

December 5, 2014

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E,G002/M-14-958

Dear Dr. Haar:

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

A Petition of Northern States Power Company d/b/a Xcel Energy for Approval of Property Transfer from Electric to Gas operations.

The petition was filed on November 5, 2014. The petitioner is:

Bria E. Shea  
Manager, Regulatory Document Content  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, Minnesota 55401

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

Sincerely,

/s/ DALE V. LUSTI  
Financial Analyst

DVL/lt  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. E,G002-M-14-958

**I. SUMMARY OF XCEL ENERGY'S REQUEST**

On November 5, 2014, Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company) submitted a petition seeking approval from the Minnesota Public Utilities Commission (Commission) of an accounting property transfer or, in the alternative, approval of an affiliated interest transaction between two of its business units: NSP Electric and NSP Gas.

The Company maintains that the public interest supports the Proposal to transfer the property at 435 James Avenue (the 435 property) from NSP Electric to NSP Gas because it is economical, efficient, and safe and avoids the need to acquire new property to support the gas operations.

**II. BACKGROUND**

The Company's response to DOC Information Request No. 3 (included in Attachment A), provided the following helpful background information regarding the subject of the petition. The 435 property was purchased by Xcel Energy on July 11, 2001 with the intent of securing the property for access to a future spur railroad line to the NSP Electric High Bridge Coal Plant. However, when the Minnesota Emissions Reduction Project (MERP) started in 2005, the Company used an office building on the 435 property to house the construction support staff, rather than renting the customary mobile trailers and portable offices to support the projects. After the High Bridge Plant conversion was complete in 2008, the Company continued to use the office for corporate employees and contractors that needed temporary offices.

In June 2014, NSP Electric vacated the office building in preparation to transfer the land to NSP Gas. It was determined that NSP Gas had a better use for the 435 property, than using it for temporary office space for corporate employees and contractors. The Company explained on page 4 of the Petition that the location of the 435 property is ideal for the

placement of new above ground facilities required to implement the four-year, \$70 million initiative to replace 11.5 miles of 20 inch steel gas main in St. Paul, pursuant to the integrity projects identified in Docket No. G002/M-14-336.

### III. DEPARTMENT ANALYSIS

#### A. *AFFILIATED INTEREST AGREEMENTS*

##### 1) Statutory Requirements for Affiliated-Interest Agreements

As amended in 1993, the Minnesota “affiliated-interest” statute provides:

No contract or arrangement, including any general or continuing arrangement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial or similar services, and no contract or arrangement for the purchase, sale, lease or exchange of any property, right, or thing, or for the furnishing of any service, property, right or thing, other than those above enumerated, made or entered into after January 1, 1975 between a public utility and any affiliated interest . . . is valid or effective unless and until the contract or arrangement has received the written approval of the commission.

Minn. Stat. § 216B.48, subd. 3 (Supp. 1993). (Emphasis added.)

This statute provides two tests (the reasonableness and public-interest tests) for the Commission to apply to affiliated-interest contracts:

The commission shall approve the contract or arrangement . . . only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest. . . . The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility.

Minn. Stat. § 216B.48, subd. 3 (1992).

As a result, Xcel Energy has the burden of proof to establish the reasonableness of the proposal, and the Commission must approve the proposal only if the Commission finds that the proposal is reasonable and consistent with the public interest.

##### 2) Filing Requirements for Affiliated Interest Agreements

In Docket No. E,G999/CI-98-651,<sup>1</sup> the Commission provided minimum filing requirements for all affiliated interest filings that are consistent with Minn. Rules 7825.2200B. This docket requires that within 30 days of executing a contract or arrangement with an affiliate, the utility must make a filing that includes the following information:

1. A heading that identifies the type of transaction.
2. The identity of the affiliated parties in the first sentence.
3. A general description of the nature and terms of the agreement, including the effective date of the contract or arrangement and the length of the contract or arrangement.
4. A list and the past history of all current contracts or agreements between the utility and the affiliate, the consideration received by the affiliate for such contracts or agreements, and a summary of the relevant cost records related to these ongoing transactions.
5. A descriptive summary of the pertinent facts and reasons why such contract or agreement is in the public interest.
6. The amount of compensation and, if applicable, a brief description of the cost allocation methodology or market information used to determine cost or price.
7. If the service or good acquired from an affiliate is competitively available, an explanation must be included stating whether competitive bidding was used and, if it was used, a copy of the proposal or a summary must be included. If it is not competitively bid, an explanation must be included stating why bidding was not used.
8. If the arrangement is in writing, a copy of that document must be attached.
9. Whether, as a result of the affiliate transaction, the affiliate would have access to customer information, such as customer name, address, usage or demographic information.
10. The filing must be verified.

The Company has substantially provided the above-required information in compliance with the Commission's Order and rules, specifically Minn. Rule 7825.2200B.

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<sup>1</sup> In the Matter of a Commission Investigation into Procedures for Reviewing Public Utility Affiliated Interest Contracts and Arrangements, ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES (September 14, 1998).

**B. PROPERTY TRANSFER**

1) Statutory Requirements for Property Transfers

No public utility shall sell, acquire, lease or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility operating in this state without first being authorized so to do by the commission. Upon the filing of an application for the approval and consent of the commission thereto the commission shall investigate, with or without public hearing, and in case of a public hearing, upon such notice as the commission may require, and if it shall find that the proposed action is consistent with the public interest it shall give its consent and approval by order in writing. In reaching its determination the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated.

Minn. Stat. § 216B.50, subd. 1

The Department considers the transfer of property between NSP Electric and NSP Gas to fall under the purview of the Commission, under Minn. Stat. § 216B.50 and corresponding Minn. Rules Part 7825.1600 and 1800. The Department considers the primary issue in this petition to be whether the transfer of the property between NSP Electric and NSP Gas at net book value is consistent with the public interest.

2) Minn. Rule 7825.1800 Filing Requirements for Property Transfers

Petitions for approval to acquire property shall contain one original and three copies of the following information, either in the petition or as exhibits attached thereto:

- A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.
- B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

- C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.
- D. Other pertinent facts or additional information that the commission may require.

Minnesota Rule 7825.1800, subparts B, C and D above specifically address the issue of transfer of property. Xcel has provided the required information for Minnesota Rule 7825.1800 subparts B, C and D in its filing, with the exception as discussed below.

The Department agrees with Xcel Energy's statement on page 2 of its Response to DOC Information Request No. 2 (included in Attachment A), that the information requested in Minnesota Rule 7825.1400, items [F] through [I] (as referenced in Minnesota Rule 7825.1800, subpart B) is information relevant to a capital structure filing, and that since the Company is not issuing securities to fund this transaction, the information is not applicable here. The Commission has previously found instances where the requested information is not relevant to property transactions, and granted a variance in similar prior circumstances; such as an asset exchange agreement between the Company and Great River Energy, approved by the Commission in Docket No. E002/PA-06-932. As a result, the Department recommends the Commission grant Xcel Energy a waiver, if needed, regarding the filing requirements under Minnesota Rule 7825.1400.

#### *Analysis of the Proposed Agreement*

In analyzing contracts or agreements between a utility and its affiliates, the Department has two sets of concerns. The first set of concerns relates to the merits of the particular agreements. The second set of concerns relates to the ability of the Department to verify, after-the-fact, that the implementation of the agreement did not result in the utility's ratepayers subsidizing the operations of the utility's unregulated affiliates, or in this instance, the other regulated affiliate.

According to the Company, the proposed Agreement to transfer the 435 property is consistent with the public interest for a number of reasons. On page 7 of its Petition, the Company lists the following reasons for why the transfer of property will be consistent with the public interest:

1. If the Gas Department did not have access to the parcel at 435 James Avenue, it would be required to install the new facilities at the neighboring Island Station property or on another property not yet acquired.

2. The Company does not own the Island Station property and only has an easement for access. The Island Station property is currently under development by another party and there are plans to build a commercial facility on it. Thus any new gas facilities constructed at Island Station could be subject to relocation in the future. Alternatively, the Gas Department could acquire new property for the facilities. However, the 435 James Avenue location is a shorter, more direct route than any other alternative and thus requires fewer miles of pipeline. In addition, the 435 James Avenue location allows the Company the potential to align future projects associated with High Bridge, which may be both logistically more expedient and less costly than either the Island Station or new property alternatives.
3. In addition to the benefits of expedience and cost savings, another advantage of using the property at 435 James Avenue for new gas facilities is increased safety. The property is in a safe location for new gas facilities as it would accommodate security features for the above ground equipment. The risk of potential damage from future work is also minimized by locating the facilities at 435 James Avenue.
4. Further, the Proposal facilitates the important work of the Distribution Integrity Management Program (DIMP) outlined in Xcel Energy's recent petition in Docket No. G002/M-14-336. There the Company noted its commitment and response to the federal "Call to Action" for the review, assessment, and prioritization of initiatives to address high-risk gas-utility assets.

The Department has reviewed the reasons for why the Company considers the transfer of the 435 property from NSP Electric to NSP Gas to be consistent with the public interest; and will now perform its own evaluation.

In evaluating whether Xcel Energy has shown that the proposed Agreement is consistent with the public interest, the Department considers:

- whether the price is reasonable;
- whether the agreement affects operating costs and rate levels;
- whether the agreement affects the competitive situation; and
- whether the agreement impairs effective regulation.

The Department's review of the Ramsey County property tax valuation records indicate that the value of the 435 property has not significantly increased since its purchase in 2001, thus the transfer at the original cost of \$297,837.09 would indicate the price to be reasonable.

The Company indicated in its Response to DOC Information Request No. 1 (included in Attachment A) that it intended to reflect the transfer of actual costs in the 2014 capital cost true-up proposed by the Company and agreed to by the Department in Docket No. E002/GR-13-868. Thus, the 435 property will be removed from rate base recovery in the current rate case. Thus, the NSP Electric ratepayers will not continue to pay for this property, and it is expected to be properly included in a future NSP gas rate case.

The Department's review of the competitive bidding process pertaining to this docket supports the Company's conclusion that the competitive bidding requirements are not applicable in this situation. Although the 435 property was never used for its intended purpose as a future spur railroad line to the High Bridge Coal Plant,<sup>2</sup> it had been used and useful to NSP Electric until recently, but is not needed for electric purposes at this time. Considering NSP Gas's preference to use the site rather than acquire new land to build the necessary above-ground facilities it needs, the Department agrees that it was reasonable to not pursue competitive bidding.

The Department concludes that the proposed property transfer would have no negative effect on the competitive situation and/or impair effective regulation.

#### **IV. DEPARTMENT RECOMMENDATION**

The Department recommends that the Commission approve the requested property transfer.

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<sup>2</sup> Xcel Energy Response to DOC Information Request No. 3.





414 Nicollet Mall  
Minneapolis, Minnesota 55401

December 1, 2014

Mr. Alexius Hofschulte  
Department of Commerce  
85 7th Place East, Suite 500  
St. Paul, MN 55101-2198

—Via E-Mail—

RE: RESPONSE TO DOC INFORMATION REQUEST NOS. 1 - 3  
PROPERTY TRANSFER FROM ELECTRIC TO GAS OPERATIONS  
DOCKET NO. E,G002/PA-14-958

Dear Mr. Hofschulte:

Enclosed please find our response to the referenced Department of Commerce's information request in the above-noted docket.

Please call me at (612) 330-5953 if you have any questions regarding this submission.

Sincerely,

/s/

CYNTHIA D. HARRINGTON  
REGULATORY CASE SPECIALIST

Enclosures  
cc: Dale Lusti

- ☐ Non Public Document – Contains Trade Secret Data  
☐ Public Document – Trade Secret Data Excised  
☒ Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: Department of Commerce Information Request No. 1

Requestor: Dale Lusti

Date Received: November 17, 2014

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Question:

Reference: Docket No. E002/GR-13-868

- A. What dollar value of the property located at 435 James Avenue in St. Paul, was included in rate base in the 2014 and 2015 STEP Year revenue requirements? Please explain if the number was something other than \$297,837.
- B. If the response to (A) above is something other than zero dollars, is it the Company's intent to request the Commission exclude from rate base in the 2014 and 2015 STEP Year revenue requirements, the dollar amount identified in response to (A) above? If no, please explain why not.

Response:

- A. The property located at 435 James Avenue in St. Paul is included in rate base in the 2014 and 2015 STEP Year revenue requirements. The Total Company amount is \$297,837. The Minnesota jurisdictional amount is \$222,000 which equates to a \$25,000 revenue requirement. Please see Attachment A to this response for the revenue requirement calculation.
- B. The property was transferred during October of 2014. The company would intend to reflect this transfer of actual costs in the 2014 capital cost true-up proposed by the Company and agreed to by the Department in Docket No. E002/GR-13-868.

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Preparer:	Shari Cardille
Title:	Principal Rate Analyst
Department:	Revenue Requirements North
Telephone:	612-330-1974
Date:	December 1, 2014

Xcel Energy  
 Annual Revenue Requirement  
 High Bridge Land Transfer  
 2014 Test Year Minnesota Electric Rate Case  
 (000's)

Docket No. E,G002/PA-14-958  
 Information Request DOC-001  
 Attachment A - Page 1 of 1

**Rate Analysis**

	Total Company	MN Jurisdiction
Plant Investment	298	222
Depreciation Reserve	-	-
CWIP	-	-
Accumulated Deferred Taxes	-	-
	298	222
Average Rate Base	298	222
Debt Return	7	5
Equity Return	15	11
Current Income Tax Requirement	11	8

Book Depreciation	-	-
Annual Deferred Tax	-	-
ITC Flow Thru	-	-
Tax Depreciation & Removal Expense	-	-
AFUDC Expenditure	-	-
Avoided Tax Interest	-	-
Property Taxes	-	-
<b>Total Revenue Requirements</b>	<b>33</b>	<b>25</b>

Capital Structure	Rate	Ratio	Weighted Cost
Long Term Debt	5.0200%	45.3000%	2.2700%
Short Term Debt	0.6800%	2.1400%	0.0100%
Preferred Stock	0.0000%	0.0000%	0.0000%
Common Equity	9.8300%	52.5600%	5.1700%
Required Rate of Return			7.4500%
PT Rate		0.0000%	
Tax Rate (MN)	41.3700%		
MN Jur Demand after IA		74.3399%	

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☒ Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: Department of Commerce Information Request No. 2

Requestor: Dale Lusti

Date Received: November 17, 2014

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Question:

Since the current Petition relates to the transfer of property between NSP Electric and NSP Gas, please provide information pursuant to MN Statutes 216.50 and MN Rules Part 7825.1600-1800.

Response:

To comply with the information request, we provide the information requested below. However, in this case, because the Company already owns the property and the request relates to a transfer between two internal business units, we do not believe Minn. Stat. §216B.50 applies.

**Minn. Rule 7825.1800**

**Subp. B** *Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.*

This information is discussed and provided below under Minn. Rule 7825.1400.

**Subp. C** *A description of the property involved in the transaction including ....the original cost of such property...the depreciation and amortization reserves applicable to such property...*

A description of the property at issue may be found on pages 3-4 of the initial Petition. The Company originally purchased the property at 435 James Avenue in 2000. The Company no longer needs the land to support operations at the High Bridge combined cycle generating facility. However, while the property is no longer needed to serve our electric operations, it is situated to serve our gas operations at a time of significant infrastructure replacement and improvement. The location of the

parcel at 435 James is ideal for the placement of new above ground facilities required to implement these improvements.

The property at 435 James is situated adjacent to a section of pipeline that currently runs to Island Station, a neighboring property owned by a third party. The valves which operate the current section of pipeline are located at the Island Station site. The current pipeline and the valves which control it will be replaced and relocated to the 435 James Avenue property as a part of the improvement project. The new equipment is necessary for inline inspection of the pipeline. The new facilities will include a valve set as well as large above-ground structures to house a launcher and receiver. By continuing to use the James Avenue property in the gas operations, we can maximize our existing assets and avoid the need to acquire new land to build the necessary above-ground facilities.

The original cost of the property was \$297,837. It has not been depreciated since it is land, thus, the current book value of the asset is \$297,837.

#### **Minn. Rule 7825.1400**

Minn. Rule 7825.1800 Subp. B refers to various detailed information (items A through J) set forth in Minn. Rule 7825.1400 for a transfer of property. The Commission has previously granted a variance to the requirements to provide the information outlined under Minn. R. 7825.1400 (A)-(J) in proposed acquisition of property transactions.<sup>1</sup> The Commission has found that Minn. R. 7825.1400 is applicable to capital structure filings and, therefore, the information identified is not relevant to petitions to acquire property.<sup>2</sup> Nonetheless, we provide information related to Items A through E are below and Attachment A provides a journal entry consistent with Item J.

Items F through I are relevant to a capital structure filing and required for purposes of investigating the issuance of securities. Since the Company is not issuing securities to fund this transaction, the information required under F through I is not applicable here.<sup>3</sup>

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<sup>1</sup> *In the Matter of Northern States Power Company, a Minnesota corporation, and ITC Midwest LLC for Approval of a Transfer of Transmission Assets and Route Permit*, MPUC Docket No. E002/PA-10-685, Order Approving Sale AS Conditioned, Granting Variance and Requiring Filing (December 28, 2010).

<sup>2</sup> *In the Matter of Northern States Power Company's d/b/a/ Xcel Energy's Petition for Approval of a Transfer and Exchange of Transmission Assets with Great River Energy and Member Cooperatives*, MPUC Docket No. E002/PA-06-932, Order (October 16, 2006).

<sup>3</sup> *In the matter of Northern States Power Company's Petition for Approval to Sell Used Electrical Equipment to Cypress Semiconductor Corporation*, MPUC Docket No. E002/M-12-997, Order (November 5, 2012); and *In the matter of Northern States Power Company's Petition for Approval to Sell Salvaged Wescott Equipment to Dresser Rand*, MPUC Docket No. E002/M-11-902, Order (November 23, 2011)

**Subp. A** *A descriptive title.*

Northern States Power Company, doing business as Xcel Energy, has petitioned the Minnesota Public Utilities Commission for approval of a transaction between NSP Electric and NSP Gas. In this transaction, the Company transferred the property on October 16, 2014 which it owns at 435 James Avenue in St. Paul from the books of NSP Electric to NSP Gas. NSP Electric no longer had use for the property and the Gas Department wished to take possession of the property for the purpose of placing above ground gas facilities on the site.

**Subp. B** *A table of contents.*

The Petition filed November 5, 2014 requesting approval had the following sections:

Introduction  
I. Summary of Filing  
II. Service on Other parties  
II. General Filing Information  
IV. Miscellaneous information  
V. Description and Purpose of Filing  
Conclusions

**Subp. C.** *The exact name of the petitioner and address of its principal business office.*

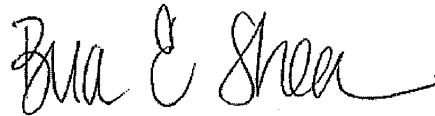
Northern States Power Company, doing business as:  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401  
(612) 330-5500

**Subp. D.** *Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.*

Kari L. Valley Assistant General Counsel Xcel Energy 414 Nicollet Mall, 5 <sup>th</sup> floor Minneapolis, MN 55401 <a href="mailto:kari.l.valley@xcelenergy.com">kari.l.valley@xcelenergy.com</a>	Tiffany Hughes Records Analyst Xcel Energy 414 Nicollet Mall, 7 <sup>th</sup> Floor Minneapolis, MN 55401 <a href="mailto:regulatory.records@xcelenergy.com">regulatory.records@xcelenergy.com</a>
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**Subp. E.** *A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.*

Pursuant to Rule 7825.1400, Subp. B, the undersigned Xcel Energy employee verifies the information contained in this filing is accurate and complete to the best of the Company's knowledge.



SIGN \_\_\_\_\_  
Bria E. Shea, Manager  
Regulatory Document Content

**Subp. J** *A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended.*

Journal Entries were provided along with our petition and have been provided here as Attachment A to this response. As noted above, since land does not depreciate, the book value has not changed since our original purchase.

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Preparer: Bria E. Shea  
Title: Manager, Regulatory Document Content  
Department: NSPM Regulatory  
Telephone: 612-330-6064  
Date: December 1, 2014



Northern States Power Company (Minnesota)  
James Avenue Land Transfer of Plant-In-Service  
Journal Entries

**Account and Description***Transfer of Land - Plant in Service***Debit:** FERC Account 101 - Plant in Service (Utility Account 20374001)

St. Paul - MN - Gas

\$ 297,837.09

**Credit:** FERC Account 101 - Plant in Service (Utility Account 10340001)

High Bridge Generation Plant - MERP

\$ 297,837.09

**Journal Entry Total**

\$ 297,837.09

\$297,837.09

Northern States Power Company (Minnesota)  
James Avenue Land Transfer of Plant-In-Service  
Journal Entries

Capital Asset Accounting  
Intra-Company Asset Transfer Form

Prepared by: David Amans      Date: October 16, 2014

Company: Northern States Power - Minnesota

**Asset From:**

Work Order Number:	11818573
Credit Amount:	\$297,837.09
Business Segment:	Electric Production
FERC Number:	10340001 - Other Prod Land Own in Fee
Power Plant Asset Location and State:	High Bridge Generation Plant-MERP

**Asset To:**

Work Order Number:	11818573
Debit Amount:	\$297,837.09
Business Segment:	Gas Distribution
FERC Number:	20374001 - Dist Land Owned in Fee
Power Plant Asset Location and State:	St Paul - MN - Gas

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☐ Public Document – Trade Secret Data Excised  
☒ Public Document

Xcel Energy

Docket No.: E,G002/PA-14-958

Response To: Department of Commerce Information Request No. 3

Requestor: Dale Lusti

Date Received: November 17, 2014

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Question:

The Petition at Page 8 states “The Company’s proposal to transfer an unused asset (referring to the property at 435 James Avenue) from NSP Electric to NSP Gas is efficient and economical.”

- A. When was the referenced property purchased by NSP Electric?
- B. Please explain whether the referenced property was ever used and useful to NSP Electric?
- C. If the referenced property was ever used and useful to NSP Electric, when did it stop being used and useful to NSP Electric, and become an unused asset?

Response:

- A. The above property was purchased on July 11, 2001 with the intent of securing the property for access to a future spur railroad line to the High Bridge Coal Plant. However, once the Minnesota Emissions Reduction Project (MERP) started in 2005, we had a new need to support our construction processes. Normally, in a plant construction project or a plant outage, we would rent mobile trailers and portable offices to house the additional staff needed to support the projects. However, there was a suitable office building on the 435 James Avenue property that allowed us to avoid the additional expense and logistics of having temporary offices brought in. Once the conversion was complete in 2008, we continued using the office for corporate employees and contractors that needed temporary offices. In June 2014, we determined the gas business may have a use for the property and we vacated the office building.

Since then, the office building has been vacant and there was no longer a need to retain this property.

- B. Yes, the property was used and useful. While the property was not used for access to a future spur railroad line as we originally envisioned, the purchase of the property was necessary for the future of the High Bridge Coal Plant at the time. As it turns out, MERP changed the plans for the plant and the coal access was not needed; however, we were still able to save time and money on trailer rentals and temporary office buildings by using the existing office building on the site.
- C. As noted above, the office building was vacated in June 2014 in preparation to transfer the land.

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Preparer: Heidi F. Benedict  
Title: Plant Director  
Department: High Bridge Combined Cycle Plant  
Telephone: 651-223-6701  
Date: December 1, 2014