

Dear Mr. Wolf:

On July 31, 2017, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) filed a five-year depreciation study (2017 Depreciation Study) in Docket E,G002/D-17-581 for its transmission, distribution and general plant accounts for its electric, gas, and common utilities (Petition).

On September 29, 2017, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments recommending that the Minnesota Public Utilities Commission's (Commission) approve the Petition.

On October 10, 2017 Xcel filed a Reply Comments suggesting two clarifying modifications to the two requirements included in the Department's recommendations for approval.

On October 13, 2017, the Department filed a response to the Company's Reply Comments modifying its recommendations to the Commission as follows:

- **Approve** Xcel's proposed depreciation lives and rates in the 2017 Depreciation Study, effective January 1, 2018;
- **Approve** Xcel's request to change from an average service life (ASL) depreciation method to an effective average remaining life (ARL) depreciation method;
- **Require** Xcel to file an annual update of remaining lives and depreciation rates for its transmission, distribution, and general accounts beginning July 31, 2018, and to file a comprehensive five-year depreciation study for its transmission, distribution, and general accounts by July 31, 2022; and

- **Require** Xcel to return to ratepayers the Electric Utility and the electric portion of the Common Utility net decrease in depreciation expense due to the change in the depreciation method through the 2018 capital true-up filing in Docket No. E002/GR-15-826.

On December 22, 2017, Xcel filed a letter to correct an error in its 2017 Depreciation Study. Rather than a 15-year Average Service Life (ASL) for their leasehold improvements for 401 Nicollet Mall, the only assets in the FERC Account 390 (Structure and Improvements – Leasehold Improvements), Xcel requested a 13.33 Average Remaining Life (ARL) for the assets (coinciding with the remaining term of the lease), which would result in an annual depreciation rate of 6.67 percent. The Company explained that these leasehold improvements should be depreciated over the lease term as was assumed in the 2015 Rate Case in Docket No. E002/GR-15-826. Xcel provided a revised Schedule A, and revised Schedules B and C for Common Utility.

On April 11, 2018, Xcel filed a second letter to request a 44-year ASL for FERC Account 369 (Services – Underground), instead of 49-year ASL as requested in the initial petition, to align the proposed ASL with the statistics as reported in the actuarial study. Xcel provided revised Schedules A and B reflecting the correction.

The Department notes that the correction requested by the Company's April 11, 2018 letter appears to be a typographical error in the Petition's Schedules A and B, and has no impact on the 2017 Depreciation Study's results.

As for the December 22, 2018 letter filed by Xcel, the change requested would result in a decrease in Common Utility's depreciation and would impact not only the Common Utility page of Schedule C provided by Xcel (comparing Common Utility's present to proposed depreciation), but also the summary Schedule C¹ (comparing present to proposed depreciation in total for all categories (Electric Utility, Gas Utility, and Common Utility)). In the Summary page of Schedule C, the figures for "General" (under Common Utility), "Total Common Utility" as well as "Total All Utilities" are all impacted by the December 22, 2017 change requested by the Company. The requested change also impacts Table 1² (Depreciation Expense Impact of the Proposed Change) on page 2 of the initial Petition and thereby impacts also the Electric Utility and the electric portion of the Common Utility net decrease in depreciation expense due to the change in the depreciation method.

The Department recognizes that these are minor changes and notes that the changes do not modify the recommendations reflected in the Department's October 13, 2017 reply comments. However, the Department requests that Xcel provide the following corrected versions to ensure clarity of the record:

¹ 2017 Depreciation Study (page 1 of 6 of Schedule C), initial Petition in Docket E, G002/D-17-581.

² 2017 Depreciation Study, initial Petition page 2 in Docket E, G002/D-17-581.

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Analyst Assigned: Charles Amevo
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- Table 1 (Depreciation Expense Impact of the Proposed Change)
- Summary page of Schedule C, page 1 of 6

The Department is available to answer any questions the Commission may have on this matter.

Sincerely,

/s/ CHARLES AMEVO
Financial Analyst

CA/lt

CERTIFICATE OF SERVICE

I, Marcella Emeott, 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.

MINNESOTA DEPARTMENT OF COMMERCE – LETTER

Docket Nos. **E,G002/D-17-581**

Dated this **13th** day of **April 2018**.

/s/Marcella Emeott

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