



85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101-2198  
mn.gov/commerce/  
651.539.1500 FAX 651.539.1547  
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February 10, 2014

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

**RE: Response Comments of the Minnesota Department of Commerce, Division of Energy Resources to Xcel's Reply and Supplemental Reply Comments for the 2012 Annual Review of Remaining Lives and 2013 Supplement  
Docket No. E,G002/D-12-151 and Docket No. E,G002/D-13-1158**

Dear Dr. Haar:

On February 3 and 5 of 2014, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed with the Minnesota Public Utilities Commission (Commission) Reply Comments and Supplemental Reply Comments (February Reply Comments and February Supplemental Reply Comments) in their 2012 Annual Review of Remaining Lives and 2013 Supplement. The Company's February Reply and Supplemental Reply Comments, are responsive to the Minnesota Department of Commerce, Division of Energy Resources' (Department) January 8, 2014 Comments (January 8th Comments). The Department notes that the additional information provided by the Company in their February Reply and Supplemental Reply Comments, have addressed the concerns and questions raised by the Department in our January 8th Comments, as discussed briefly below. As a result, the Department recommends that the Commission **approve** the Company's 2012 Annual Review of Remaining Lives and 2013 Supplement.

In the Department's January 8th Comments, we requested that the Company provide additional information regarding the failure of the low boil system of the Westcott Gas Storage Plant which damaged bearings and other components. In its February Reply Comments, Xcel provided a correction to its 2013 Supplement, indicating that it was actually the C301 feed gas booster compressor (not the low boil system) that was damaged. The Company explained the damage was a result of the gas inlet valve being opened out of sequence, which caused the compressor to rotate before bearings were lubricated. The Company also explained that the damage resulting from the rotation of the dry bearings required replacement work to be completed at the manufacturer's facility. The Company noted that because the manufacturer was supervising the startup, the cost of the repair work was partially covered by the manufacturer. The Company incurred approximately \$62,000 in costs related to the repair of the damaged equipment. Xcel expensed these costs as they were incurred. The Company indicated that none of the costs were added to the capitalized amount now being depreciated.

The Department is concerned with the operational/maintenance problem that occurred at Wescott Gas Storage Plant, however, the incident does not appear to have financially impacted ratepayers (with the possible exception of the compressor not being available while the damaged equipment was being repaired). The Department notes that because the manufacturer was supervising the startup of the plant, the manufacturer was responsible for some of the repair costs. The Department further notes that because the Company expensed, rather than capitalized, the \$62,000 in repair costs incurred by the Company, and the Company has not had a recent gas rate case, these repair costs were not passed on to customers. The Department will continue to monitor in depreciation filings, rate cases, and other dockets, these types of operational/maintenance problems and make recommendations for cost recovery reductions/adjustments when appropriate.

The Department appreciates the Company's update in its February Reply Comments on the status of the removal costs incurred for the Minnesota Valley Plant. The Department recommends that the Company continue to update in future depreciation filings the removal costs for the Minnesota Valley Plant and the impact on depreciation reserves, including a final true-up when the retirement/removal is completed.

In its February Reply Comments, Xcel provided information to support the net salvage rate for Black Dog Unit 5, as requested by the Department. The Company also provided, in its February Supplemental Reply Comments, additional information showing that the resulting reduction in depreciation expense for Black Dog Unit 5 was incorporated in the Company's 2013 test year electric rate case (Docket No. E002/GR-12-961). As a result, the Department recommends that the Commission accept Xcel's proposed Black Dog Unit 5 net salvage change.

The Company has agreed to continue to provide in future depreciation filings the "Resource Plan Comparison" that compares and explains any differences between depreciation lives and Resource Planning lives.

The Company has also agreed to file its 2014 remaining life depreciation filing by the end of February 2014.

Finally, the Department notes that the determinations made in depreciation filings are for accounting purposes only and are not a determination for purposes of rates.

The Department is available should the Commission have any questions regarding this matter.

Sincerely,

/s/ NANCY A. CAMPBELL  
Financial Analyst, Energy Planning & Advocacy

NAC/ja

## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, 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  
Response Comments**

**Docket No. E,G002/D-12-151 and E,G002/D-13-1158**

Dated this 10<sup>th</sup> day of February 2014

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_12-151_D-12-151
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	Yes	OFF_SL_12-151_D-12-151
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_12-151_D-12-151
Lloyd	Grooms	lgrooms@winthrop.com	Winthrop and Weinstine	Suite 3500 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_12-151_D-12-151
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_12-151_D-12-151
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_12-151_D-12-151
Sandra	Hofstetter	N/A	MN Chamber of Commerce	7261 County Road H  Fremont, WI 54940-9317	Paper Service	No	OFF_SL_12-151_D-12-151
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_12-151_D-12-151

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	90 South 7th Street Suite #4800 Minneapolis, MN 554024129	Electronic Service	No	OFF_SL_12-151_D-12-151
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_12-151_D-12-151
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_12-151_D-12-151
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_12-151_D-12-151
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
David W.	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	Suite 300 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
Joseph V.	Plumbo		Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Paper Service	No	OFF_SL_12-151_D-12-151
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750  St. Paul, MN 55101	Electronic Service	No	OFF_SL_12-151_D-12-151
Byron E.	Starns	byron.starns@leonard.com	Leonard Street and Deinard	150 South 5th Street Suite 2300 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_12-151_D-12-151
SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_12-151_D-12-151
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_12-151_D-12-151

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Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-1158_D-13-1158
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-1158_D-13-1158
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-1158_D-13-1158
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SaGonna	Thompson	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	Yes	OFF_SL_13-1158_D-13-1158
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_13-1158_D-13-1158