



414 Nicollet Mall  
Minneapolis, MN 55401

November 22, 2019

—Via Electronic Filing—

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: COMPLIANCE FILING  
APPROVAL FOR SALE OF LAND AND TANKS  
DOCKET NO. G002/PA-18-294

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this filing in compliance with the Commission's March 28, 2019 Order in the above mentioned docket. Order Point 8 requires the Company to file final journal entries for the transaction; those journal entries were initially due 30 days after receipt of the Commission's Order.

In our May 9, 2019 request to extend the due date of the compliance filing, we explained the complexity of closing this transaction. The transaction required several modifications at the Wescott facility to fully separate the LNG facilities (which the Company still owns) from the LP facilities (which Flint Hills now owns), so the adjacent facilities would have adequate security and infrastructure to communicate and measure service separately. As demonstrated in the final journal entries, this complexity increased the transaction costs, and correspondingly decreased the actual pre-tax gain on the transaction.

The Commission's Order directed the Company to "return the gain" (originally estimated to be \$6.1 million, pre-tax, for Minnesota) to our customers.<sup>1</sup> In this circumstance (and as described in more detail below), we think it's reasonable to return to our customers the approximately \$6.1 million gain we estimated in our

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<sup>1</sup> See March 28, 2019 Order at Order Point 6.

initial filing, even though the actual pre-tax gain is lower than that due to the increased transaction costs.

Attachment A are the Company's final journal entries.<sup>2</sup> The journal entries can essentially be separated into four categories: the proceeds from the sales, the costs of the sale (both fuel and non-fuel related), the actual resulting gain on the transaction, and the derivation of the amount the Company proposes to return to customers (and the Company's corresponding loss).

As can be seen from the activity entitled *Record Sale Proceeds*, the Company recorded the approximately \$10 million in sale proceeds from Flint Hills.

Taken together, the activities entitled *Record Costs Associated with Sale* and *Write-Off Deferred Costs to Loss on Sale of Asset* comprise, respectively, the fuel and non-fuel related costs of the transaction.

- The first activity (*Record Costs Associated with Sale*) are the non-fuel costs of the transaction, including the tank inspections, fencing and communications infrastructure. The Company underestimated the costs for facility modifications and security as well as the work necessary to prepare the tank for sale. This work costs approximately \$3.8 million (compared to the \$2.7 million estimated in our initial filing).
- The second activity (*Write-Off Deferred Costs to Loss on Sale of Asset*) are the fuel-related costs of the transaction and are detailed in the preceding two journal entries. This amount represents both the loss the Company experienced when it sold some propane at a price less than it had originally paid and the cost of the "heel" of propane that could not be transferred. Together these fuel related losses amount to \$0.6 million. In its March 28, 2019 Order at Order Point 5, the Commission denied the Company's request to net these fuel-related losses against the sale transaction's gain.

Next, the activity *Retire Assets Sold and Clear Retirement Work Order* shows that with the added non-fuel costs of the sale, the actual gain on the transaction was \$6.1 million on a total company basis. Consistent with Order Point 5, the fuel-related costs are not netted against the transaction's gain.

Finally, the activity entitled *Defer Gain to Return to Customers* shows how the Company proposes to return the originally estimated pre-tax gain of \$6.1 million

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<sup>2</sup> Please note that there is a small amount of liability accruals or accounts receivable outstanding as of the date of this filing. Once the dollars are paid or received, they will be reflected in our books and records in a manner consistent with the attached final journal entries.

to Minnesota customers (and the \$0.6 million ND jurisdictional amount of pre-tax gain approved by the North Dakota Commission) by using the actual \$6.1 million gain and writing-off \$0.7 million.<sup>3</sup> By doing this, the Company believes that it is giving customers the same benefit contemplated when the Commission considered this sale, complying with the Commission's order point related to the fuel-related loss, and taking responsibility for the costs over those that were originally estimated but were ultimately necessary to close the transaction. In the Commission's March 28, 2019 Order at Order Point 6, the Commission directed the Company to "return the gain as a direct bill credit, based on the approved apportionment of revenue responsibility from the last general rate case and distributed evenly by customer count in each rate class." Because of the existing queue of bill credits, this direct bill credit will be issued to customers in mid-2020.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at [bria.e.shea@xcelenergy.com](mailto:bria.e.shea@xcelenergy.com) or (612) 330-6064 if you have any questions regarding this filing.

Sincerely,

/s/

BRIA E. SHEA  
DIRECTOR, REGULATORY & STRATEGIC ANALYSIS

Enclosure  
c: Service List

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<sup>3</sup> We note that we do not have a natural gas business in South Dakota so do not have any refunds to issue in that jurisdiction.

**NSPM – Wescott LP Tank/Land Sale**  
**Final Journal Entries**  
**Filed 11/22/2019**

<b>Activity</b>	<b>FERC Account</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
1. Record Sale Proceeds	131	Cash or Equivalent	\$10,434,403.91	
	241	Tax Collections Payable	\$9,990.09	
	108.2	Retirement Work in Progress – Cost of Removal	\$1,435.00	
	108.3	Retirement Work in Progress – Salvage		\$35,000.00
	108.3	Retirement Work in Progress – Salvage		\$381,600.00
	108.3	Retirement Work in Progress – Salvage		\$10,029,229.00
2. Record Costs Associated with Sale	108.2	Retirement Work in Progress – Cost of Removal	\$3,816,823.06	
	131	Cash or Equivalent		\$3,816,823.06
3. Retire Assets Sold and Clear Retirement Work Order	108.3	Retirement Work in Progress – Salvage	\$10,445,829.00	
	421.1	Gain on Disposition of Property		\$6,054,483.76
	108.2	Retirement Work in Progress – Cost of Removal		\$3,818,258.06
	108	FERC Account 108 – Accumulated Reserve	\$5,334,130.21	
	105	Gas Plant in Service-Equipment-HFU		\$5,857,278.27
	101	Gas Plant in Service-Land		\$49,939.12
4. Defer Gain to Return to Customers	421.1	Gain on Disposition of Property	\$6,054,483.76	
	426.5	Other Deductions	\$732,516.24	
	254	Other Regulatory Liability*		\$6,787,000.00
5. Record Loss on Sale of Propane	131	Cash or Equivalent	\$203,991.48	
	186	Miscellaneous Deferred Debits	\$89,997.67	
	151	Fuel Stock		\$293,989.15
6. Record Costs of Flaring the Remaining Propane	186	Miscellaneous Deferred Debits	\$533,787.79	
	151	Fuel Stock		\$533,787.79
7. Write-Off Deferred Costs to Loss on Sale of Asset	421.2	Loss on Disposition of Property	\$623,785.46	
	186	Miscellaneous Deferred Debits		\$623,785.46

\*Other Regulatory Liability represents \$6,138,000 for Minnesota customers and \$649,000 for North Dakota customers.

## CERTIFICATE OF SERVICE

I, Paget Pengelly, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

**Docket No. G002/PA-18-294**

Dated this 22<sup>nd</sup> day of November 2019

/s/

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Paget Pengelly  
Regulatory Administrator

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