MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	August 8, 2019	Agenda Item 5**
Company	Northern States Power Company, d/b/a Xcel Energy	
Docket No.	**E,G-002/D-19-161**	
	In the Matter of the Petition of Northern States Power Company for Approval of its 2019 Annual Review of Remaining Lives	
Issues	Should the Commission approve Xcel's request for: • A one year passage of time adjustment for most of its electric and natural gas production and gas storage facilities; • Modification to the remaining lives for electric production plants: Sherburne County (Sherco) Units 1-3, Angus Anson Units 2-4, Black Dog Unit 5 (FERC 341 only), and Blue Lake Units 1 through 4 and 7-8; • Removal of the Wescott natural gas production plant from all schedules due to the sale of the facility as approved by the Commission on January 31, 2019 in Docket No. G-002/PA-18-294; and • Establishment of initial remaining lives and net salvage rates for Blazing Star I, Foxtail, and Lake Benton wind farms which were placed in-service during 2019.	

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✓ **Relevant Documents**	**Date**
PUC – Order (Docket No. E,G-002/D-18-162)	September 4, 2018
Xcel Energy – Initial Filing – 2019 Annual Review of Remaining Lives	February 19, 2019
Department of Commerce – Comments (TS)	April 18, 2019
Office of Attorney General – Comments (TS)	April 22, 2019
Xcel Energy – Reply Comments (TS)	May 2, 2019
Office of Attorney General – Reply Comments	May 2, 2019
Department of Commerce – Response to Reply Comments (TS)	May 16, 2019

I. Statement of the Issues

Should the Commission approve Xcel's request for:

- A one year passage of time adjustment for most of its electric and natural gas production and gas storage facilities;
- Modification to the remaining lives for electric production plants: Sherburne County (Sherco) Units 1-3, Angus Anson Units 2-4, Black Dog Unit 5 (FERC 341 only), and Blue Lake Units 1 through 4 and 7-8;
- Removal of the Wescott natural gas production plant from all schedules due to the sale of the facility as approved by the Commission on January 31, 2019 in Docket No. G-002/PA-18-294; and
- Establishment of initial remaining lives and net salvage rates for Blazing Star I, Foxtail, and Lake Benton wind farms which were placed in-service during 2019.

II. Introduction

On February 19, 2019, Xcel Energy submitted its request for approval of its 2019 annual review of the remaining lives for electric and natural gas production and gas storage facilities. Xcel requested adjustments to the remaining lives of several of its production facilities among other things.

The Department recommended that the Commission approve Xcel's proposed depreciation rates, and require additional information in future remaining life depreciation filings.

The Office of Attorney General recommended the Commission deny Xcel's requests to extend remaining lives until after the pending integrated resource plan is decided. OAG raised several other concerns and objections.

III. Relevant Statutes, Rules and Procedures

Minn. Stat. § 216B.11. Depreciation Rates and Practices.

The commission shall fix proper and adequate rates and methods of depreciation, amortization, or depletion in respect of utility property, and every public utility shall conform its depreciation, amortization or depletion accounts to the rates and methods fixed by the commission.

Minn. Rules, pts. 7825.0500 – 7825.0900. Depreciation Certification.

1. Minn. Rules, pt. 7825.0600, subp. 1. Depreciation Certification.

Depreciation practices applicable to all utilities. All electric and gas utilities shall maintain, and have available for inspection by the commission upon request, adequate accounts and records related to depreciation practices as defined herein. Each utility has the prime responsibility for proposing the

depreciation rates and methods that will be used. The commission shall certify by order to the utility the depreciation rates and methods which it considers reasonable and proper. Any allocation or adjustment of the depreciation reserve will require specific justification and certification by the commission.

Either the utility may submit or the commission may request a petition for depreciation certification because of unusual circumstances or unique situations.

2. Minn. Rules, pt. 7825.0900. Petition for Certification Procedure (in part)

Depreciation rates and methods, once certified by order, are binding on all future rate proceedings and will remain in effect until the next certification or until the commission shall determine otherwise.

3. Minn. Rules, pt. 7825.0600, subp. 2 & 3. Depreciation Certification (in part)

[All utilities] shall: . . . review their depreciation rates annually to determine if they are still generally appropriate. Depreciation certification studies shall be made so that all primary accounts (class A & B utilities) or all functional groups of plant accounts (class C & D utilities) have been analyzed at least every five years.

Commission Practice

Depreciation methods, practices and rates are evaluated in depth once every five years in a depreciation study provided by the utility and then reviewed annually, usually in a request for certification of the remaining lives of the utility's assets. The depreciation rates established in these proceedings are incorporated into the Company's revenue requirement and rates in a general rate proceeding. These stand-alone depreciation filings allow for a more thorough examination of the Company's depreciation methods, practices and rates independent of all the other issues that are examined and analyzed in a rate case. This is important because utilities are so highly capital intensive. This is also one of the main reasons for having separate depreciation filings.

Xcel Energy (Xcel, the Company) submits several different depreciation flings periodically. Every five-years, Xcel submits a comprehensive depreciation study of its electric and gas production and gas storage asset lives and net salvage rates. In the off years, on an annual basis, including in this docket, Xcel provides an annual update of the remaining lives and depreciation rates for its electric and gas production and gas storage accounts.

Xcel also submits separate five-year comprehensive studies and annual updates and reviews of the remaining lives and depreciation rates for its transmission, distribution, and general plant facilities.

In addition, Xcel submits a separate nuclear decommissioning accrual filing once every three-years that sets the deprecation rates for its nuclear facilities.

IV. Background and Parties' Comments

On February 19, 2019, Xcel Energy submitted its petition requesting Commission approval of the following:

- Passage of time adjustment for all electric and natural gas production and gas storage facilities, except as discussed below;
- Modification to the remaining lives for electric production plants: Sherburne County (Sherco) Units 1-3, Angus Anson Units 2-4, Black Dog Unit 5 (FERC 341 only), and Blue Lake Units 1 through 4 and 7-8;
- Removal of the Wescott natural gas production plant from all schedules due to the sale of the facility as approved by the Commission on January 31, 2019 in Docket No. G002/PA-18-294; and
- Initial remaining life and net salvage rate for Blazing Star I, Foxtail, and Lake Benton wind farms to be in-serviced during 2019 and an increase of $4.1 million to its depreciation expense related to a partial year of depreciation for the three wind farms.

In addition, in compliance with the Commission's Order in the Company's 2018 remaining life filing[1] it provided, for the Commission's information, a discussion of the following items:

- An explanation and schedule of the differences between depreciation remaining lives and the Integrated Resource Plan[2] (IRP) lives of electric production plants.
- An update on removal costs for Black Dog Units 3 and 4, Minnesota Valley, and Key City.

Xcel also requested that the Commission allow it to account for the depreciation of two property acquisition dockets that are pending before the Commission, if those acquisitions have been approved in time to incorporate into the depreciation filing. However, at this time, the two property acquisition dockets have not been heard by the Commission. They are both contested matters and will not be discussed further in these briefing materials.

On April 18, 2019, the Department submitted comments and agreed with Xcel's proposal to:

- Set an effective date of January 1, 2019 for the remaining lives and net salvage rates;
- Adjust all electric and natural gas production and gas storage facilities for a one-year passage of time, with the exceptions discussed below:
- Extend the final retirement date of Sherco Units 1-3 by one year from January 1 to December 31 of 2026, 2023 and 2035 respectively;
- Extend the lives of Angus Anson Unit 2 and Unit 3 through May 31, 2040, or by 15 years;
- Extend the remaining life of Angus Anson Unit 4 by 10 years which would result in a 26.4 year remaining life and operational retirement date of May 31, 2045;

[1] Docket No. E,G-002/D-18-162, Order, September 4, 2018.

[2] Docket No. E-002/RP-15-21

- Set a new remaining life for Black Dog Unit 5 FERC Account 341 Structures & Improvements to 39.3 years;
- Extend the lives of Blue Lake Units 1 through 4 by 4 years;
- Extend the lives of Blue Lake Unit 7 and Unit 8 by 10 years;
- Remove the Wescott natural gas production plant from all schedules due to the sale of the facility; and
- Set an initial remaining life of 25 years and a net salvage rate of negative 8.5 percent for Blazing Star I, Foxtail, and Lake Benton wind farms.

The Department believes Xcel's petition complied with all applicable statutes and rules, and that Xcel has complied with the requirements of prior Commission orders in its filing.

The Department also suggested the Company include additional information in future remaining lives filings:

- A supplemental schedule showing the total depreciable lives (in addition to the remaining lives) of the Company's electric production facilities;
- A supplemental schedule with the: (1) actual costs to date, (2) projected future costs, and (3) percentage of completion to date for the Minnesota Valley Plant, Key City Plant, Granite City Plant, and Black Dog Units 3-4 as applicable; and
- Removal updates for the Granite City plant consistent with what is provided for the Key City Plant.

On April 22, 2019, the OAG submitted comments and recommended that the Commission:

- Deny the Company's request to extend the plant remaining lives at this time and delay any action on this issue until after the Company's Integrated Resource Plan[3] (IRP) is approved;
- Order Xcel to provide the total cost of the wind projects it is requesting to add to its depreciation expense, including AFUDC;
- Require Xcel to move any reserves in excess of removal costs from Minnesota Valley to the plants in which reserves were moved from;
- Disallow any reserve reallocations to cover removal costs for three plants that are closed and no longer used and useful;[4]
- Require Xcel to include Granite City in its annual reporting on dismantling costs.

On May 2, 2019, Xcel filed reply comments and stated it has no issues with providing the additional information requested by the Department in future filings.

[3] E-002/RP-19-368, *In the Matter of Xcel Energy's 2020-2034 Upper Midwest Integrated Resource Plan.*

[4] Black Dog Unit 3 and Unit 4, Key City & Granite City.

Xcel also responded to the OAG's concerns related to the:

- Requested extension of the remaining lives of some of Xcel's its production facilities outside of the IRP process;
- Delay in Black Dog Unit 5 dismantling costs;
- Establishing remaining lives and salvage rates for the newly acquired wind farms; and
- Reallocation of the depreciation reserves among facilities in the same functional class, and
- Certain questions about Xcel's Key City and Granite City production plants.

On May 16, 2019, the Department submitted response comments and continued to recommend that the Commission approve Xcel's proposal.

V. Xcel's Proposal and Party Positions

Generation Plants

The Department recommends the Commission approve Xcel's proposed remaining life extensions for its generation plants. The OAG objects to approval of any life extensions at this time and recommends the Commission delay any action on this issue until after the Commission approves the Company's recently filed Integrated Resource Plan.

Sherco Unit 1, Unit 2 and Unit 3

The Sherco plant is a three-unit, coal-fired base load plant located in Becker, Minnesota. Sherco Unit 3 is jointly-owned by Xcel and the Southern Minnesota Municipal Power Association.

In this annual depreciation filing, Xcel has requested to extend, for accounting purposes, the final retirement date of Sherco Units 1-3 by one year from January 1 to December 31 of 2026, 2023 and 2035 respectively. The new remaining lives for the Units would be 8, 5 and 17 years. The Company stated it now intends to operate these facilities through the end of the year of retirement rather than retiring the units at the beginning of the year.

In addition, the Company requests the same extension to apply to the deferral amortization period of Unit 3[5], which is currently set equal to the remaining life of Unit 3. The deferral was a result of an incident that occurred on November 19, 2011. Unit 3 experienced a significant failure during testing while returning to service following a scheduled maintenance overhaul that began in mid-September 2011. The failure resulted in fires in both the turbine and generator, damaging the unit, including the generator exciter and turbine. The failure did not affect the operation of Units 1 and 2 at Sherco, but Unit 3 was off-line until September 2013. In

[5] See Docket E,G-002/D-14-181, *In the Matter of Northern States Power Company's 2014 Review of Remaining Lives*. Approval of accounting treatment for the deferred 2013 depreciation expense of Sherburn County Generating Station (Sherco) Unit 3, creating a regulatory asset in 2014 and amortizing it over 21 years.

Xcel's 2013 electric rate case[6], the Commission ordered the 2013 depreciation expense for Sherco Unit 3 be deferred until January 1, 2014. This amounted to $14.2 million in deferred depreciation expense for 2013. This deferred depreciation expense was Ordered to be amortized over the remaining life of the plant beginning January 1, 2014.

The Department stated it considers Xcel's proposed remaining life extensions and amortization period for Sherco Units 1-3 to be reasonable based on the Company's responses to the Department's information requests (IRs). In response to the IRs, the Company stated it considered operational and resource planning factors in reaching the decision to operate the Units for one additional year. Additionally, the Department stated that because there are no additional capital expenditures planned at this time for Sherco Units 1-3, the total depreciable cost of the Units would not change. The effect would be to spread the same expense over one additional year.

The OAG objected to the Company's proposal to extend the lives of the Sherco Units 1 & 2 because of the action the Commission Ordered in Xcel's currently approved IRP filing. The Commission action assumed a January 1 retirement date for the Units. Xcel now claims that it intends to operate the Units through the end of the year. The OAG stated that it is not appropriate for the Company to bypass a Commission Order and change the assumed retirement date and the Commission should deny the Company's request.

The OAG stated it is opposed to Xcel's request to extend the life of its Sherco 3 because the Company relied on a Life Expectancy report from 2013.[7] The OAG stated that the problem with the Life Expectancy report is that it does not consider the policy or cost factors that may cause the Company or the Commission to shutter the plant before its operational life expires. The OAG argued that this is important because the Company is preparing to file its IRP in three months. The IRP process will presumably provide parties with better information about the future operation of these assets. Changing the remaining lives now, before additional and more holistic information on the Company's generation resources is reviewed through the upcoming IRP filing is premature, and could likely result in a depreciation expense that is out-of-step with decisions made in the upcoming IRP regarding generation resources. Accordingly, the Commission should deny the Company's request to change the remaining lives of these facilities at this time, and delay any action until after Xcel's next IRP.

Xcel responded to the OAG's suggestion that the Company had bypassed the Commission's Order in its 2015 IRP. Xcel stated that the Commission's IRP Order simply "approve[d] the retirement of Sherco 2 in 2023, and Sherco 1 in 2026." It did not specify whether those retirements were to occur in any particular month of those years. In the concurrent remaining lives docket, the Commission adopted the Department's recommendation of basing the remaining lives on January 1 of each retirement year. In that docket (E,G-002/D-15-46),

[6] Docket No. E002/GR-13-868, *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*.

[7] See Xcel's Response to DOC information request 11, Exhibit 2; OAG Comments Dated April 22, 2019, page 4.

Commission Staff noted that the "one year difference is not significant and the Commission could accept either proposal."

Xcel stated that it is appropriate for the Company to request a change to the depreciable lives for Sherco Units 1 and 2 in this docket, and this request is not inconsistent with the Commission's last IRP Order. Xcel's position is supported by the Department. Xcel quotes the Department saying that "aligning the financial and operational retirement dates of a capital asset allows for (1) a rational allocation of the asset's cost over its useful life and (2) a better matching of the associated expenses and revenues over time." On this basis, the Department concluded that the Company's request was reasonable. Xcel requested that the Commission approve the Company's Petition over the OAG's objection.

The result of extending the lives of Sherco Units 1-3 and the amortization period of Unit 3 by one year would result in a reduction of approximately $8,158,600 to Xcel's annual depreciation expense. There are no additional capital expenditures planned at this time for Sherco Units 1-3 so there would be no change to the total depreciable cost of the Units. The effect would be to spread the same expense over one additional year.

Staff notes that the Company has recently filed its 2020-2034 Integrated Resource Plan, in Docket No. E-002/RP-19-368 . In its IRP, the Company has stated its intention to retire its remaining Upper Midwest coal plants by 2030. The plant retirement dates for Sherco 1 (2026) and Sherco 2 (2023) were authorized in Xcel's 2015 resource plan. In the 2019 resource plan, Xcel is proposing to close Sherco 3 in 2030 (rather than 2035).

Angus Anson Unit 2 and Unit 3

Capital Investments

The Angus Anson steam plant is located in Sioux Falls, SD. Units 2 and 3 are dual-fired combustion turbines. Angus Anson Unit 3 is currently undergoing a major overhaul expected to be completed in 2019. Unit 2 will be undergoing a similar overhaul in 2021-2022. The Company stated that the capital improvements are expected to extend the lives of both Units through May 31, 2040, or by 15 years. This equates to a 22 year remaining life for the Units.

The Department stated that because the overhaul project has begun for Unit 3 and the overhaul of Unit 2 is expected to begin in the near future, there is certainty that the Company will make and complete the capital investments.

The OAG argued that these investments may or may not impact the remaining life of the facility in the company's next IRP. For this reason, these investments should not impact the remaining lives of these facilities until the Commission reviews Xcel's next IRP.

OEM Equivalent Starts (ES) Recommendations

To support its request to extend the lives of the Angus Anson Units, Xcel provided OEM equipment equivalent starts recommendations, which reflect manufacturers' recommendations.

The Department also took into account equivalent start data provided by the Company. Based on these observations, the Department concluded that Xcel's request is justified and appropriate.

The OAG stated that the problem with relying on OEM equipment equivalent starts recommendations to set remaining lives is the recommendation does not consider the policy or cost factors that may cause the Company or the Commission to shutter the plant before its operational life expires. The OAG argued that this is important because the Company is preparing to file its IRP in three months. The IRP process will presumably provide parties with better information about the future operation of these assets. Changing the remaining lives now, before additional and more holistic information on the Company's generation resources is reviewed through the upcoming IRP filing is premature, and could likely result in a depreciation expense that is out-of-step with decisions made in the upcoming IRP regarding generation resources. Accordingly, the Commission should deny the Company's request to change the remaining lives of these facilities at this time, and delay any action until after Xcel's next IRP.

The result of extending the lives of Angus Anson Units 2 and 3 would decrease Xcel's annual depreciation expense by approximately $1.5 million. This decrease to depreciation expense would be partially offset by Xcel's 2019 capital investment in the Units of approximately $8.6 million with a corresponding $0.3 million increase in annual depreciation expense. Staff estimates the net effect would be a $1.2 million dollar decrease to depreciation expense.

Angus Anson Unit 4

Angus Anson Unit 4 is a combustion turbine with a separate remaining life from Angus Anson Units 2 and 3. Xcel has proposed to increase the remaining life of Unit 4 by 10 years. In its Petition, the Company cites manufacturer expectations and revised operational estimates as support for an operational retirement date of May 31, 2045. The Unit would have a new remaining life of 26.4 years if the proposed extension is approved.

The Department reviewed the manufacturer expectations and the revised operational estimates the Company provided as support for an operational retirement date of May 31, 2045. The Department concluded the Company's request is justified and appropriate under the circumstances.

To support its request to extend the lives of the Angus Anson Units, Xcel provided OEM equipment equivalent starts recommendations, which reflect manufacturers' recommendations.[8]

[8] See Xcel's Response to DOC information requests 4, 5, 7, and 8, attached as Exhibits 3, 4, 5, and 6, OAG

The OAG stated that the problem with relying on OEM equipment equivalent starts recommendations to set remaining lives is the recommendation does not consider the policy or cost factors that may cause the Company or the Commission to shutter the plant before its operational life expires. Accordingly, the Commission should deny the Company's request to change the remaining lives of these facilities at this time, and delay any action until after Xcel's next IRP. (Please see OAG argument as described in the Angus Anson Units 2 & 3 discussion.)

The result of extending the lives of Angus Anson Unit 4 would decrease Xcel's annual depreciation expense by approximately $642,000.

Black Dog Unit 5 (FERC Account 341 only)

Black Dog Unit 5 is a natural gas, combined-cycle unit located in Burnsville, MN. Xcel intends to dismantle Black Dog Units 5 and 6 simultaneously once Unit 6, the longer-lived of the two assets, reaches the end of its life. Xcel stated it is making the proposal with the expectation of minimizing costs and streamlining the decommissioning process. Xcel also plans to dismantle the building structure, which houses both units, at the same time as the units themselves. The Company's request is to extend the life for a portion of the Black Dog Unit 5 facility that houses both Units 5 and 6 so that the structure can be dismantled once at the end of both units' lives.

The Company requested a remaining life extension which would align the life of the shared building with that of the longest-lived associated unit (i.e. Unit 6). Specifically, Xcel seeks approval for a 26.3 year remaining life extension to the FERC 341 Structures & Improvements account for Black Dog Unit 5. The shared building structure is accounted for under FERC 341. The new remaining life of FERC 341 for Black Dog Unit 5 would be 39.3 years.

The proposed extension to the remaining life of FERC 341 would decrease the Company's 2019 annual depreciation expense by approximately $1 million. Because no capital expenditures are planned at this time for FERC 341, the total depreciable cost of this account would not change if the Company's proposal is approved, the cost would be spread over a longer period of time.

The Department considers the Company's request to be reasonable. Extending the life of the assets in the FERC 341 account to match that of the longest-lived associated asset is an accounting practice that has been similarly applied by the Company to certain other electric generating units, such as Angus Anson and Blue Lake. Black Dog Unit 6 was installed after Unit 5, which would account for why the Unit 5 FERC 341 account was not initially set to the currently requested remaining life.

The OAG is concerned with the Company's plan to extend the remaining life for the Black Dog Unit 5 structure because it is not clear whether Xcel has considered the impact of 26 years of inflation on the dismantling costs. Inflation would presumably increase these costs over time, perhaps substantially. It is possible that the increased costs of waiting 26 years to remove the

Comments Dated April 22, 2019.

housing for Units 5 will outweigh any benefit gained by removing the entire facility at one time. This could also result in intergenerational inequities, since future ratepayers would be required to pay for the shortfall on removal costs of a facility that closed 26 years prior. While the OAG understands that removing the entire structure at once may provide some cost savings, it asked the Company to analyze in its reply comments whether these benefits outweigh inflationary impact of delaying the removal of the portion that houses Unit 5.

Xcel explained that the purpose of the division between Units 5 and 6 is partially to allocate an appropriate amount of cost to each unit based on the power being provided, and does not necessarily represent the actual assets that will be retired at the end of that plant's life. Only a minority of these assets could actually be retired at the end of Unit 5's life without affecting the operation of Unit 6. While the Company has not completed an asset-by-asset inventory to determine which portions could be retired at the retirement of Unit 5, it is evident that the cost of removing certain structures such as water supply and air heater systems—all while maintaining the integrity and operability of the surrounding and interconnected assets—would materially outweigh the impact of additional inflation. The Company stated that it would anticipate the need for Unit 6 outages and the purchase of replacement power in order to facilitate the degree of dismantlement suggested by the OAG.

The Company stated that it plans to remove any FERC Account 341 assets that can be removed cost effectively during the removal of other plant assets associated with Unit 5. It is simply not feasible to determine which assets might qualify for such removal until the removal activities are underway. As the Department noted in Comments, utilizing the longer of the two unit's lives is consistent with how both Angus Anson and Blue Lake have been accounted for in the past. It also better mirrors the actual useful lives of the majority of the assets in this account.

The OAG also asked the Company to confirm it will immediately dismantle the non-structures and improvements related assets after Black Dog Unit 5 shuts down. The Company stated it does not believe that it is appropriate to make commitments or assumptions about the date of the dismantlement of Black Dog Unit 5 at this point. When production has ceased the best approach to dismantling the plant will be evaluated based upon the facts and circumstances relevant at that time.

Peaking Plants

Blue Lake Units 1-4

The Blue Lake Peaking Plant is located south of Shakopee, MN and is comprised of four oil-fired combustion turbines. The Company proposed an increase to the remaining life of Blue Lake Units 1-4 by 4 years. The Company used equivalent start (ES) operational data to determine the appropriateness of a remaining life extension for these units. The proposed extension would give each of the Blue Lake Units 1-4 a new remaining life of 4.5 years.

The Department reviewed the operational ES data provided by Xcel to support the 4.5-year remaining life extension for Blue Lake Units 1-4 and believes the Company's request is justified.

The Department expressed concern, however, over the successive and contradictory fluctuations in the Company's estimates of the appropriate remaining life of Blue Lake Units 1-4. Xcel requested an 8-year remaining life extension for these units in 2015,[9] and this request was then followed by a 2017 proposal to reduce the units' remaining life by 4.5 years.[10] Both of these requests were approved based on the information provided by the Company at the time. The Department stated it recognizes that asset lives are estimates and subject to change and requests that Xcel fully explain and thoroughly support further requests to modify the remaining life of Blue Lake Units 1-4 in the context of past requests.

To support its request to extend the lives of the Blue Lake Units, Xcel provided OEM equipment equivalent starts recommendations, which reflect manufacturers' recommendations.[11] The OAG stated that the problem with relying on OEM equipment equivalent starts recommendations to set remaining lives is the recommendation does not consider the policy or cost factors that may cause the Company or the Commission to shutter the plant before its operational life expires. Accordingly, the Commission should deny the Company's request to change the remaining lives of these facilities at this time, and delay any action until after Xcel's next IRP. (Please see OAG argument as described in the Angus Anson Units 2 & 3 discussion.)

Annual depreciation expense would decrease in 2019 by about $1 million as a result of the proposed remaining life extension.

Blue Lake Units 7-8

Blue Lake Units 7 and 8 are combustion turbines used for their peaking abilities and with a separate remaining life from Blue Lake Units 1-4. Because Blue Lake Units 7 and 8 are the same model and under a similar maintenance schedule as Angus Anson Unit 4, the Company has similarly requested a 10-year remaining life extension. The proposed extension would give Blue Lake Units 7 and 8 a new remaining life of 26.4 years.

The Department reviewed ES operational data provided by Xcel to support the 10-year remaining life extension for Blue Lake Units 7 and 8 and believes the request is justified and appropriate.

To support its request to extend the lives of the Angus Anson Units, Xcel provided OEM equipment equivalent starts recommendations, which reflect manufacturers' recommendations.

[9] May 18, 2015 initial February 17, 2017 initial petition in Docket No. E, G-002/D-17-147 at page 7. Petition in Docket No. E, G-002/D-15-46 at pages 6 and 7.

[10] February 17, 2017 initial petition in Docket No. E, G-002/D-17-147 at page 7.

[11] See Xcel's Response to DOC information requests 4, 5, 7, and 8, attached as Exhibits 3, 4, 5, and 6, OAG Comments Dated April 22, 2019.

The OAG stated that the problem with relying on OEM equipment equivalent starts recommendations to set remaining lives is the recommendation does not consider the policy or cost factors that may cause the Company or the Commission to shutter the plant before its operational life expires. Accordingly, the Commission should deny the Company's request to change the remaining lives of these facilities at this time, and delay any action until after Xcel's next IRP. (Please see OAG argument as described in the Angus Anson Units 2 & 3 discussion.)

Extending the remaining life of Blue Lake Units 7 and 8 would decrease the annual depreciation expense for 2019 by approximately $1.1 million.

Liquified Natural Gas Facility

Wescott Facility

Xcel's Wescott facility is located in Inver Grove Heights, MN and is used for (1) liquefaction and vaporization of liquefied natural gas (LNG) and (2) storage of liquid propane (LP). On January 31, 2019, the Commission approved Xcel's sale of the LP storage portion of the Wescott Facility in Docket No. G-002/PA-18-294. The Commission issued the corresponding Order in this matter on March 28, and June 17, 2019.

In this petition, the Company requested permission to remove the portion of the Wescott facility approved for sale from its depreciation schedules. Given that the Commission approved this sale, it follows that the Company will cease its ownership and depreciation of the property sold.

The Department believes it is necessary and reasonable for Xcel to remove the divested portion of the Wescott facility from the Company's depreciation schedules upon finalization of the sale.

The OAG did not comment on the Wescott facility issue.

Wind Farms

Blazing Star I, Foxtail, and Lake Benton Wind Farms

"Xcel plans to place three new wind farms into service during 2019. In its Petition, the Company requests (1) an initial remaining life of 25 years, set as of the in-service date and (2) a net salvage rate of negative 8.5 percent for each of the following wind farms:"[12]

Wind Farm Name	*Estimated In-Service Date*	*2019 Depreciation Expense*
Blazing Star I	December 2019	$559,266
Foxtail	September 2019	3,229,622
Lake Benton	December 2019	308,490
2019 Partial Year Impact		**$4,097,378**

[12] Department, Comments, p. 10

In its initial filing Xcel requested an increase of $4.1 million to its depreciation expense[13] related to a partial year of depreciation on the three wind farms listed above.

"The Company stated it proposed a 25-year remaining life for the new wind farms because it is consistent with the 25-year remaining lives previously authorized for Xcel's other wind farms, including Grand Meadow, Nobles, Border, Pleasant Valley, and Courtenay wind facilities. In addition, the 25-year remaining life requested aligns with the wind turbine manufacturer expectations."[14]

"The net salvage rate of negative 8.5 percent proposed for the new wind farms is consistent with the approved rate for the Courtenay, Pleasant Valley, and Border wind facilities. Negative 8.5 percent is also the approximated average of the approved rates for Nobles (negative 6 percent) and Grand Meadow (negative 11.1 percent) wind farms. Dismantling study data is not yet available for the new wind farms, and therefore the cost of the dismantling process for these facilities cannot be estimated with a high degree of certainty at this time. The Company's next required comprehensive dismantling study on all electric generating plants will include the three newly in-serviced wind farms, and the results of this study will be submitted in Xcel's 2020 Annual Review of Remaining Lives. Submission of the study will provide an opportunity in the near future to revisit the appropriateness of the net salvage rate for the Blazing Star I, Foxtail, and Lake Benton wind farms."[15]

"For each of the three new wind farms, the Department concluded that the proposed 25-year remaining life is appropriate as it is consistent with the remaining lives of Xcel's other similarly constructed and equipped wind farms. The Department also concluded that the net salvage rate of negative 8.5 percent reasonable at this time due to its alignment with the net salvage rates currently approved for the Company's other wind farms. The salvage rates for these new wind farms will be further reviewed by the Department following Xcel's submission of the 2020 comprehensive dismantling study on the Company's electric generating units."[16]

"In its review of the Company's 2019 estimated depreciation expense calculation for these three new wind facilities, the Department observed that Xcel assumed a depreciation expense of one half a month (rather than a full month) for the initial in-service month of each wind farm. Based on past practice seen in Xcel's past rate cases, taking a one half month's-worth of depreciation has been previously allowed."[17]

In reply comments[18], Xcel stated that,

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[13] Xcel Initial filing dated February 19, 2019, page 18.

[14] Department, Comments, p. 10

[15] Department, Comments, p. 11

[16] Department, Comments, p. 12

[17] Department, Comments, p. 11

[18] See Xcel's May 2, 2019 Reply Comments, pp 4-5.

> To be clear, the Company is not requesting to change or add to the depreciation expense of these wind projects in this docket. It is simply requesting that the Commission establish the remaining lives and net-salvage rates to be used in calculating expense when these projects go in service. The depreciation expenses shown in this docket are intended to be representative of the impact, but actual depreciation expense will be calculated based on final and actual plant balances in service at the time. It should also be noted that this docket is not intended to set or change electric rates. The lives established here, to the extent they are approved and remain effective, will simply be used as inputs for future rate setting dockets such as rate case and rider filings.

The OAG recommended that the Company "provide the total cost of the wind projects it seeks to add to its depreciation expense, including AFUDC." Xcel provided the information[19] as requested. In the end, OAG did not make a recommendation specific to Xcel's proposal to establish a 25 year remaining life and a negative 8.5 percent salvage rate for the wind farms and include a partial year of depreciation expense. The OAG did make a general recommendation that no action be taken on Xcel's request at this time.

Granite City & Key City Plants

Xcel has opted to maintain the Key City plant in a dormant state in order to provide spare parts for its Granite City plant. The Company holds Key City in a dormant state to ensure that Granite City could be repaired and could continue to provide power should a component that would be difficult to find and purchase in the market break and need to be replaced.

"The OAG requested that the Company explain (1) whether or not any spare parts from Key City have been utilized by Granite City; (2) whether the cost of keeping Key City dormant was actually offset by the cost savings of not having to purchase parts for Granite City; and (3) whether the Company intends to sell any parts from Key City and Granite City when the facilities are removed and whether the proceeds from those sales would be used to cover any dismantling reserve shortfall."[20]

Xcel responded that to date, (1) Granite City has not utilized any of the parts from the Key City plant. The Company stated that (2) "maintaining Key City in a state of dormancy provides insurance to the Company and its customers against future problems and component failures at Granite City. The Company argues that the insurance value of having spare parts available from Key City is beneficial regardless of whether a component actually fails at Granite City. Similar to the purchase of fire insurance, the fact that fire insurance is never used does not necessarily indicate that it was not worth purchasing."[21]

[19] See Xcel's May 2, 2019 Reply Comments, Attachment B.

[20] Xcel, reply comments, pp. 4-5

[21] Xcel, reply comments, p. 7

"Xcel responded that (3) to the extent that any parts or components from either facility are able to be sold in the process of demolition, those parts and pieces would be treated as scrap or salvage, and would be used to offset the cost of removal, including any shortfall that may or may not occur. Currently, the majority of assumed salvage comes from scrap metals. The most recent TLG study for dismantling, which was used to set the net-salvage estimate, assumed Key City would have $990,431 of scrap credit available to offset dismantling costs. Scrap credit is a highly volatile component of the cost estimate as it relies on the actual state of the plant at retirement, as well as the unit price of scrap metal at the time dismantling occurs. This estimate was performed using 2014 scrap unit prices."[22]

Xcel has stated that it will retire the Granite City plant in 2019 because Black Dog Unit 6 has come back online. Black Dog 6 will provide more generating capacity than is required.

Reallocation of Depreciation Reserves

In its comments, the OAG expressed concern with "Xcel's repeated practice of reallocating depreciation reserve amounts from one plant to another in order to recover any shortfalls for estimated removal costs." The OAG argued that reallocating reserves in this manner creates intergenerational inequities for ratepayers and removes the Company's incentive to correctly forecast and manage removal costs. Therefore the OAG recommended that the Commission should order Xcel to "move any reserves in excess of removal costs from Minnesota Valley to the plants in which reserves were moved from" and to "disallow any reserve reallocations to cover removal costs for three plants that are closed and no longer used and useful".

Xcel responded that:

> As discussed, . . . changes in estimated net salvage and cost of removal expense can be expected to occur up to and including the time removal takes place. Often this removal period is years after the actual shut down of the plant. In the event that a change occurs, reserve reallocation helps to smooth the impact over the lives of all plants in the functional class, and it is allowed for by FERC. Likewise, the Commission has historically approved reserve reallocations in instances of expected over or under recovery estimates.[23]

Xcel explained that "without a reserve reallocation, a plant with a zero remaining life would depreciate the change in net salvage rate in the current period, either positive or negative. Xcel argued that reallocation actually decreases the potential intergenerational inequity customers may face by eliminating the potential for spikes, or large increases in a single period."[24]

Xcel pointed out that "the OAG has recommended that the Company reallocate Minnesota Valley's potential excess reserve to the production facilities from which that reserve was moved

[22] Xcel, reply comment, p. 7

[23] Xcel, reply comments, p. 5

[24] Xcel, reply comments, p. 5

as a part of the realignment that occurred in the 2015 remaining life filing. However, the OAG has also recommended that the Commission disallow reallocation of costs in excess of estimates. The Company stated that it disagrees with any approach that is not consistently applied. Additionally, the Company stated that it simply is not possible to prepare cost estimates at the level of accuracy required by the OAG's recommendations."[25]

The Company asserted that it "continues to believe that reserve reallocations provide the most equitable and sustainable method of handling potential cost increases or decreases." Finally, in its response to OAG Information Request No. 2 , Xcel stated that it is not requesting a reserve allocation in this docket.

In its May 16, 2019 response comments, the Department pointed out that the Commission granted approval for a reserve reallocation from Black Dog Units 3 and 4 to the Minnesota Valley and Key City plants in its Order for Docket No. E,G-002/D-15-46 on November 13, 2015. In the current docket, Xcel has provided an update on these plants' removal costs in compliance with that Order and is not currently requesting a reallocation. The Department pointed out that the Company has only completed 16% of the Minnesota Valley plant removal as of January 1, 2019. As such, it would be very difficult to know at this time whether, or in what amount, the plant's reserve balance will exceed actual dismantling costs. Therefore, the Department recommended that the Commission take no action at this time regarding modifying the Commission's decision in Docket No. E,G-002/D-15-46.[26]

As for future reallocations, the Department stated that although the OAG has raised important issues regarding reallocation, DOC believes that "reallocations must be examined based on the specific facts at the time". So, the Department also recommended that the Commission take no action regarding the reasonableness of future reserve reallocations.[27]

VI. Staff Analysis

In the traditional cost-of-service, rate base rate-of-return environment, a utility's revenue requirement is calculated by summing operation and maintenance expenses, depreciation expenses, taxes other than income taxes, income taxes (current and deferred), and a rate of return, which is a product of rate base and the cost of capital. Depreciation has a sizeable effect on the revenue requirement of a utility, and for most utilities, depreciation expense represents a large percentage of total operating expenses. Representative dollar amounts for these expenses are set in a Company's rate case and are used for the purpose of setting rates.

For accounting purposes, which is not used to set or change the currently effective rates, the Company has to account for the annual effect of depreciation in its financial statements. The Company will increase its accumulated depreciation account on the balance sheet by the amount of the annual depreciation expense. Accumulated depreciation, is then subtracted from

[25] Xcel, reply comments, pp. 5-6

[26] Department, response comments, pp. 4-5

[27] Department, response comments, p. 5

the Company's plant in service (also on the balance sheet) which reduces the amount of plant in service. A corresponding amount is recorded as a depreciation expense on the annual income statement which reduces the Company's operating income. The amount of the expense has an effect of the Company's financial statements because it could raise or lower its earned rate of return. If the annual expense increases, the Company shows decreased earnings and if the expense decreases, it is considered to be in the Company's favor as the Company is allowed to show increased earnings.

The hypothetical example below shows the effect a $5 million change to depreciation expense (DE) could have on net operating income and the rate of return if all other revenues and expenses remain constant.

	In Millions	**Increase DE + $5 million**	**Decrease DE - $ 5 million**
Revenues	$200	$200	$200
Expenses	170	175	165
Net Operating Income	30	25	35
AFUDC	1.5	1.5	1.5
Total Available for Return	31.5	26.5	36.5
Average Rate Base	430	435	425
Rate of Return on Rate Base	7.33%	6.24%	8.39%

Xcel Energy's currently approved Minnesota depreciation expense is approximately $361.5 million. Xcel is asking the Commission to approve its 2019 proposed service lives and salvage values and the resulting depreciation rates. The Company estimated that if the Commission approves the proposed depreciation rates, it would decrease Xcel's expense by approximately $13.4 million, or 3.7%. As can beseen in the hypothetical example above, a decrease in depreciation expense would allow Xcel to show a higher rate of return on its rate base.

Staff recommends that the Commission make no changes to the depreciation parameters as proposed by Xcel at this time. The Company has filed a new IRP in Docket No. E-002/RP-19-368 on May 30, 2019. The Company has also stated its intention to file a new multi-year rate plan on or around November 1 of this year. These two dockets will run concurrent to each other and decisions made in the IRP can inform the depreciation parameters that the Commission will set in the rate case. There are too many ambiguities between what Xcel has proposed and not proposed in this docket and what Xcel has proposed in its new IRP and in other proceedings Xcel has before the Commission.

<u>Sherco Units</u>

One example of this is Sherco Unit 3. Xcel has requested the remaining life to be set at 2035 in this filing. In the IRP, Xcel says it is retiring all of its coal plants by 2030. It would follow then that in this filing, Xcel should be asking to reduce the remaining life of Unit 3 and show a corresponding increase to depreciation expense. Xcel's request to extend the life of Sherco Unit 3 would reduce the Company's annual depreciation expense by $1,023,525 in this docket. If

approved, ratepayers will continue to pay the same amount of depreciation expense that was established in the Company's last rate case. If Xcel intends to retire the plant by 2030 (or perhaps earlier)[28] than it makes no sense for the Commission to extend the life of the plant by one year at this time.

On another note, the Company has requested that the Commission extend the lives of Sherco Units 1 & 2 by one year to extend the retirement date from January 1 to December 31. The Company stated that it intends to run the plants for an additional year. If a one year life extension is granted to Sherco Units 1 & 2, Xcel's depreciation expense would be reduced by $7,135,065. There are no additional capital expenditures planned at this time for Sherco Units 1 & 2 so there would be no change to the total depreciable cost of the Units. The effect would be to spread the same expense over one additional year. There is no benefit to ratepayers by extending the lives of the Units by one year at this point in time. There is no harm to either the Company or the ratepayers if the depreciation expense remains at the same level.

Angus Anson Units

The Company has requested life extensions of 15 years for Angus Anson Units 2 and 3 due to the Units undergoing a major overhaul. Unit 3 is expected to be completed at some point in 2019 but it is not clear to Staff if it will be at the beginning, middle or end of 2019. If it is toward the latter part of the year, than Xcel should not be allowed an entire year's worth of depreciation. As far as Staff can tell, Xcel has not prorated (as it has done with its wind farms, to the level of a partial month) its request to coincide with the timing of when Unit 3 is actually placed into service. Unit 2 is not scheduled to begin its overhaul until 2021. Xcel is requesting to begin depreciation of the Unit 2 overhaul two years before the work has begun. This makes up $1,477,648 of Xcel's request. Staff does not recommend the Commission grant Xcel's request.

The Company has requested a life extension of 10 years for Angus Anson Unit 4.[29] Xcel stated that Unit 4 is being maintained in accordance with manufacturer's expectations along with revised estimations of the number of peaking plant unit starts and hours. Xcel stated it used an operations model called Plexos to predict the number of starts for the next five years. The model predicts an average of 37 starts per year. Xcel stated that based on the data from Plexos and extrapolating outlying years, Angus Anson 4's remaining life can be extended by 10 years. Staff agrees with the OAG's analysis in regards to using this method to predict the remaining life of this plant and does not recommend the Commission extend the life of Angus Anson at this time based on the data Xcel has provided in support of its request.

[28] Settlement Agreement, Xcel, LIUNA, Clean Grid Alliance, CEE, MCEA, UCC, FE, Sierra Club, etc., In the Matter of the Petition by Northern States Power Company d.b.a. Xcel Energy for Approval of the Acquisition of the Mankato Energy Center (MEC), Docket No. IP-6949, E-002/PA-18-702, May 20, 2019

[29] See Department April 22, 2019 Comments, Attachment 5 in this docket.

Black Dog Unit 5

The Company requested a remaining life extension which would align the life of Black Dog Unit 5 (FERC 341 only) with that of the Black Dog Unit 6. Xcel has asked the Commission to approve a 26.3 year remaining life extension. The new remaining life of FERC 341 for Black Dog Unit 5 would be 39.3 years. The proposed extension to the remaining life of FERC 341 would decrease the Company's 2019 annual depreciation expense by approximately $1 million. Because no capital expenditures are planned at this time for FERC 341, the total depreciable cost of this account would not change if the Company's proposal is approved, the cost would be spread over a longer period of time. Staff recommends that the Commission deny Xcel's request at this time and wait to reset the remaining life in the context of the rate case.

Blue Lake Units

The Company has requested a life extension of 4 years for Blue Lake Units 1-4. Xcel stated that Units 1-4 are being maintained in accordance with manufacturer's expectations along with revised estimations of the number of peaking plant unit starts and hours. Xcel used an operations model called Plexos to predict the number of starts for the next five years. Xcel stated that based on the data from Plexos and extrapolating outlying years, the life of the Blue Lake Units 1-4 can be extended by 4 years. Staff agrees with the OAG's analysis in regards to using this method and does not recommend the Commission extend the life of the Blue Lake Units 1-4 at this time based on the data Xcel has provided in support of the life extension.

The Company has also requested a life extension of 10 years for Blue Lake Units 7 & 8. Xcel stated that Units 7 & 8 are being maintained in accordance with manufacturer's expectations along with revised estimations of the number of peaking plant unit starts and hours. Xcel used an operations model called Plexos to predict the number of starts for the next five years. Xcel stated that based on the data from Plexos and extrapolating outlying years, the life of the Blue Lake Units 7 & 8 can be extended by 10 years. Staff agrees with the OAG's analysis in regards to using this method and does not recommend the Commission extend the life of the Blue Lake Units 7 & 8 at this time based on the data Xcel has provided in support of the life extension.

Wescott Facility

Staff is not opposed to the Commission allowing the Company to remove the portion of the Wescott facility that was sold from its depreciation schedules, however, this issue could be deferred to Xcel's next natural gas rate case. Xcel would continue to accrue depreciation expense of approximately $125,000 and the expense could be dealt with through a reallocation of the depreciation reserve. Xcel has not requested a depreciation reserve reallocation in this docket.

Wind Farms

In its initial filing, Xcel clearly requested the Commission approve an increase of $4.1 million to depreciation expense related to a partial year of depreciation on its wind farms. Xcel reversed its position in reply comments to state that it is only requesting establishment of remaining

lives and salvage factors for the wind farms. The Commission should contemplate that Xcel has withdrawn its proposed inclusion for a $4.1 million increase in its depreciation expense as an offset to all of the Company's proposed reductions to depreciation expense. In this filing, all of Xcel's proposals are reductions to depreciation expense.

The Multi-Year Rate Plan

Regardless of what depreciation parameters the Commission determines to be appropriate in this docket, Xcel currently has a multi-year rate plan with an annual capital true-up requirement in effect. While the MYRP has been in effect, the Commission has required Xcel to true-up for the effects of changes in its depreciation expense and could certainly do so in this docket through the 2020 Capital True-Up Report.

In Docket No. E,G-002/D-17-581 the Commission Order issued on May 4, 2018 required 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. E,G-002/D-18-523, the Commission Order issued on February 19, 2019 required Xcel to:

> Return the net decrease in electric utility depreciation expense of $707,421 to ratepayers in the 2019 capital true-up filing.

Staff is not sure why the Department and the OAG did not address this option within their comments. The Commission may want to ask the parties if there is a reason this option was not suggested as it has been in past depreciation filings.

Benefit to Xcel

Both Xcel and the Department made a point to emphasize in their filings that the Commission's determinations in depreciation proceedings are for accounting purposes only and are not a determination for setting rates. Changes to annual depreciation expense do not affect the amount of the depreciation expense set in the rate case and as a result customers do not pay higher or lower depreciation expense based on what is determined in the annual depreciation filings.

Accounting changes where costs decrease are reflected in Xcel's financial statements and allow the Company to show a higher rate of return due to the decrease in depreciation expense. Shareholders and arguably Xcel's senior management benefit immediately because dividends paid to shareholders and compensation of management are tied to the financial results of the Company. There is no corresponding decrease to the rates paid by customers or benefit to the ratepayers.

These benefits are realized not by excellent execution of a solid business plan but by "managing earnings" by making changes in estimates and creating "journal entries" on their books that have the effect of making financial results look better then the Company originally estimated. It is true that with the passage of time, better information may become available as the future rolls into the present, and good faith estimates may require change from time to time for changed circumstances. One would expect that over time these good faith changes would become more symmetrical over time. In this case, one cannot help but notice the significant windfall Xcel's proposed changes have on the Company's bottom line.

Depreciation should not be used to "manage" the financial results of the Company. These changes in the long run will neither benefit the ratepayer nor will they benefit the shareholders. They simply improve operating results, not by effective management but by creative journal entries initiated by changes in estimates and changes in methods. The Commission should be very wary of such proposals.

VII. Decision Alternatives

One Year Passage of Time Adjustment

1. Approve Xcel's proposed depreciation lives and rates in the 2019 Review of Remaining Lives, effective January 1, 2019. (*Xcel, DOC*) **AND/OR**

2. Approve a one-year passage of time adjustment for all natural gas and electric production and gas storage facilities, with noted modifications (below). (*Xcel, DOC*)

Modifications of Remaining Lives for Electric Production Plants

3. Accept Xcel's Proposed Changes as modified below. (*Xcel, DOC*) **OR**

Plant	Proposed Retirement Date	Proposed Increase in Plant Life in Years	Proposed Remaining Life	2019 Estimated (Decrease) in Depreciation Expense in Dollars
Sherco Units 1	12/31/2026	1	8	(7,135,065)
Sherco Unit 2	12/31/2023	1	5	
Sherco Unit 3	12/31/2035	1	17	(1,023,525)
Sherco Unit 3 Deferral	12/31/2035	1	17	(29,596)
Angus Anson Units 2 & 3	5/31/2040	15	22	(1,177,648)[30]
Angus Anson Unit 4	5/31/2045	10	26	(641,237)
Black Dog 5 (FERC 341 only)	5/31/2058	26.3	39.3	(989,028)
Blue Lake Units 1-4	5/31/2023	4	4.5	(1,046,143)
Blue Lake Units 7 & 8	5/31/2045	10	26.4	(1,092,241)[31]
Total Impact				**(13,134,483)**

4. Deny the Company's request to extend the plant remaining lives at this time, and delay action on this issue until after the Commission approves the Company's next Integrated Resource Plan (IRP). (*OAG*)

[30] See Department Attachment 1, Part b of Xcel's Response to Department Information Request No. 4. Dollar amount calculated as [($1,477,648 decrease) + $300,000 increase] = (1,177,648 decrease).

[31] Xcel expects to capitalize approximately $0.1 million during 2019 for Blue Lake Units 7 and 8 resulting in a smaller decrease in annual depreciation expense (see Department Attachment 2, Part b of Xcel's Response to Department Information Request 8). The exact amount by which the annual depreciation expense would change depends on when during 2019 the planned expenditures are actually capitalized.

Wescott Natural Gas Facility

5. Approve the removal of the portion of the Wescott natural gas facility approved for sale from all schedules, following the finalization of the sale. (*Xcel, DOC*)

New Wind Farm Initial Remaining Lives and Net Salvage Rates

6. Accept Xcel's initial proposal as summarized below. Note that Xcel is not proposing to start depreciating these assets until their respective in-service dates. (*Xcel, DOC*) **AND/OR**

Plant	Estimated In-service Date	Net Salvage Rate	Proposed Remaining Life	2019 Estimated Depreciation Expense
Blazing Star I	December 2019	-8.5%	25	$559,266
Foxtail	September 2019	-8.5%	25	$3,229,622
Lake Benton	December 2019	-8.5%	25	$308,490
2019 Partial Year Impact				$4,097,378

7. Order the Company to provide in a compliance filing within 60 days, the total cost of the wind projects it seeks to add to its depreciation expense, including AFUDC. (OAG)

Refund of Depreciation

8. Order Xcel to return the net decrease in electric utility depreciation expense of $13,134,483 to ratepayers in the 2020 capital true-up filing in Docket No. E-002/GR-15-826. (*Staff provided alternative, not discussed by parties*) **OR**

9. Take no action on returning excess depreciation expense to ratepayers at this time.

Reserve Reallocation

10. Order Xcel to move any reserves in excess of removal costs from Minnesota Valley to the plants in which reserves were moved from. (*OAG*) **OR**

11. Take no action at this time on reallocating reserves from the Minnesota Valley Plant to Black Dog Units 3 and 4. (*DOC, Xcel*) **AND/OR**

12. Disallow any reserve reallocations to cover removal costs for three plants (Black Dog Units 3 & 4, Key City, and Granite City) that are closed and no longer used and useful. (*OAG*) **OR**

13. Take no action at this time regarding the reasonableness of future reserve reallocations. (*DOC, Xcel*) **AND/OR**

14. Order Xcel to include Granite City in its annual reporting on dismantling costs. (*OAG, DOC, Xcel*)

Compliance Reporting

15. Require Xcel to file its next remaining life depreciation petition by February 18, 2020 (DOC) **AND/OR**

16. Require Xcel to continue to provide, in future depreciation filings, a comparison of depreciation remaining lives and resource planning lives for electric production with an explanation of any differences. (*DOC*) **AND/OR**

17. Require Xcel to continue to provide in future depreciation filings a historical comparison of changes in remaining lives and net salvage rates. (*DOC*) **AND/OR**

18. Require Xcel to provide in future depreciation filings a supplemental schedule showing the total (in addition to the remaining) depreciable lives of the Company's electric production facilities. (*DOC, Xcel*) **AND/OR**

19. Require Xcel to continue to provide in future depreciation filings updates on the removal costs for the Minnesota Valley Plant, Key City Plant, Granite City Plant, and Black Dog Units 3-4, including the impact on depreciation reserves and a final true-up when the retirement/removal is completed. (*DOC, OAG, Xcel*) **AND/OR**

20. Require Xcel to provide in its next depreciation filing a supplemental schedule with the (1) actual costs to date, (2) projected future costs, and (3) percentage of completion to date for the Minnesota Valley Plant, Key City Plant, Granite City Plant, and Black Dog Units 3-4 as applicable. (*DOC, Xcel*)