division of energy resources
Minnesota Department of Commerce

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January 8, 2014

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E,G002/D-12-151
Docket No. E,G002/D-13-1158

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, doing business as Xcel Energy, Request for Approval of 2012 Review of Remaining Lives Depreciation Study and Supplemental 2013 Review of Remaining Lives Depreciation Study, for Electric Production, Gas Production and Gas Storage Plant

The supplemental review was filed on October 1, 2013 by:

> Lisa H. Perkett
> Director, Capital Asset Accounting
> 414 Nicollet Mall, 4th Floor
> Minneapolis, Minnesota 55401

The Department recommends **approval subject to the provision of additional information in reply comments** and is available to answer any questions the Commission may have.

Sincerely,

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

NAC/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E,G002/D-12-151 AND E,G002/D-13-1158

I. SUMMARY OF PROPOSAL

On October 1, 2013, Xcel Energy (Xcel or the Company) filed a supplement (Supplemental Update) to its petition to the Minnesota Public Utilities Commission (Commission) for approval of the Company's modified 2012 Review of Remaining Lives proposal (2012 Remaining Lives Study) in Docket No. E,G002/D-12-151. This Supplemental Update provided the Company's 2013 Review of Remaining Lives for electric and gas production plant, gas storage plant, and net salvage rates. According to the Company, the Supplemental Update also reflects the Commission's decisions in the Company's 2013 test year electric rate case in Docket No. E002/GR-12-961 (2012 rate case). The Company indicated that the Supplemental Update was filed in its 2012 Remaining Lives Study docket to facilitate the Commission's review of the 2013 information in conjunction with the Company's 2012 petition, which is currently pending Commission action.

In the Supplemental Update, the Company requests the approval of the depreciation lives and rates that are consistent with the Commission's September 3, 2013 electric rate case order. According to the Company, the 2013 Supplemental Update:

- Starts from the Company's modified 2012 proposal, including the depreciation reserve reallocation related to the Minnesota Valley Generating Plant;
- Reflects the one-year passage-of-time updates from 2012 to 2013 for electric and gas utilities;
- Includes the Granite City Plant life extension;
- Reflects the Commission's rate case decisions related to the Sherco 3 unit, the Black Dog Steam Production Plant (Black Dog) remediation, and the Monticello Nuclear Plant (Monticello) Life Cycle Management/Extended Power Uprate (LCM/EPU) project; and

- For the gas utility, continues to request approval of a life extension for certain equipment at the Wescott Gas Storage Plant (Wescott) based on the new in-service date.

Overall, the Company indicated that its 2013 Supplemental Update reflects a net decrease in 2013 depreciation expense of $9,130,144 based on beginning-of-year balances for assets not presently included in rate riders. This decrease represents an increase of $4.0 million due to changes in depreciable lives and a decrease of $13.1 million for adjustments made in the Commission's September 3, 2013 rate case order for Sherco 3, Black Dog, and Monticello. The Company requested that the new remaining lives and net salvage rates become effective January 1, 2013.

The Company noted on page 13 of its petition that it expects to file its 2014 Review of Remaining Lives (i.e. generation depreciation filing) in February of 2014. The Department notes that if Xcel's 2014 Review of Remaining Lives petition is filed any later than February of 2014, there will not be sufficient time for parties to the current pending rate case (Docket No. E002/GR-13-868) to consider any changes that may be proposed in the 2014 filing. Therefore, the Department recommends that the Commission require the Company to file its 2014 Review of Remaining Lives petition no later than the end of February 2014.

II. BACKGROUND

On February 17, 2012, the Company filed its "2012 Annual Review of Remaining Lives," containing a review of depreciation rates for electric and natural gas production facilities.

On June 27, 2012, the Department filed comments recommending limited approval with modification.

On August 6, 2012, the Company filed reply comments through which the Company withdrew its request for life extensions for Blue Lake Units 1-4, Granite City, and Key City, resulting in full depreciation of these plants by the end of 2012 (while continuing operations beyond 2012). Additionally, the Company withdrew its request for a change in the net salvage rate for Minnesota Valley effective January 1, 2012. Instead, the Company proposed to reallocate the 2012 year-end accumulated depreciation reserve balances among the individual steam production units by Federal Energy Regulatory Commission (FERC) account such that the Minnesota Valley plant would also be fully depreciated by the end of 2012.

On August 17, 2012, the Department filed response comments (August 17 Response) recommending approval of Xcel's revised proposals with an request for further information regarding the timing of recovery of removal and demolition costs for the Minnesota Valley Plant.

On October 26 and 29, 2012, the Company filed supplemental information indicating that additional investments will be needed for the Granite City Plant in order to continue operations until 2018. The Company noted that in its 2013 Remaining Life Depreciation Study it would propose a new remaining life of six years for Granite City, with an estimated in-service date of May 2013 and estimated depreciation expense in 2013 of approximately $31,000.

III. DEPARTMENT ANALYSIS

A. CHANGES IN REMAINING LIVES FOR ELECTRIC AND GAS PLANT

In its 2013 Supplemental Update, the Company requested two changes in remaining lives. First, the Company requested a change in the remaining life of the Granite City peaking plant, an electric production facility. Second, the Company requested a change in the remaining life of the Wescott gas storage plant. Each of these requests is discussed below.

1. Electric Production Plant - Granite City Peaking Plant

As discussed by the Company on page 5 of its Supplemental Update, the Granite City peaking plant was built in 1969 and is located in St. Cloud, Minnesota. The plant consists of four units that generate a total of 61 MW of electricity using natural gas and oil. According to the Company, the plant is used minimally for production, but is considered an essential power source for the Sherco steam production plant in the event of a system blackout.

The remaining life of the Granite City peaking plant is 0 years as of January 1, 2013. As noted above, the Company initially proposed a five-year life extension for this plant in the Company's 2012 Remaining Lives Study, but withdrew this proposal in response to Department comments and offered the Company's 2012 modified proposal. Thus, the Granite City peaking plant is now fully depreciated. However, the Company updated its plans, deciding additional investments in Granite City were necessary to continue operations until 2018. As a result, the Company completed and placed in-service a major upgrade to the operating control systems on Units 1 and 2 at a total capitalized amount of $307,929. In the 2012 rate case, the Company requested a new six-year life to the Granite City plant, which was approved by the Commission and included in the 2013 test year revenue requirement. According to the Company, based on the in-service dates and the capitalization value, this new project for the Granite City plant resulted in an increase of $38,585 in 2013 depreciation expense.

Based on the Department's review of the Company's 2012 rate case, the Company's August 6, 2012 Reply Comments in Docket No. E,G002/D-12-151, and the Company's revised operational plans and capital additions as communicated in Xcel's October 26, 2012 supplemental information and confirmed in the Company's 2013 Supplemental Update, the Department considers the Company's request of a remaining life of six years for the Granite City plant to be reasonable.

2. Gas Storage Plant – Wescott Compressor Equipment

As discussed by the Company on page 6 of its Supplemental Update, Wescott is a liquefied natural gas (LNG) plant placed in-service in 1972. The plant cools then stores the LNG in large storage tanks. Vaporizing equipment is used later to warm and convert the liquefied methane back to gas for use in the distribution system. The Company indicated that in past years the remaining life used for the Structures and Improvements account for both the Wescott Production Plant and Wescott LNG Plant has been the same and therefore both the production and storage facilities would likely be retired from service at the same time. However, the Company indicated that the Wescott LNG Plant also has separate identifiable systems within the plant that function independently from other systems, thereby allowing for the possibility of having different remaining lives for these systems. Presently, all Wescott systems have a remaining life of five years, as of January 1, 2013, except the vaporizing equipment which has a remaining life of 15 years.

The Company noted that it is currently in the process of replacing the refrigerated compressor unit at the Wescott LNG Plant. The Company indicated in their 2012 Remaining Lives Study that this project was initially expected to go in-service in the second quarter 2012. However, according to the Company, during the commissioning of the new assets, the plant experienced a failure of the lowboil system which damaged bearings and other components. The Company noted that this required extensive rework by the vendor. The Company revised the expected in-service date to October 2013, with a forecasted capitalized value of approximately $18.3 million.

Due to the upgrade and replacement of this refrigerated compressor unit, the Company proposed to increase the remaining life from five years to 20 years for the Compressor Equipment in FERC Account 363. The Company indicated that due to the size of the addition in comparison to the current plant balance of the account, the Company has included the forecasted capitalized amount of the new compressor unit in its Schedule B. The Company noted that the new plant addition results in an increase in depreciation expense of approximately $186,813, assuming an in-service date of October 1, 2013. The Company also noted that a change in remaining life produces a decrease to annual expense of approximately $21,737 for the current plant balance of the Compressor Equipment account. As a result, the proposed total net change in depreciation for 2013 is an increase of approximately $165,075.

Based on its review, the Department requests that the Company provide more information in reply comments about the cause of the failure of the lowboil system which damaged bearings and other components. Specifically, the Company should indicate:

- What caused the failure,
- Whether the failure was the fault of the vendor or the Company,
- What the added cost was associated with the failure and damage,
- Who is paying for the added costs, and
- Whether the additional costs are included in the $18.3 million total capitalized amount.

The Department generally supports the increase in the remaining life from five to 20 years for the Compressor Equipment account, however, the Department concludes that the associated depreciation expense impacts cannot be conclusively evaluated until further information is provided, as specified above.

B. CHANGES IN NET SALVAGE RATES

The Department notes that the changes in net salvage rates related to Minnesota Valley Steam Plant retirement and the Minnesota Falls Dam removal were addressed by the Department in its June 27, 2012 and August 17, 2012 comments in Docket No. E,G002/D-12-151. As a result, the Department focuses its comments below on the additional information provided by the Company in its 2013 Supplemental Update. Additionally, although the change in net salvage rates for Black Dog Units 3 and 4 were addressed in the Company's most recent rate case, the Department will address the additional change in the net salvage rate for Black Dog Unit 5.

1. Demolition, Decommissioning and Abatement at Minnesota Valley, Minnesota Falls Dam Removal and Reserve Reallocation for Minnesota Valley

As noted in the Department's August 17 response comments, the Company originally estimated that the costs of demolition, remediation and decommissioning the Minnesota Valley plant would be $21,034,000 (which did not include the dam removal costs then estimated at $4.1 million). Considering the costs recovered through the salvage rate of $8,135,823, this resulted in a deficit of $12,898,177. The Company proposed to recover the $12,898,177 by reallocating this amount to the steam production plant accounts, since these accounts are the same type and function of production plant as the Minnesota Valley plant.

In the Supplemental Update, the Company estimated the cost of removal as $19,344,851[1] (which does include the new estimated cost for dam removal of $2,411,375) less costs recovered through the salvage rate of $4,942,844, resulting in a deficit of $14,402,007. The Company continues to propose recovery of the $14,402,007 deficit by reallocating this amount to the steam production plant accounts. The Company also noted on page 10 of its Supplemental Update that although the Company has provided an estimate for removal costs, the Company will continue track the actual costs for demolition of the plant and dam and true-up the estimated amounts to actual costs.

The Department notes that the changes in the salvage rate for the Minnesota Valley Steam Plant retirement and the associated Minnesota Falls Dam removal are related to refinements in the demolition, decommissioning, and abatement costs. The Company noted on page 9 of the Supplemental Update that the $2,411,375 million cost estimate for the Minnesota Falls Dam removal (included in the $19,334,851) is based on estimates from an engineering consultant and three contractors. The Company also noted that onsite work for the Minnesota Falls Dam

[1] See page 9 of the Company's Supplemental Update.

removal included: general dam removal, water control, demolition, sediment removal, and site restoration. Therefore, the Department considers the Company's estimated removal costs for the Minnesota Valley Steam Plant and Minnesota Falls Dam Removal of $19,344,851 to be reasonable based on its limited review, but subject to review in Xcel's current rate case. The Department suspects that the change in costs recovered through the salvage rate (from $8,135,823 in the 2012 depreciation study to the $4,942,844 in the Supplemental Update) is a result of the Company recording some of the removal costs already incurred. However, the Department requests that the Company confirm this in reply comments. Additionally, the Department requests that the Company provide in reply comments an update, consistent with the table on page 8 of its Supplemental Update, of the costs of removal incurred by the Company through year end 2013.

2. Black Dog Net Salvage Percentage

The Company noted on page 10 of its Supplemental Update that in the Company's 2010 Remaining Lives filing a net salvage rate of negative 18 percent was approved for Black Dog Units 3 and 4. This was based on an estimated final removal cost of $23.8 million for both units. The Company noted that the 2010 removal cost study did not include the cost to remove the coal pile and the ash ponds beneath the coal pile because, at the time of the estimate, it was believed this removal was not needed. After the 2010 study was completed, the Company entered into a Voluntary Investigation and Compliance (VIC) program with the State of Minnesota to remediate the land. The Company noted that the VIC program required the Company to fully remediate the land where the coal pile and ash ponds were located. After remediation, the Company will be able to use the land for future operations.

Based on these facts, the Company concluded that the amount provided in the 2010 removal cost study was not sufficient. Further, the 2010 removal cost study's allocation of costs between steam and other production favored other production. According to the Company, while a detailed estimate of removal costs will not be available until Xcel's next removal cost study is completed in 2015, the Company estimated that including the costs associated with the remediation of the coal pile and the ash ponds will increase the removal costs of Units 3 and 4 by $33.2 million (after adjusting for a more reasonable split between steam and other production).

To account for the new removal cost estimates, in Xcel's last rate case the Commission approved a 15-year amortization period, effective January 1, 2013, for the increased removal costs of $33.2 million.[2] On page 11 of their Supplemental Update, Xcel indicated that in their 2012 electric rate case, the Company proposed adjustments to the net salvage rates for Black Dog Units 3, 4, and 5 to better reflect the estimated removal costs at each unit. However, in footnote 7 of their Supplemental Update, Xcel appeared to indicate that only Black Dog units 3 and 4 were discussed in the 2012 rate case. As shown in the Company's Attachment G, , Xcel proposed that

[2] See the Company's Attachment I for the accounting related to the accrual of and timing of expenditures related to the $33.2 million in removal costs.

the net salvage rate for Black Dog Units 3 and 4 be changed from a negative 18.0 percent to a negative 29.7 percent in order to be consistent with the proposal approved in their 2012 rate case. In addition, the Company requested that the net salvage rate for Black Dog Unit 5 be changed from a negative 8.3 percent to a negative 1.7 percent. According to the Company, these changes in net salvage rate produce an increase to annual expense of $4.3 million for steam production and a decrease to annual expense of $482 thousand for other production. According to the Company, the 15-year amortization of the $33.2 million in increased removal costs produces an increase to annual depreciation expense of $2.2 million for steam production.

In Xcel's June 5, 2013 Summary of Issues in the 2013 test year rate case (Docket No. E002/GR-12-961), the Company stated the following about the Black Dog Remediation project:

> Resolved between NSP and the Department. No other party provided testimony on this issue.
>
> NSP has entered into a Voluntary Investigation and Compliance program with the State of Minnesota to fully remediate the land where the Black Dog coal piles and ash ponds are located. The remediation cost is estimated to be $33.2 million, which the Company proposed to amortize over the three-year remaining life of Black Dog Units 3 and 4. The Department disagreed with the Company's proposal and recommended the Commission deny recovery in this proceeding without prejudice to recovery in the Company's next rate case when more information can be provided. The Department also stated that if the Commission does allow recovery in this case, the costs should be amortized over 15 years. NSP agreed with the Department's alternative recommendation that the costs be amortized over 15 years, subject to the condition that a regulatory asset be created to allow recovery in the event the land is not used for utility purposes for the full 15 years. The Department agreed with NSP's condition and now considers the issue to be resolved between the Department and NSP. The Department additionally requested NSP: 1) provide, in its initial filing of its next rate case, all journal entries related to this amortization of additional remediation costs and to the creation and adjustment of the regulatory asset/liability, as well as a detailed narrative explaining the issue and its effect on that next rate case; 2) show the regulatory asset/liability as an adjustment to its 2014 test-year budget, rather than including it in the base budget; and 3) file updated estimates of the remediation costs in its most immediate annual Remaining Life filing. The Company has agreed to these filing requirements.

> Amount: Increases rate base by $1.694 million and decreases the Company's requested revenue requirement by $5.4 million; which increases the Department's proposed revenue requirement by $3.307 million.

As noted above, Black Dog Units 2, 3, and 4 have current net salvage rates of negative 18 percent and the Company proposed to change these net salvage rates to negative 29.7 percent. The Department notes that application of the negative 29.7 percent net salvage rates results in $33.4 million in estimated recovery, which is very close to the $33.2 million cost of removal approved in the rate case. Since these removal costs are trued-up to actual costs, the Department considers the Company's proposed negative salvage rate of 29.7 percent for Black Dog units 2, 3, and 4 to be reasonable. However, the Company did not provide support for its proposal to change Black Dog Unit 5's net salvage rate from negative 8.3 percent to negative 1.7 percent. It does not appear that the Black Dog 5 cost of removal was discussed in Xcel 2013 test year rate case. As a result, the Department requests that the Company provide support for its proposed change in the net salvage rate for Black Dog Unit 5 from negative 8.3 percent to 1. 7 percent in its reply comments.

C. SHERCO 3 AND MONTICELLO

The Department notes that the depreciation changes related to the Sherco 3 outage and Monticello LCM/EPU projects, as discussed by the Company on pages 11 and 12 of its Supplemental Update, relate to the Commission's decisions made in Xcel's electric 2013 test year rate case in Docket No. E002/GR-12-961. The Department also notes that the deferral of 2013 depreciation expense for Sherco 3 repair work and rate recovery for Monticello LCM/EPU costs provided in the 2013 test year rate case allows the Company the opportunity to seek recovery of the 2013 depreciation expense for Sherco 3 and rate recovery for Monticello in the Company's current electric 2014 and 2015 test year rate case in Docket No. E002\GR-13-868. This deferred accounting for 2013 depreciation expense for Sherco 3 and rate recovery for Monticello is not a guarantee for rate recovery of these depreciation costs in Xcel's current rate case proceeding. Therefore, it is the Department's understanding, that the Company's proposed accounting, as discussed below, is simply reflecting that the 2013 depreciation expense is not being recorded for Sherco 3 and Monticello in 2013, but instead deferred to 2014.

1. Deferral of Sherco 3 Depreciation Expense

The Company noted on page 11 of its Supplemental Update that on November 19, 2011, Unit 3 at the Sherco steam production plant experienced a significant failure during testing while returning to service following a scheduled maintenance overhaul. According to the Company, the failure resulted in fires in both the turbine and generator, damaging the unit, including the generator exciter and turbine components. The Company noted that the event did not affect the operation of Units 1 and 2 at Sherco. According to the Company, Unit 3 at the Sherco steam production plant has been restored to its previous state. The Company indicated that it does not believe this event changes the current approved remaining lives for the Sherco units, which the Commission ordered be suspended during the outage period in the Company's last rate case.

The Company also noted that at the time of the failure, there were several major projects that had been completed during the scheduled overhaul. According to the Company, these projects have a value of approximately $24.3 million and were ready for service at the time of the failure. As a result, these projects' placed-in-service date is the same as the date on which Sherco 3 returned to service, September 5, 2013. The Company noted that costs for these projects were included in a Plant Held for Future Use account, but as of September 5, 2013, the Company transferred these projects from Plant Held for Future Use to Plant in Service, and depreciation of the assets began. In the Company's 2012 rate case, the Commission ordered the depreciation expense for 2013 on all of Sherco Unit 3 be deferred until January 1, 2014. The Company noted that this resulted in $13.4 million of deferred depreciation expense for 2013.

Based on our review, the Department generally agrees with the Company's summary on Sherco 3 accounting as summarized above. The Department notes that the Commission's September 3, 2013 rate case order in Docket No. E002/GR-12-961 on page 23 indicates that Xcel will be allowed to defer the 2013 depreciation expense for Sherco 3 into its next rate case. The Commission also accepted the Company's 21-year remaining life as a placeholder, however, because of significant repair work done to Sherco 3, the Company was required to have an engineer evaluate the remaining life of the plant for the purposes of Xcel's next rate case. The Department notes that deferral of 2013 depreciation expense for Sherco 3 into the Company's current 2014 and 2015 test year rate case is simply an opportunity for the Company to request recovery of the 2013 depreciation expense for Sherco 3 and is not a guarantee of rate recovery. The Department will be reviewing the cost recovery of the 2013 depreciation expense for Sherco 3 and the engineering study for Sherco 3 in Xcel's current rate case.

2. *Monticello Depreciation*

The Company noted on page 12 of its Supplemental Update that, in the Company's last rate case, the Commission ordered the Company to transfer 41.6 percent of the additional Monticello LCM/EPU project costs incurred since the 2010 rate case to Construction Work in Progress (CWIP) effective January 1, 2013. Accordingly, the Company transferred $34.8 million to CWIP from Plant In Service as shown in the Company's Attachment K. This transfer results in a decrease to 2013 depreciation expense of $2.0 million.

The Commission's September 3, 2013 rate case order in Docket No. E002/GR-12-961, page 19, states the following regarding Monticello rate recovery:

> The Commission therefore determines that 41.6% of the LCM/EPU costs for 2011 and 2012 additions added to the rate base in this case, 41.6% of 2013 May plant addition costs, and 100% of Nuclear Regulatory Commission license fees should be

> moved from plant in-service to CWIP, as well as the related depreciation reserve, deferred taxes, depreciation expense, AFUDC, and any other applicable costs. The Company may be allowed to recover those costs in future rate cases once the EPU is in service, subject to the plant being used and useful and subject to a determination that the costs—including cost overruns—were prudent.

Based on the Department's review of the Company's summary on Monticello above and the Commission's September 3, 2013 rate case order as cited above, the Department agrees with the Company's accounting but notes that this depreciation petition does not support guaranteed rate recovery; final rate recovery for Monticello will be determined in the Company's current rate case.

D. RESOURCE PLAN

The Commission's September 8, 2011 Order in Docket No. E,G002/D-11-1444 requires the Company to continue to provide, in future depreciation studies, an explanation and schedule of the differences between the depreciation remaining lives and Integrated Resource Planning (IRP) planning lives of electric production plants. As a result, the Company provided in their Attachment F, a "Resource Plan Comparison" for the Company's electric production plant facilities. The "Resource Plan Comparison" compares the Company's proposed depreciation life on current investment to the resource plan's modeled end of life, and provides the rationale for any differences between the depreciation life and the resource plan life.

The Department did a limited review of the Company's "Resource Plan Comparison," and notes that the Company adequately explained the reasons for differences between electric production plant resource planning lives and depreciation remaining lives. As a result, the Department recommends the Commission accept the Company's "Resource Plan Comparison" and require the Company to continue to provide this comparison in future electric production plant depreciation filings.

IV. RECOMMENDATIONS

The Department recommends that the Commission approve Xcel's proposed service lives, salvage rates, and resulting depreciation rate effective January 1, 2013 for plants in service as revised in its October 1, 2013 Supplemental Update, subject to the provision of further information.

Specifically, regarding the Wescott facility, the Department requests that the Company provide information in reply comments about the cause of the failure of the lowboil system which damaged bearings and other components. Specifically, the Company should indicate:

- What caused the failure,
- Whether the failure the fault of the vendor or the Company,
- What the added cost was associated with the failure and damage,
- Who is paying for the added costs, and
- Whether these added costs are included in the $18.3 million total capitalized amount.

The Department generally supports the increase in the remaining life from five to 20 years for the Compressor Equipment account, however, the Department concludes that the associated depreciation expense impacts cannot be conclusively evaluated until further information is provided, as specified above.

Further, regarding the Minnesota Valley Steam Plant and associated Minnesota Dam removal, the Department requests that the Company confirm or clarify whether the change in costs recovered through the salvage rate from $8,135,823 in the 2012 depreciation study to the $4,942,844 in the Supplemental Update, is a result of the Company recording some of the removal costs already incurred. Additionally, the Company should provide in reply comments a break out consistent with the table on page 8 of its Supplemental Update, for the cost of removal incurred by the Company through year end 2013.

The Department recommends that the Company provide in reply comments support for the change for the net salvage rate for Black Dog Unit 5 from negative 8.3 percent to 1. 7 percent

The Department notes that deferral of 2013 depreciation expense for Sherco 3 into the Company's current 2014 and 2015 test year rate case is simply an opportunity for the Company to request recovery of the 2013 depreciation expense for Sherco 3 and is not a guarantee of rate recovery. Similarly, the Department agrees with the Company's proposed accounting for the Monticello EPU/LCM projects, but notes that this depreciation petition does not support guaranteed rate recovery; final rate recovery for Monticello will be determined in the Company's current rate case. In summary, determinations made in depreciation proceedings are for accounting purposes only and are not a determination for purposes of rates.

In addition, the Department recommends that the Commission require the Company to file its 2014 Remaining Lives Study no later than the end of February 2014 to ensure consideration in the Company's current pending rate case.

Finally, the Department recommends the Commission accept the Company's "Resource Plan Comparison" and require the Company to continue to provide the "Resource Plan Comparison" in future electric production plant depreciation filings.

/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
Comments

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

Dated this **8th** day of **January 2014**

/s/Sharon Ferguson

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