

DIVIDER

STATE OF NORTH DAKOTA
INFORMATION TECHNOLOGY DEPARTMENT
SFN 2053 (4-2002)

PU-07-774
Northern States Power Company
Petition/Accounting Treatment/Nuclear Refue
Approval
Filed 12/5/2007 **Closed 4/8/2008**

07

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Northern States Power Company
Accounting for Nuclear Refueling Costs
Application

Case No. PU-07-774

AFFIDAVIT OF SERVICE BY ORDINARY MAIL & ELECTRONIC MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Peggy Vaagen deposes and says that:

she is over the age of 18 years and not a party to this action and, on the 20th day of February, 2008, she deposited in the United States Mail, Bismarck, North Dakota, 4 envelopes by first class mail, fully prepaid, securely sealed and each containing a photocopy and 8 electronic mail electronically sent a copy of:

Order Changing Accounting Treatment

The envelopes and electronic mails respectively were addressed as follows:

See attached list.

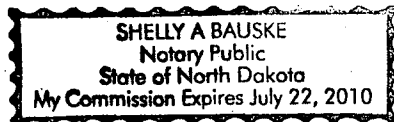
Each post office address shown is the respective addressee's last reasonably ascertainable post office address and each email address is the respective addressee's last reasonably ascertainable electronic mailing address.

Subscribed and sworn to before me
this 20th day of February, 2008.

Peggy Vaagen

Shelly A Bauske
Notary Public

SEAL



wendylmayer@hotmail.com
Wendy L Mayer

4110 Cottonwood St
Grand Forks ND 58201

gfboard@polar.comm.com
John Colter
Grand Forks Board of Realtors
1407 24th Ave S #340
Grand Forks ND 58201-6761

craig_scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

mark.nisbet@xcelenergy.com
Mark Nisbet
Xcel Energy
PO Box 2747
Fargo ND 58108-2747

scott.geston@cableone.net
Scott Geston
Cable One of Fargo
P O Box 10757
Fargo ND 58106-0757

8 records.

rickstensby@clearchannel.com

KCJB, KRRZ AM and KMXA, KYYZ, KIZZ
PO Box 10
Minot ND 58702-0010

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
PO Box 2747
Fargo ND 58108-2747

megan.hertzler@xcelenergy.com
Megan Hertzler
Xcel Energy Services Inc.
414 Nicollet Mall, 5th Flr
Minneapolis MN 55401

Mark Frederiksen
Economic Insights
416 Center St #365
Washington Grove MD 20880

KVLY-TV
600 Demers Ave Ste 402
Grand Forks ND 58208-2427

Mike Foley
NARUC
1101 Vermont Avenue NW Ste 200
Washington DC 20005

Everett Morris
NJ Public Service Electric & Gas
80 Park Pl
Newark NJ 07101

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

ORDER CHANGING ACCOUNTING TREATMENT

February 13, 2008

On December 5, 2007, Northern States Power Company (NSP) filed a petition for accounting treatment for nuclear refueling. The recommended accounting treatment will amortize the cost of refueling over the life of the fuel rather than the current method of expensing the costs when incurred. Expensing the costs provide for large swings in the reported cost of service depending upon when the refueling is done. Amortizing the costs over the life of the fuel will level out the cost and result in a better matching of cost to the consumers using the electricity generated by the nuclear fuel.

On December 10, 2007, staff filed a memo recommending that the case be consolidated with NSP's electric rate increase application, Case No. PU-07-776. Staff agreed with NSP's accounting approach but was not willing to agree to the method of cost recovery in rates.

On December 20, 2007, staff reconsidered its position and concluded that the commission should approve the accounting method described in the petition. The change in position occurred after discussions with NSP concerning the proposed cost recovery. Both parties agree that the issue of cost recovery should be addressed in the upcoming electric rate increase application but that does not preclude the commission from agreeing to the method of amortizing nuclear fuel costs.

On December 31, 2007, the commission issued a Notice of Opportunity for Hearing. Those interested in this proceeding were invited to comment and no comments were received.

Order

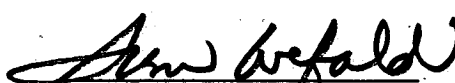
The Commission orders:

1. Northern States Power Company shall amortize nuclear refueling costs over the life of the installed fuel.
2. Cost recovery for nuclear refueling costs will be determined in Northern States Power Company's electric rate increase application, Case No. PU-07-776.
3. Case closed.


PUBLIC SERVICE COMMISSION



Tony Clark
Commissioner



Susan E. Wefald
President



Kevin Cramer
Commissioner

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

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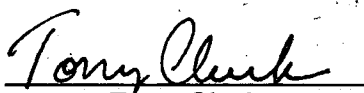
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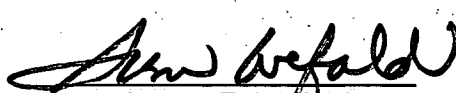
Order

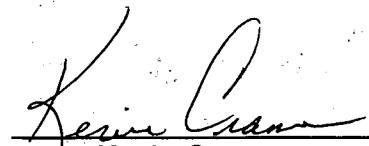
The Commission orders:

1. Northern States Power Company shall amortize nuclear refueling costs over the life of the installed fuel.
2. Cost recovery for nuclear refueling costs will be determined in Northern States Power Company's electric rate increase application, Case No. PU-07-776.
3. Case closed.

PUBLIC SERVICE COMMISSION


Tony Clark
Commissioner


Susan E. Weifald
President


Kevin Cramer
Commissioner

APPROVED

DATE: 2-13-08
sg

MOTION

February 13, 2008

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

I move the Commission adopt the Order authorizing a change in the method of accounting for nuclear refueling costs in Northern States Power Company's application,

Case No. PU-07-774.

MD



North Dakota Newspaper Association

1435 Interstate Loop
Bismarck, ND 58503-0567
Ph (701) 223-6397 • Fax (701) 223-8185

INVOICE

Order **24448-08012PP0**

Invoice # **99163**

January 22, 2008

Attn: **ILLONAA. JEFFCOAT-SACCO**
PUBLIC SERVICE COMMISSION
600 E. BOULEVARD AVE.
STATE CAPITOL
BISMARCK, ND 58505

Voice: 701-328-4076

Advertiser: **Public Service Commission**

P.O.#:

Amount Due **\$82.89**

Amount Paid

Please detach and return this portion with your payment

Public Service Commission Invoice # 24448-08012PP0-99163

Ok for PU-07-774

Ad Size	Rate Type	Rate	Total	Discount (%)	Caption	Page	Run Date
Fargo, The Forum (Fargo ND)							
40.00	SPR2	0.59	23.60	0.00	NSP Nuclear Refueling		01/14/08
Grand Forks Herald (Grand Forks ND)							
47.00	SPR2	0.63	29.61	0.00	NSP Nuclear Refueling		01/10/08
Minot Daily News (Minot ND)							
56.00	SPR2	0.53	29.68	0.00	NSP Nuclear Refueling		01/10/08

Gross Advertising	82.89	Total Misc	0.00	Amount Paid	0.00
Agency Discount		Tax	0.00	Adjustments	0.00
Other Discount	0.00	Total Billed	82.89	Payment Date	
Service Charge	0.00	Unbilled	0.00	Balance Due	82.89

Your payment is due upon receipt. Thank you in advance for your prompt payment!

12 PU-07-774

Pages: 5

Invoice 99163 \$82.89

by North Dakota Newspaper Association
01/22/2008

Affidavit of Publication

Colleen Park

, being duly sworn, state as follows:

1. I am the designated agent, under the provisions and for the purposes of, Section 31-04-06, NDCC, for the newspapers listed on the attached exhibits.

2. The newspapers listed on the exhibits published the advertisement of:

Public Service Commission, NSP, Nuclear Refueling

1 time(s) as required by law or ordinance.

3. All of the listed newspapers are legal newspapers in the State of North Dakota and, under the provisions of Section 46-05-01, NDCC, are qualified to publish any public notice or any matter required by law or ordinance to be printed or published in a newspaper in North Dakota.

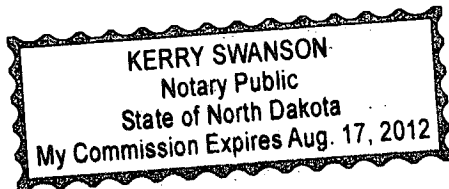
Signed: Colleen Park

State of ND

County of Burleigh

Subscribed and sworn to before me this 21st day of January 20 08

Kerry Swanson



Case No : PU-07-774

Notice of opportunity for hearing

Published in:

1/10 - Minot

1/14 - Fargo

1/10 - Grand Forks



Public Service Commission
State of North Dakota

COMMISSIONERS

Susan E. Wefald, President
Kevin Cramer
Tony Clark

Executive Director
Illona A. Jeffcoat-Sacco

600 E. Boulevard Ave. Dept 408
Bismarck, North Dakota 58505-0480
web: www.nd.gov/psc
e-mail: ndpsc@nd.gov
TTY 800-366-6888 or 711
Fax 701-328-2410
Phone 701-328-2400

January 18, 2008

David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy
2302 Great Northern Drive
P.O. Box 2747
Fargo, ND 58108-2747

Re: Withdrawal of Request for Confidential Treatment, Case No. PU-07-774

Dear Mr. Sederquist:

Pursuant to your request dated January 3, 2008, I am returning to you the confidential material you filed with the Commission on December 5, 2007. The confidential information was reviewed by Mike Diller and me. I am enclosing copies of the Protective Agreements signed by Mr. Diller and me together with the register showing that we were the only persons who reviewed the confidential material.

Sincerely,

William W. Binek
Chief Counsel

Enclosures

cc: Megan Hertzler

11 PU-07-774

Pages: 5

Returned Trade Secret Material Per Request

by Public Service Commission
01/18/2008

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

(case title and number)

07-774

PROTECTIVE AGREEMENT

I understand that the Commission has granted Trade Secret protection to certain information filed by NSP / Xcel Energy in the captioned matter. I agree to keep the designated information confidential and to be bound by the terms of this agreement, North Dakota Administrative Code chapter 69-02-09, and any Commission order regarding trade secret protection issued in this case.

I intend to review the following trade secret information:

Abare Case

Dated: 12/7/7

Mike Deib

(signature of person reviewing information)

WARNING: A violation of this agreement may subject the violator to civil and criminal liability.

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

(case title and number)

Acel Energy *10-07-774*

PROTECTIVE AGREEMENT

I understand that the Commission has granted Trade Secret protection to certain information filed by *Acel Energy* in the captioned matter. I agree to keep the designated information confidential and to be bound by the terms of this agreement, North Dakota Administrative Code chapter 69-02-09, and any Commission order regarding trade secret protection issued in this case.

I intend to review the following trade secret information:

Information filed

Dated: *12-7-07*

[Signature]
(signature of person reviewing information)

WARNING: A violation of this agreement may subject the violator to civil and criminal liability.

NORTH DAKOTA PUBLIC SERVICE COMMISSION

TRADE SECRET REGISTER

Register of Persons Viewing Trade Secret Information
Under North Dakota Administrative Code Chapter 69-02-09

CASE NUMBER: 07-774

<u>DATE</u>	<u>NAME</u>	<u>REPRESENTATION</u>	<u>ADDRESS & TELEPHONE NUMBER</u>	<u>IDENTITY ESTABLISHED BY:</u>
12-7-07	W. BINER	PSC	STATE CAPITOL	LD ZEIMER
12-7-07	M. DILLER	PSC	STATE CAPITOL	LD ZEIMER



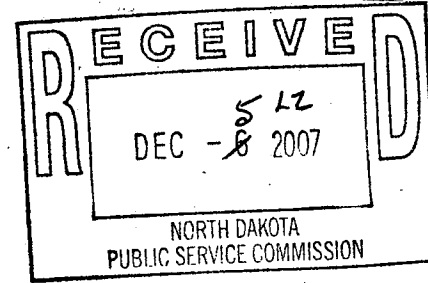
414 Nicollet Mall
Minneapolis, MN 55401-1993

2 PU-07-774

Pages: 0

Trade Secrets Material

by Northern States Power Company
12/05/2007



TRADE SECRET

Trade Secret Document

It is unlawful to copy or further
disseminate this document.

(This stamp must appear in red.)

North Dakota Public Service Commission

PRIVATE

Trade Secret Document

It is unlawful to copy or further
disseminate this document.

(This stamp must appear in red.)

North Dakota Public Service Commission

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Northern States Power Company
Accounting for Nuclear Refueling Costs
Application

Case No. PU-07-774

AFFIDAVIT OF SERVICE BY ORDINARY MAIL & E-MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Claire Tipton deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **10th day of January, 2008**, she deposited through e-mail and in the United States Mail, Bismarck, North Dakota, envelopes by first class mail, fully prepaid, securely sealed and containing a photocopy of:

Notice of Opportunity for Hearing

The envelopes were addressed as follows:

See Attached List

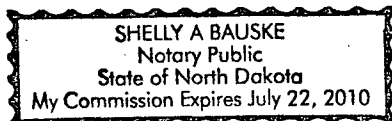
Each address shown is the respective addressee's last reasonably ascertainable post office address.

Claire R. Tipton

Subscribed and sworn to before me
this **10th day of January, 2008**.

Shelly A. Bauske
Notary Public

SEAL



**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

NOTICE OF OPPORTUNITY FOR HEARING

December 31, 2007

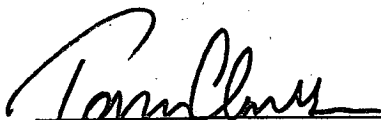
On December 5, 2007, Northern States Power Company (NSP) filed a petition for accounting treatment of its nuclear refueling costs. The recommending accounting treatment will amortize the cost of refueling over the life of the fuel rather than the current method of expensing the costs when incurred. Amortizing the costs will level the costs and provide a better matching of cost to the consumers using the fuel.

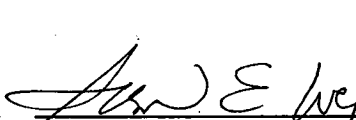
On December 20, 2007, the commission staff concluded that the commission should approve the new method of accounting for nuclear refueling costs.

Those interested are invited to comment on the application in writing. Persons desiring a hearing must file a written request identifying their interest in the proceeding and the reasons for requesting a hearing. Comments and requests for hearings must be received by **February 5, 2008**. If deemed appropriate, the commission can determine these matters without a hearing.

For more information contact the Public Service Commission, State Capitol, Bismarck, North Dakota 58505, 701-328-2400; or Relay North Dakota 1-800-366-6888 TTY. If you require any auxiliary aids or services, such as readers, signers, or Braille materials please notify Illona A. Jeffcoat-Sacco, Executive Secretary.

PUBLIC SERVICE COMMISSION


Tony Clark
Commissioner


Susan E. Wefald
President


Kevin Cramer
Commissioner

wendylmayer@hotmail.com
Wendy L Mayer

4110 Cottonwood St
Grand Forks ND 58201

gfboard@polar.comm.com
John Colter
Grand Forks Board of Realtors
1407 24th Ave S #340
Grand Forks ND 58201-6761

patmclean@clearchannel.com

KKXL AM and KKXL, KQHT, KJKJ, KSNR
PO Box 13598
Grand Forks ND 58208-3598

craig.scott@bobcat.com
Craig Scott
Melroe Company
P O Box 128
Gwinner ND 58040-0128

news@wdaz.com

WDAZ-TV
PO Box 12639
Grand Forks ND 58208-2639

dave.sederquist@xcelenergy.com
Dave Sederquist
Xcel Energy
PO Box 2747
Fargo ND 58108-2747

akemp@tminc.com
Ann-Marie Kemp

rickstensby@clearchannel.com

KCJB, KRRZ AM and KMXA, KYYZ, KIZZ
PO Box 10
Minot ND 58702-0010

mlyman@kmot.com

KMOT TV
Box 1120
Minot ND 58702-1120

alaamodt@wday.com

WDAY AM-FM & TV
PO Box 2466
Fargo ND 58108-2466

mark.nisbet@xcelenergy.com
Mark Nisbet
Xcel Energy
PO Box 2747
Fargo ND 58108-2747

megan.hertzler@xcelenergy.com
Megan Hertzler
Xcel Energy Services Inc.
414 Nicollet Mall, 5th Flr
Minneapolis MN 55401

Mark Frederiksen
Economic Insights
416 Center St #365
Washington Grove MD 20880

KHRT AM
PO Box 1210
Minot ND 58702-1210

KNOX-AM & KRRK-FM
PO Box 13638
Grand Forks ND 58208-3638

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Northern States Power Company
Accounting for Nuclear Refueling Costs
Application

Case No. PU-07-774

AFFIDAVIT OF SERVICE BY CERTIFIED MAIL

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

Claire Tipton deposes and says that:

she is over the age of 18 years and not a party to this action and, on the **8th day of January, 2008**, she deposited in the United States Mail, Bismarck, North Dakota, **three** envelopes with certified postage, return receipt requested, fully prepaid, securely sealed and each containing a photocopy of:

Notice of Opportunity for Hearing

The envelopes were addressed as follows:

Megan J. Hertzler
Assistant General Counsel
Xcel Energy Services Inc.
414 Nicollet Mall, 5th Fl.
Minneapolis, MN 55401

SaGonna Thompson
Records Specialist
Xcel Energy Services Inc.
414 Nicollet Mall
Minneapolis, MN 55401

Cert. No. 7007 2560 0001 6050 6957

Cert. No. 7007 2560 0001 6050 6971

David Sederquist
Sr. Consultant, Regulatory/Finance
Xcel Energy
2302 Great Northern Drive
P.O. Box 2747
 Fargo, ND 58102

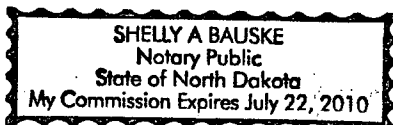
Cert. No. 7007 2560 0001 6050 6964

Each address shown is the respective addressee's last reasonably ascertainable post office address.

Clair R. Sipton

Subscribed and sworn to before me
this 8th day of January, 2008.

SEAL



Shelly A. Bauske

Notary Public

**STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION**

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

NOTICE OF OPPORTUNITY FOR HEARING

December 31, 2007

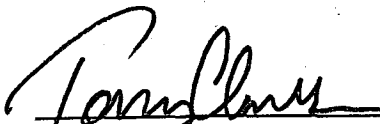
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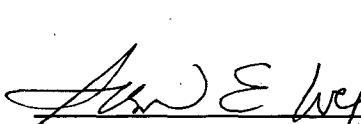
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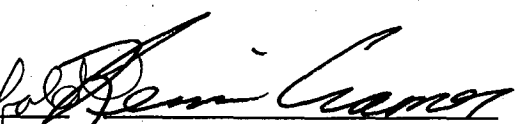
PUBLIC SERVICE COMMISSION



Tony Clark
Commissioner



Susan E. Wefald
President



Kevin Cramer
Commissioner

Bauske, Shelly A.

From: Colleen Park [colleenp@ndna.com]
Sent: Friday, January 04, 2008 2:06 PM
To: Bauske, Shelly A.
Cc: Geiger, Gloria A.; Jeffcoat-Sacco, Ilona; Diller, Michael R.
Subject: RE: Please Publish - Notice of Opportunity for Hearing

Received and I will schedule as follows:

Fargo: 1/14
Grand Forks: 1/10
Minot: 1/10
Thank you.

Colleen

Colleen Park
North Dakota Newspaper Association
Advertising Coordinator / Public Notice Coordinator
1435 Interstate Loop • Bismarck ND 58503
Phone 701.223.6397 • Fax 701.223.8185

Every job is a self-portrait of the person who did it ... autograph yours with excellence.

From: Bauske, Shelly A. [mailto:sbauske@nd.gov]
Sent: Friday, January 04, 2008 2:02 PM
To: Colleen Park
Cc: Geiger, Gloria A.; Jeffcoat-Sacco, Ilona; Diller, Michael R.
Subject: Please Publish - Notice of Opportunity for Hearing

Colleen
North Dakota Newspaper Association

Please have the attached Notice of Opportunity for Hearing published as a legal publication in the next issue of the following newspapers. Do not publish in the classifieds.

The Fargo Forum
Grand Forks Herald
Minot Daily News

Please run it as a "News Item Only" article as well, and send the bill to the Public Service Commission along with a tear sheet for billing purposes.

Please confirm via e-mail that you received this request.

Thank you.

8

PU-07-774

Pages: 1

Request for Publication and NDNA
Confirmation - Notice of Opportunity for Hrg
by Public Service Commission
01/04/2008

STATE OF NORTH DAKOTA
PUBLIC SERVICE COMMISSION

Northern States Power Company
Accounting for Nuclear Refueling Costs
Application

Case No. PU-07-774

NOTICE OF OPPORTUNITY FOR HEARING

December 31, 2007

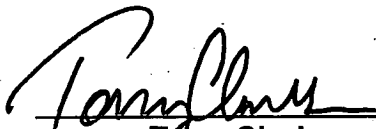
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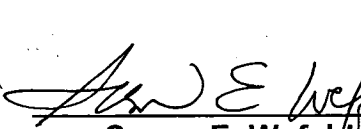
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PUBLIC SERVICE COMMISSION


Tony Clark
Commissioner


Susan E. Wefald
President


Kevin Cramer
Commissioner

APPROVED

DATE: 12-31-07

MOTION

December 31, 2007

**Northern States Power Company
Accounting for Nuclear Refueling Costs
Application**

Case No. PU-07-774

I move the commission issue a Notice of Opportunity for Hearing, Case No.

PU-07-774.

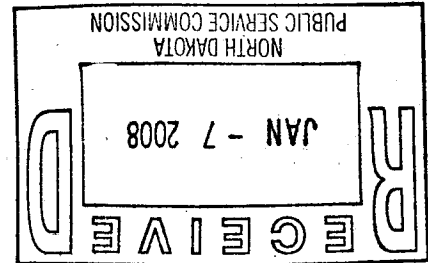
mrd



2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

January 3, 2008

Illona A. Jeffcoat-Sacco, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480



SUBJECT: Withdrawal of Request For Confidential Treatment in Petition for a Finding of Preferred Accounting Treatment for Nuclear Refueling Outage Costs (Case No. PU-07-774)

Dear Ms. Jeffcoat-Sacco:

Northern States Power Company, a Minnesota corporation ("Xcel Energy") operating in North Dakota, filed a request on December 4, 2007, for Confidential Treatment of two schedules previously provided in the above-identified proceeding. We have been notified by North Dakota Public Service Commission (the "Commission") Staff of their recommendation that Xcel Energy's accounting change request be decided without reliance on the two confidential schedules. Because the two schedules are not necessary for the Commission's decision, Xcel Energy requests that it be allowed to withdraw its request for Confidential Treatment and that the following identified confidential schedules included with that request be returned.

- Schedule B, *Forecast Outage Refueling Schedule*, and
- Schedule E, *Amortization of Reload O&M Costs*

Please contact me (701-241-8632) or Ms. Megan Hertzler at (612-215-4589) if you have any questions or concerns related to this request.

Sincerely,

David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy

Zeimer, Lisa D.

From: Jeffcoat-Sacco, Illona
Sent: Friday, January 04, 2008 11:37 AM
To: Zeimer, Lisa D.
Subject: FW: Xcel Energy Withdrawal of Trade Secret Data.pdf
Attachments: Withdrawal of Trade Secret Data.pdf

For docketing--this will be in addition to docketing the original electric and hard copies received.

Illona A. Jeffcoat-Sacco
ND PSC
701-328-2407 (fax 2410)
ijjs@end.gov

From: Sederquist, Dave [mailto:dave.sederquist@xcelenergy.com]
Sent: Thursday, January 03, 2008 5:18 PM
To: Jeffcoat-Sacco, Illona
Cc: Diller, Michael R.
Subject: FW: Xcel Energy Withdrawal of Trade Secret Data.pdf

Illona, with this email I'd like to clarify our intent with the attached Letter of Withdrawal.

The Company wishes to withdraw both the information submitted under a request for Trade Secret Protection, and the request for Trade Secret Protection of that information. Please include this clarification in the case record. Thank you.

-----Original Message-----

From: Sederquist, Dave
Sent: Thursday, January 03, 2008 4:17 PM
To: Illona A. Jeffcoat-Sacco (E-mail)
Cc: Michael R. Diller (E-mail)
Subject: Xcel Energy Withdrawal of Trade Secret Data.pdf

Per staff's request, we are withdrawing our request for trade secret protection of historical nuclear outage information.

4

PU-07-774

Pages: 2

Email and Letter Withdrawing Request for
Trade Secret Protection
by Northern States Power Company
01/04/2008



2302 Great Northern Drive
P O Box 2747
Fargo, ND 58108-2747
(701) 241-8632
dave.sederquist@xcelenergy.com

January 3, 2008

Illona A. Jeffcoat-Sacco, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

SUBJECT: Withdrawal of Request For Confidential Treatment in Petition for a Finding of Preferred Accounting Treatment for Nuclear Refueling Outage Costs (Case No. PU-07-774)

Dear Ms. Jeffcoat-Sacco:

Northern States Power Company, a Minnesota corporation ("Xcel Energy") operating in North Dakota, filed a request on December 4, 2007, for Confidential Treatment of two schedules previously provided in the above-identified proceeding. We have been notified by North Dakota Public Service Commission (the "Commission") Staff of their recommendation that Xcel Energy's accounting change request be decided without reliance on the two confidential schedules. Because the two schedules are not necessary for the Commission's decision, Xcel Energy requests that it be allowed to withdraw its request for Confidential Treatment and that the following identified confidential schedules included with that request be returned.

- Schedule B, *Forecast Outage Refueling Schedule*, and
- Schedule E, *Amortization of Reload O&M Costs*

Please contact me (701-241-8632) or Ms. Megan Hertzler at (612-215-4589) if you have any questions or concerns related to this request.

Sincerely,

A handwritten signature in cursive script that reads "David H. Sederquist".

David H. Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy

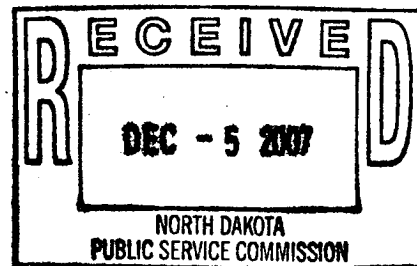


David Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102

VIA ELECTRONIC FILING

December 5, 2007

Illona A. Jeffcoat-Sacco
Executive Director
North Dakota Public Service Commission
State Capital Building, Dept. 408
Bismarck, ND 58505-0480



RE: APPLICATION FOR TRADE SECRET PROTECTION
PETITION FOR ACCOUNTING TREATMENT FOR NUCLEAR REFUELING
OUTAGE COSTS
CASE NO. PU-07-_____

Dear Ms. Jeffcoat-Sacco:

Pursuant to N.D. Admin. Code § 47-25.1-01(4), enclosed please find our Application for Trade Secret Protection seeking protection for Schedule B, *Forecast Outage Refueling Schedule*, and Schedule E, *Amortization of Reload O&M Costs*.

In accordance with Section 69-02-09-02, one copy of the trade secret material is provided in the enclosed sealed envelope which has been labeled "TRADE SECRET-PRIVATE."

You may direct any questions regarding this filing to me at (701) 241-8632 or Ms. Hertzler at (612) 215-4589.

Sincerely,

David H. Sederquist
Sr. Consultant, Regulation & Finance
Northern States Power Company, a Minnesota corporation
operating in North Dakota

3	PU-07-774	Pages: 4
Application for Trade Secret - Accounting Treatment Nuclear Refueling by Northern States Power Company		
12/05/2007		

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF NORTH DAKOTA

Susan E. Wefald
Tony Clark
Kevin Cramer

President
Commissioner
Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY, A
MINNESOTA CORPORATION, FOR A FINDING
OF PREFERRED ACCOUNTING TREATMENT
FOR NUCLEAR REFUELING OUTAGE COSTS

Case No. PU-07-____

**APPLICATION FOR TRADE
SECRET PROTECTION**

Northern States Power Company, a Minnesota corporation (“Xcel Energy”) operating in North Dakota, hereby applies for a trade secret protective order from the North Dakota Public Service Commission (“Commission”) pursuant to N.D. Admin. Code § 69-02-09-01. The purpose of the requested protective order is to protect against public disclosure of trade secret information as defined by N.D. Cent. Code § 47-25.1-01(4):

The specific information which needs protection is Schedule B, *Forecast Outage Refueling Schedule*, and Schedule E, *Amortization of Reload O&M Costs*, filed by Xcel Energy on December 5, 2007 (“Schedules B and E”).

1. A general description of the nature of the information to be protected.

The material contained on Schedules B and E identifies the planned nuclear refueling outages for Xcel Energy’s three nuclear units by date and duration.

2. Explanation of why the information derives independent economic value, actual or potential, from not being generally known to other persons.

It is necessary to obtain replacement power when the nuclear units are out of service. If the date of the outage, length of the outage, expected date for return to service or outage extensions became known, potential replacement power suppliers would have an advantage in negotiating with Xcel Energy. It is in the best interest of our ratepayers for this information to be protected from public disclosure.

3. An explanation of why the information is not readily ascertainable by proper means by other persons.

The information is known only to Xcel Energy employees, agents or third persons who need to know the information in order to perform work associated with the nuclear refueling outages.

4. A general description of the persons or entities that would obtain economic value from disclosure or use of the information.

The potential suppliers of replacement power.

5. A specific description of known competitors and competitor's goods and services that is pertinent to the tariff or rate filing.

All potential bidders of replacement energy. The specific identity of those bidders will change over time and depending on the timing and length of the outages.

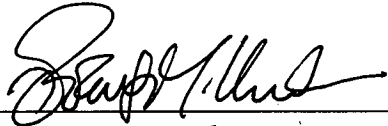
6. A description of the efforts to maintain the secrecy of the information.

Xcel Energy takes all reasonable and necessary steps to keep this information from being disclosed to the public or to persons other than employees, and authorized agents who need to know the information to fulfill their responsibilities in connection with the outages. If the information is disclosed to third parties it is subject to a confidentiality agreement or protective order.

In accordance with Section 69-02-09-02, one copy of the trade secret material is provided in the enclosed sealed envelope which is labeled:

TRADE SECRET-PRIVATE

Respectfully submitted this 5th day of December, 2007

By 
Megan J. Hertzler
Associate General Counsel

Attorney on Behalf of Northern States
Power Company, a Minnesota corporation
operating in North Dakota

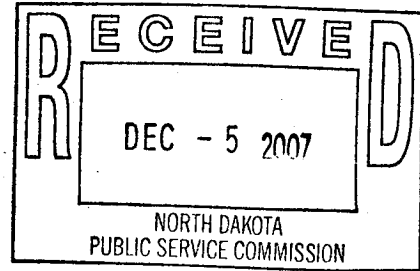


David Sederquist
Sr. Consultant, Regulation & Finance
Xcel Energy
2302 Great Northern Drive
Fargo, ND 58102

VIA ELECTRONIC FILING

December 5, 2007

Illona A. Jeffcoat-Sacco
Executive Director
North Dakota Public Service Commission
State Capital Building, Dept. 408
Bismarck, ND 58505-0480



RE: PETITION FOR ACCOUNTING TREATMENT FOR NUCLEAR REFUELING
OUTAGE COSTS
CASE NO. PU-07-_____

Dear Ms. Jeffcoat-Sacco:

Enclosed are an original and seven copies of the petition of Northern States Power Company, a Minnesota corporation ("Xcel Energy" or "the Company") operating in North Dakota, seeking a North Dakota Public Service Commission ("Commission") finding regarding a proposed accounting method for planned refueling outages at our nuclear plants pursuant to N.D. Cent. Code § 49-02-12 and Admin. Code § 69-02-04 (4).

If approved, the Company would change from direct-expense accounting of these costs to a deferral-and-amortization method, as outlined by the Financial Accounting Standards Board ("FASB") Staff Position, No. AUG AIR-1, *Accounting for Planned Major Maintenance Activities* ("Staff Position Paper"). After completion of the first full cycle of outages at our three reactor sites, costs will be smoothed, more predictable, facilitate the appropriate reflection of normalized cost levels in a general rate case, and provide an improved matching of customer costs and benefits. In the event the Commission approves this accounting method, the Company requests that a normalized (representative) level of expense replace the test year "direct-expense" amount in our concurrent electric rate case, thereby reducing the rate increase amount by \$173,145.

1 PU-07-774 Pages: 40
Petition/Accounting Treatment for Nuclear
Refueling Outage Costs
by Northern States Power Company
12/05/2007

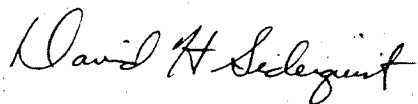
An Application For Trade Secret Protection is being separately filed seeking protection for Schedule B, *Forecast Outage Refueling Schedule*, and Schedule E, *Amortization of Reload O&M Costs*, which are referred to in the attached petition.

The Company's attorney for this matter is:

Megan J. Hertzler
Assistant General Counsel
Xcel Energy Services, Inc.
414 Nicollet Mall, 5th Floor
Minneapolis, MN 55401
Phone: (612)215-4589
Fax: (612) 215-4544
megan.hertzler@xcelenergy.com

Please affix the Commission's filing stamp to the extra copy of the Notice and return it to Mr. Sederquist in the enclosed pre-paid envelope. You may direct any questions regarding this filing to me at (701) 241-8632 or Ms. Hertzler at (612) 215-4589.

Sincerely,



David H. Sederquist
Sr. Consultant, Regulation & Finance
Northern States Power Company, a Minnesota corporation
operating in North Dakota

Enclosures
cc: Service List

BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION

Susan E. Wefald
Tony Clark
Kevin Cramer

President
Commissioner
Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY, A
MINNESOTA CORPORATION, REGARDING
THE ACCOUNTING TREATMENT FOR
NUCLEAR REFUELING OUTAGE COSTS

PETITION

INTRODUCTION

Pursuant to N.D. Cent. Code § 49-02-12 and N.D. Admin. Code § 69-02-04 (4), Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”) operating in North Dakota, petitions the North Dakota Public Service Commission (the “Commission”) for a finding regarding the accounting method for costs associated with routine nuclear refueling outages at our nuclear plants. Our request is based on the Financial Accounting Standards Board (“FASB”) Staff Position, No. AUG AIR-1, *Accounting for Planned Major Maintenance Activities* (“FASB Staff Position paper”), attached as Schedule A to this Petition.

Currently, Xcel Energy uses the direct-expense method for the costs associated with reloading the nuclear reactors with fuel, which are incurred during refueling outages at our three nuclear reactors (Monticello and Prairie Island Units 1 and 2). We respectfully request that the Commission find that the deferral-and-amortization method outlined in the FASB Staff Position paper is an acceptable method of accounting for these costs. Under this approach, the refueling costs would be deferred and amortized during the period between refueling outages, as opposed to expensed as the costs are incurred. In this way, after completion of the first full cycle of outages at our three reactor sites, costs will be smoothed and more predictable.

N.D. Cent. Code § 49-02-12 provides that the Commission may prescribe a method of accounting and N.D. Admin. Code § 69-02-04 (4) provides that utilities shall file financial statements “using generally accepted accounting principles.” Because more than one appropriate generally accepted accounting method exists for nuclear refueling costs and because we believe the deferral-and-amortization method offers

benefits for all stakeholders, we respectfully request that the Commission find it is the appropriate accounting method for use in North Dakota, effective for the first refueling outage in 2008.

I. Description and Purpose of Filing

A. Background

1. Refueling Outages

Each of our three nuclear reactors requires refueling outages on a regular basis to replenish fuel supplies and to remove and store the spent nuclear fuel created (roughly one-third of the oldest fuel is replaced in each outage). During the time the unit is out of service for refueling, plant personnel work to realign the core for the new fuel configurations and perform any necessary repairs and inspections to ensure a safe and efficient operating cycle. The Company's objective is to perform the work as quickly as possible without compromising safety, thus returning the plant quickly and efficiently to providing low-cost energy for our customers.

The tasks performed in a refueling outage will vary – some will require more extensive work and time to comply with specific Nuclear Regulatory Commission (“NRC”) guidelines, while others may be more confined to typical refueling and maintenance activities. Generally speaking, in a “base” or regular refueling outages, typical work performed includes:

- Replacement of approximately one-third of the oldest nuclear fuel assemblies in the reactor core,
- Numerous inspections on equipment to ensure safety and compliance with requirements,
- Tests and maintenance jobs that can be performed only when the reactor is shut down, and
- Repairs and refurbishment of major nuclear and non-nuclear components of the plant (*e.g.*, control rods, main coolant pumps, steam generators, turbine valves and blading, main electric generator).

Beyond the work done in a “base” refueling outage, more extensive work may be required during certain refueling outages to comply with periodic NRC and insurance requirements. In addition, we anticipate more extensive refueling outages in the near future to implement life extension and power uprates at the units, assuming all appropriate regulatory approvals are obtained. These more extensive outages will

require longer periods and higher costs than typical refueling outages, and involve one-time expenses that are not anticipated to be repeated over the license renewal period.

We attempt to schedule the refueling outages for our three nuclear units during non-peak periods on our system to help minimize the impact on customer rates. Because each unit has different operating characteristics and parameters, each has its own fuel cycle, generally ranging from 18 to up to 24 months. Thus, the number of refueling outages scheduled in any given year will vary, with two outages occurring in most years, one in others, and the potential for even three refueling outages occurring in some years. Extensive planning goes into the preparation and execution of these outage schedules.

We provide our current schedule of anticipated refueling outages for our three nuclear units in Schedule B, *Forecast Outage Refueling Schedule*. Schedule B has been separately provided along with an Application For Trade Secret Protection.

2. *Use of Direct-Expense Method in North Dakota*

Xcel Energy has used the direct-expense method of accounting for nuclear refueling expenses, where the costs are expensed as they are incurred. While this method reflects the approach generally used for operating and maintenance costs (“O&M”), it leads to large swings in expenses from year to year when used for nuclear refueling costs, depending on the number of refueling outages that occur. Given that the cost of a base refueling outage typically exceeds \$20 million (total Company), the annual outage expenses may range from \$20 million in a single outage year to over \$50 million in a two-outage year, creating large swings in expenses. These swings increase as the length, complexity, and number of outages increase.

In the electric rate case filed concurrently with this Petition, we have requested recovery of \$2,492,407 in refueling outage related expenses for the 2008 test year based on the North Dakota allocation of the direct expense methodology. That expense reflects that there are two nuclear fuel outages scheduled for 2008. Our current outage schedule anticipates two refueling outages per year in seven of the next ten years (beginning in 2008), a number of which will meet the more extensive outage requirements for relicensing and power uprates. We currently expect that costs for the 2008 outages will surpass \$50 million (total Company).

3. *Use of Deferral-and-Amortization Method in Other Jurisdictions*

In early 2007, it came to our attention that other utilities use the deferral-and-amortization method of accounting for nuclear refueling costs. The FASB Staff Position paper provides that deferral and amortization between refueling outages is a generally accepted accounting method for planned outage costs. We thus investigated the possibility for implementing this approach on our system. This review identified at least five utilities use the deferral-and-amortization accounting method outlined in the FASB Staff Position paper in seven state jurisdictions, as noted below.

USE OF THE DEFERRAL-AND-AMORTIZATION METHOD

<u>Company</u>	<u>State Jurisdiction</u>
Tennessee Valley Authority	Alabama, Tennessee
Entergy Gulf States	Louisiana
Indiana Michigan Power Company	Indiana, Michigan
Kansas City Power & Light	Kansas
Georgia Power	Georgia

B. Change in Accounting Request

The Company respectfully requests the Commission find that the deferral-and-amortization method of accounting for nuclear refueling outage costs is appropriate for use in North Dakota, pursuant to N.D. Cent. Code § 49-02-12, which provides that the Commission may prescribe a method of accounting and N.D. Admin. Code § 69-02-04 (4), which provides that utilities shall file financial statements “using generally accepted accounting principles.”

The FASB Staff Position paper provides that deferral and amortization of nuclear refueling costs is an appropriate accounting method. Because FASB is the recognized accounting standards board, its pronouncement is a “generally accepted accounting principle.”¹ We believe that a Commission Order under this rule is required for us to

¹ The FASB Staff Position Paper discusses four methods of accounting for these large and reoccurring maintenance costs: direct expense, built-in overhaul, deferral, and accrual (accrue-in-advance). Although there are four methods, the FASB does not believe the accrue-in-advance method is consistent with FASB Concept Statements No. 6, *Elements of Financial Statements*, indicating that accrue-in-advance is not an acceptable accounting method.

change the method of accounting from direct-expense to deferral-and-amortization, consistent with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*.

We note that we are filing similar requests to implement this accounting change in the other jurisdictions we serve. These include Minnesota, South Dakota, and with the Federal Energy Regulatory Commission (“FERC”), which governs the interchange agreement through which these costs are shared between the Company and its affiliate, Northern States Power Company, a Wisconsin corporation (“NSPW”). As jurisdictions consider and approve this accounting change, we would implement jurisdictional accounting for this method. This approach would accommodate the possible situation of differing decisions across the jurisdictions. If all jurisdictions do not adopt the deferral-and-amortization method, the Company would employ jurisdictional accounting to effectively track the different expensing methods in each jurisdiction. This approach would ensure that the method adopted by a jurisdiction would be reflected appropriately in associated rate proceedings, and that no overlap between amortization and direct expense would occur.

In the sections below, we offer further detail on our proposed implementation of this accounting change, and offer supporting reasons for why its adoption is consistent with the public interest and will benefit our customers and all stakeholders.

1. *Details of Request*

We propose to implement the deferral-and-amortization method consistent with the approach outlined in the FASB Staff Position paper. The applicable FERC Accounts affected by the change in accounting are:

FERC Account	Account Title
<i>Operations</i>	
517	Operation Supervision and Engineering
519	Coolants and Water
520	Steam Expenses
523	Electric Expenses
524	Miscellaneous Nuclear Power Expenses
<i>Maintenance</i>	
528	Maintenance Supervision and Engineering
529	Maintenance of Structures
530	Maintenance of Reactor Plant Equipment
531	Maintenance of Electric Plant
532	Maintenance of Miscellaneous Nuclear Plant

To ensure that only appropriate costs associated with the nuclear refueling outages are included in the deferral, we have developed an accounting policy that defines the type of costs and activities that would be subject to the deferral-and-amortization method. We provide a copy of this accounting policy as Schedule C, *Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)*. This policy will ensure that only appropriate nuclear refueling outage costs – and not other generation or nuclear costs – are subject to the deferral-and-amortization method.²

Our accounting under this method would work as follows: Beginning with O&M costs associated with the first refueling outage occurring after January 1, 2008, we propose to accumulate into work orders (cost tracking) the appropriate nuclear

² We note that non-outage activities may be added to the outage schedule based on the benefits that can be gained by delaying the work until the outage. Although this work is performed at the same time as the refueling outage, it would not be accounted for using the deferral-and-amortization method and would instead remain direct expensed. In addition, costs associated with unplanned outages would not be subject to the deferral-and-amortization method. Schedule C provides detail on our accounting guidelines to ensure appropriate tracking and recording of costs under our proposal.

refueling costs; this accumulation will continue through the refueling outage. These work orders will be used as tracking mechanisms within FERC Account 182.3, Other Regulatory Assets, and will track the costs by the appropriate FERC Account listed above. The work orders also will track by each facility (Monticello or Prairie Island), and by unit for the Prairie Island facility. We provide a sample of our proposed FERC Account 182.3 tracking mechanism as Schedule D, *Accounting Example*.

After a refueling outage is completed and the plant is returned to service, we would begin to record the amortization amounts as expense in the appropriate FERC Accounts. The amortization periods used to determine the monthly expense amount would be the number of months anticipated between refueling outages for each nuclear unit. Thus, for example, for a unit on a 20-month refueling cycle, we would amortize the deferred amounts by FERC Account over a 20-month period, reflecting $1/20^{\text{th}}$ of the costs in each month. Consequently, the amortization periods will vary by nuclear unit and will be determined based on our planned schedule for refueling outages. To avoid any overlapping amortizations for a particular unit or to eliminate a situation where no amortization occurs in a given month, we will include in the amortization period any month where the unit comes out of service or is shut down through the end of the month. Further, should the timing of an scheduled outage vary from what was initially assumed when determining the amortization period, we would employ a remaining life approach and adjust the amortization accordingly so that the unamortized balance will be expensed in full over the remaining revised amortization period. We believe this approach will ensure an appropriate matching of the amortized costs to the period between refueling outages.

To illustrate this approach, consider the example of the first refueling outage that will occur at Prairie Island Unit 1 starting in February 2008. We expect this outage to last approximately 35 days, with the unit coming back on line by the end of March. The next refueling outage for Prairie Island Unit 1 in the forecast begins September 2009, lasting approximately 35 days and completing by October 2009. Therefore, we would use a 19-month period over which the accumulated deferred costs would be expensed, from March 2008 through September 2009. The next accumulation of refueling costs would begin to amortize in October 2009. The amortization period will vary slightly as reload schedules shift, but generally the amortization will occur over an 18- to 24-month period, as reflected in our planned outage schedules.

Over time, the amortization amounts recorded will eventually reflect amounts for each of the three nuclear units once we have implemented the initial refueling outages post-accounting change for each unit. Thus, the amounts recorded in each FERC Account for nuclear refueling costs will build over time (by April 2009), up to a more levelized amount reflecting refueling costs for all three nuclear units.

3. *Impact of the Request*

To demonstrate the impact of this change in accounting, we prepared an example showing the build-up of costs over time as each unit completes a refueling outage. We show the details of the accounting for this initial cycle of refueling outages Schedule E, *Amortization of Reload O&M Costs*. Schedule E has been separately provided along with an Application For Trade Secret Protection.

The deferral approach and the direct cost approach, if used in the Company's pending electric rate case (filed concurrently with this application), would have very similar results. In the rate case, the Company is requesting recovery of \$2,492,407 in refueling outage related expenses for the 2008 test year based on the direct-expense method. This amount reflects two scheduled outages in 2008, both at the Prairie Island plant, Units 1 & 2. The amortized expense amount that represents a more normal level of expense, reflecting all three nuclear units under the deferral-and-amortization method for refueling outages is \$2,319,262. If this accounting method is approved, the Company proposes to include this normalized (representative) amount in the rate case test year, thereby reducing the requested increase by \$173,145. This calculation has been provided in Schedule E as well.

To assist all parties in monitoring the impacts of the change in accounting, we propose to provide a compliance report each May 1st. In this report, we would provide information on actual refueling outage expenses deferred during the year and the details behind the amortization expense recognized. We also would provide an independent auditors' letter prepared by our external auditors on the Company's application of the deferral-and-amortization accounting method as approved. We believe this additional information would be helpful in tracking the amortization expense that results as units complete refueling outages and would facilitate review of our compliance with the accounting guidelines for qualifying costs. We are willing to discuss the format and information to be provided in this annual compliance report to ensure it meets the needs of stakeholders.

C. Rationale for Request

We believe that the deferral-and-amortization method of accounting for nuclear refueling costs is superior to the direct-expense method and should be adopted for use in ratemaking in North Dakota. Key reasons in support of this conclusion include:

- It levels the costs over time, facilitating the appropriate reflection of normalized cost levels in the general rate case proceeding that occurs after the first full cycle of outages.
- It appropriately spreads the costs over the period that customers receive the benefits of the expenses.
- It better matches revenues with expenses.

Further, adoption of this method would in no way change the Commission's ability to audit any expense and verify the prudence of such costs as needed, or to ensure our compliance with the approved accounting guidelines. Our proposed reporting requirements are intended to facilitate effective regulatory oversight of these costs.

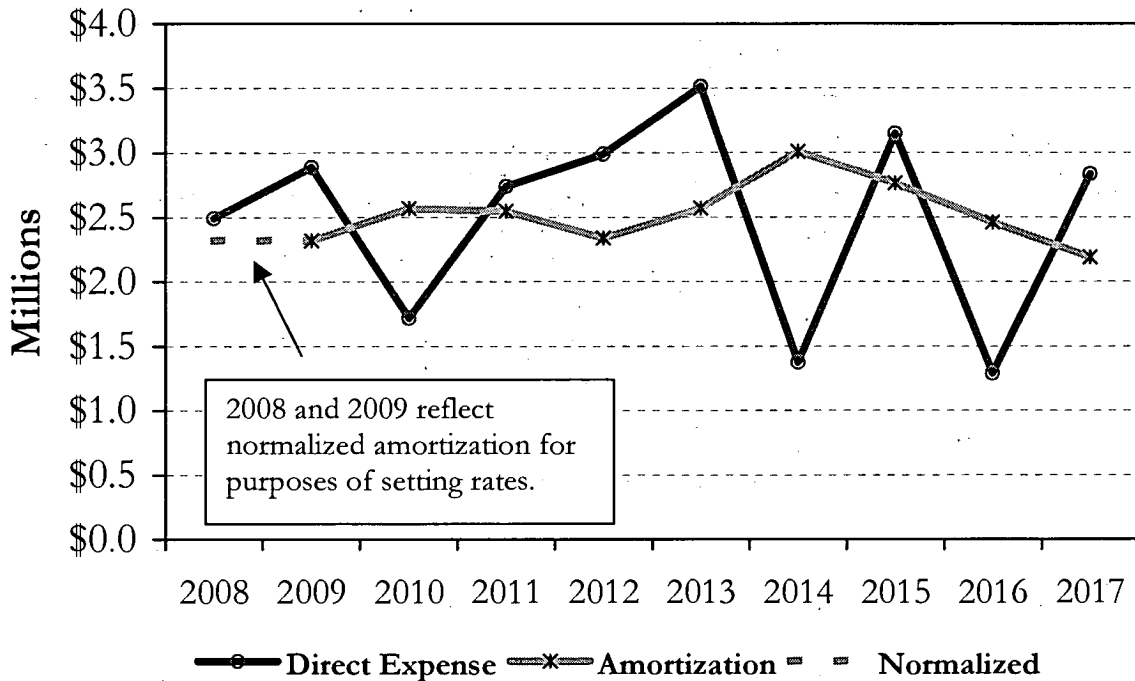
1. Levelized Costs

The direct-expense method of accounting requires reflection of the costs as expense on the Company's books and records in the month incurred. Generally speaking, it is unusual to have intermittent expense items of this magnitude (\$20 million and above) incurred in a single month; the fact that the number of refueling outages varies by year exacerbates this situation. Further, from the Company's perspective, actual costs may differ substantially from allowed cost recovery simply due to the scheduling of nuclear refueling outages, making earnings more volatile and subject to large swings. This volatility in expenses and limited ability to manage the timing or level of these costs creates significant and unique challenges for owners of nuclear generating plants compared to owning other types of generating assets.

In contrast, the deferral-and-amortization method will smooth these swings by spreading costs over the period in which the benefit of the refueling outage is provided to customers. Once established, this method will facilitate reflection of "normal" costs in a general rate case proceeding, and parties will not need to address situations where the test year may have greater or fewer refueling outages than anticipated in coming years.

We illustrate the impact of the change in accounting on the predictability of these costs on the chart below, which compares our rate case requested expense level with actual projected expenses and the results using deferral with amortization:

COMPARISON OF DIRECT-EXPENSE AND AMORTIZATION METHODS



While variation still exists in the later years due to the more extensive and higher cost outages to facilitate life extension and power uprates (if approved), the deferral-and-amortization method is substantially more stable than the direct-expense method, in which wide swings in expense levels occur.

As shown, once the first full cycle of refueling outages occurs and costs of all three nuclear units are reflected in the amortization, the costs are more stable, reflective of ongoing expense levels, and amenable to reflection in a rate case as compared to the direct-expense method, where costs vary substantially depending on the number of outages occurring in a given year. As is also demonstrated, the deferral method fails to reflect actual cost until after a full cycle of outages has occurred and, therefore, a normalized amount would need to be used in the rate setting process until a full cycle of outages has occurred. If approved by the Commission, under the deferral-and-amortization methodology, the Company would record refueling outage expenses of \$811,935 in 2008, which would not reflect the ongoing actual expense level, but rather, the amortization amount at its lowest point because only one of the units has commenced the amortization of a refueling outage. Therefore, until a full cycle of refueling outages for each unit has occurred (*i.e.*, outages have occurred at all three units), it will be necessary to normalize the expense for ratemaking purposes. A

normalized expense using the deferral methodology for 2008 would be \$2,319,262, which is \$173,145 less than the 2008 test year expense level filed in the concurrent electric rate case.

2. *Matching of Costs and Benefits*

Deferral and amortization will spread the refueling outage costs over the period that customers benefit from the costs – specifically, the period during which the plants produce energy from the reloaded fuel. This matching of costs and benefits is an appropriate regulatory goal and facilitates reflection of an appropriate cost level in rate proceedings. We believe all parties would benefit from these outcomes stemming from use of the deferral-and-amortization method.

3. *Summary*

Overall, we believe the deferral-and-amortization method of accounting for nuclear refueling costs offers distinct advantages over the direct-expense method. Based on these considerations, we believe a Commission finding that the deferral-and-amortization method is appropriate for use in North Dakota is reasonable and should be adopted.

D. Miscellaneous Information

Xcel Energy requests that the following persons be placed on the Commission's official service list for this matter:

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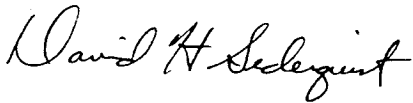
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CONCLUSION

Xcel Energy requests that the Commission find the deferral-and-amortization method to be an acceptable accounting method for nuclear refueling outage costs, pursuant to N.D. Cent. Code § 49-02-12, which provides that the Commission may prescribe a method of accounting, and N.D. Admin. Code § 69-02-04 (4), which provides that utilities shall file financial statements "using generally accepted accounting principles." We believe this method offers significant benefits for all parties compared to the direct-expense method currently used. We respectfully request that the Commission authorize this change in accounting for use in 2008, beginning with the first refueling outage at Prairie Island Unit 1. Further, that the Commission adopt a normalized level of expense for use in the concurrent rate case, reducing expenses in the 2008 rate case by \$173,145

Dated: December 5, 2007

Northern States Power Company
A Minnesota corporation operating in North Dakota



By: _____

DAVID SEDERQUIST
SENIOR REGULATORY AND FINANCIAL CONSULTANT

FASB STAFF POSITION

No. AUG AIR-1

Title: Accounting for Planned Major Maintenance Activities

Date Posted: September 8, 2006

Introduction

1. This FASB Staff Position (FSP) addresses the accounting for planned major maintenance activities. This FSP amends certain provisions in the AICPA Industry Audit Guide, *Audits of Airlines* (Airline Guide), and APB Opinion No. 28, *Interim Financial Reporting*.

Background and Scope

2. The principal source of guidance on the accounting for planned major maintenance activities is the Airline Guide. The Airline Guide permits four alternative methods of accounting for planned major maintenance activities: direct expense, built-in overhaul, deferral, and accrual (accrue-in-advance). Those methods are widely used by other industries.

3. The Board believes that the accrue-in-advance method of accounting for planned major maintenance activities results in the recognition of liabilities that do not meet the definition of a liability in FASB Concepts Statement No. 6, *Elements of Financial Statements*, because it causes the recognition of a liability in a period prior to the occurrence of the transaction or event obligating the entity. The fact that an entity may incur future maintenance costs to improve the operating efficiency of an asset, comply with regulatory operating guidelines, or extend the useful life of the asset does not embody a present duty or responsibility of the entity prior to the obligating transaction or event. The entity can decide whether to use the asset in such a way to avoid the need for future maintenance activities.¹

4. The guidance in this FSP is applicable to entities in all industries.

FASB Staff Position

5. This FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods.

¹ In contrast, as explained in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, and as demonstrated in examples in FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, the liability required to be recorded for an asset retirement obligation is based on a legal obligation for which the event obligating the entity has occurred.

6. An entity shall apply the same method of accounting for planned major maintenance activities in annual and interim financial reporting periods.

Amendments to Airline Guide

7. This FSP amends the Airline Guide as follows: [Added text is underlined and deleted text is ~~struck out.~~]

a. Paragraph 3.69:

Air carriers should adopt an accounting method that recognizes overhaul expenses in the appropriate period. This may result in different methods for different aircraft, as well as different methods for airframe overhauls and engine overhauls. The method chosen should recognize, among other things, the carrier's operating practices with respect to airframe and engine overhauls. The following accounting methods are ~~most often employed~~permitted:

- Direct expensing method
- Built-in overhaul method
- Deferral method
- ~~• Accrual method~~

b. Paragraph 3.73:

~~*Accrual Method.* The accrual method provides for estimating the cost of the initial overhaul and accruing the cost, based on an hourly rate, to the overhaul. At that time, the actual cost of overhaul is charged to the accrual, with any deficiency or excess charged or credited to expense. The cost of the next overhaul is then estimated, based on the new rate, and accrued to that overhaul, at which time the process is repeated.~~

c. Paragraph 3.74:

In the case of the built-in overhaul ~~and accrual~~ methods, the estimated cost of initial overhauls should be tested by reference to manufacturers' specifications, historical experience, and the like. Actual capitalized costs of succeeding overhauls should be examined for propriety. Time between overhauls (TBO) should be tested by reference to FAA overhaul requirements, manufacturers' specifications, or the carrier's experience. Resulting rates and their application should be tested for reasonableness.

d. Paragraph 4.11.2:

Maintenance and engineering accounting—In the airline industry ~~four~~three alternative methods exist for performing scheduled maintenance accounting (direct expensing method, built-in overhaul method, and deferral method, ~~and accrual method~~). An airline using the ~~accrual~~, deferral, or built-in overhaul methods must make certain assumptions as to the cost and timing of the

scheduled maintenance events, which can affect the recorded results. In addition an airline must apply the method selected consistently and should not switch back and forth between methods.

Amendment to Opinion 28

8. This FSP amends Opinion 28 as follows:

a. Paragraph 16(a):

When a cost that is expensed for annual reporting purposes clearly benefits two or more interim periods (~~e.g., annual major repairs~~), each interim period should be charged for an appropriate portion of the annual cost by the use of accruals or deferrals.

Effective Date and Transition

9. The guidance in this FSP shall be applied to the first fiscal year beginning after December 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year. The guidance in this FSP shall be applied retrospectively for all financial statements presented, unless it is impracticable to do so. This should include the recognition of:

- a. The cumulative effect of the change to the new accounting principle on periods prior to those presented in the carrying amounts of assets and liabilities as of the beginning of the first period presented
- b. An offsetting adjustment, if any, made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period
- c. Adjustments to financial statements for each individual prior period presented to reflect the period-specific effects of applying the new accounting principle.

10. If retrospective application to all years presented is impracticable, the financial statements presented shall be retrospectively adjusted for as many consecutive prior years as practicable, and the cumulative effect of applying the guidance in this FSP shall be applied to the carrying amounts of assets and liabilities as of the beginning of the earliest period to which the FSP can be retrospectively applied. An offsetting adjustment, if any, shall be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period. If it is impracticable to retrospectively apply the provisions of this FSP to any prior year, the cumulative effect shall be included in beginning retained earnings in the year in which the guidance in the FSP is first applied.

Disclosures

11. As of the date this FSP is adopted, an entity shall disclose the following:

- a. The method of accounting for planned major maintenance activities selected

- b. A description of the prior-period information that has been retrospectively adjusted, if any
- c. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for any periods retrospectively adjusted
- d. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented
- e. If retrospective application to all prior periods is impracticable, the reasons why it is impracticable and a description of the alternative method used to report the change (paragraph 9).

Forecast Refueling Outage Schedule by Unit-ND

PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN REMOVED
SCHEDULE B
Page 1 of 1

Year	Month Outage Begins	Month Returning to Service	Unit
2008	February	March	Prairie Island Unit 1

[Begin Trade Secret

End Trade Secret]



**Planned Major Maintenance – Nuclear Refueling Outage
(Uniform Policy)**

Last Updated: November 28, 2007

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

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Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

Statement of Purpose

This accounting policy addresses the operations and maintenance (O&M) expenditures that are associated with the routine refueling of a nuclear unit and are categorized as planned major maintenance activities. Please refer to the attached list of definitions for any terminology used in this policy. Xcel Energy's utility subsidiaries are subject to regulation by the Federal Energy Regulatory Commission (FERC) and by various state commissions. All of the utility subsidiaries' accounting records must conform to the FERC Uniform System of Accounts. Additionally, Xcel Energy is subject to regulation by the Securities and Exchange Commission (SEC).

The overall goal of this document is to achieve a consistent policy that defines common procedures to ensure correct and consistent accounting that complies with FERC guidelines and SEC regulations for the proper handling of planned major maintenance activities associated with routine nuclear refueling across all applicable entities. It is common practice across the industry to allow expenditures to be charged to a deferred work order associated with a routine nuclear refueling in order to amortize the costs over the next fuel cycle. Due to the magnitude of this issue, it is necessary that the proper accounting be defined to assure accurate books and records of the Company. Currently, Northern States Power Company, a Minnesota corporation (NSPM) is the only Xcel Energy operating company with nuclear facilities, but the policy would apply to any subsidiary with such facilities.

Applicability

This Uniform Policy is effective on the date stated below and on that date, this policy became effective for all utility subsidiary companies. This Uniform Policy is applicable to all Xcel Energy utility subsidiaries that deal with nuclear facilities.

Summary

Because Xcel Energy is regulated by various government entities, the Corporate Controller is responsible for accounting policies for Xcel Energy within the framework of the SEC, FASB, FERC, and state regulatory requirements. These policies will include establishing and maintaining effective internal controls as it relates to the books and records of Xcel Energy and the preparation of all consolidated external reports as required by the SEC, FERC, and the state regulators.

Within this framework, Regulatory Accounting will establish appropriate accounting policies in order to meet the FERC and GAAP/SEC accounting requirements. At the end of each month, in order to recognize the regulatory assets correctly on the Company's balance sheet and to provide for the proper amortization to the income statement, only those refueling O&M expenditures that satisfy the criteria defined herein should be recognized to the appropriate deferred work orders.

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

This policy defines the expectations surrounding treatment of routine refueling O&M expenditures as planned major maintenance activities that should be charged to deferred work orders to assure proper internal controls are in place and a proper audit trail exists. Where allowed by a regulatory jurisdiction, the deferral and subsequent amortization of these expenditures meet the guidance issued under FASB Staff Position No. AUG AIR-1 (FSP AUG AIR-1), *Accounting for Planned Major Maintenance Activities*. It is Regulatory Accounting's responsibility to maintain this policy and to ensure, in conjunction with the business unit personnel, consistent application of the procedures contained in the policy. Regulatory Accounting will monitor FERC regulations and other accounting rules that impact this policy and make changes as necessary to maintain accounting compliance. Thus, business areas are responsible to understand and to adhere to the policy. Regulatory Accounting will assist business areas to appropriately apply the policy.

Definitions

Capital – The purchase or construction of a retirement unit that will be recorded on the balance sheet as an asset after meeting the GAAP criteria for being an asset

FASB – Financial Accounting Standards Board

FERC – Federal Energy Regulatory Commission

FSP – FASB Staff Position

GAAP – Generally Accepted Accounting Principles

O&M Expenditure – Expenditure incurred in the normal operations of the assets or restores the fixed asset to operating status and assists in assuring that the fixed assets achieve useful life expectations

SEC – Securities and Exchange Commission

Work Order – An account numbering system used to group costs (often referred to as a subledger in the JD Edwards general ledger system)

Content

Characterization

This policy is based on the FSP AUG AIR-1 that modifies certain positions of AICPA Industry Audit Guide, Audits of Airlines, which defines three allowable treatments for planned major maintenance activities: direct expense, built-in overhaul, or deferral. Xcel Energy uses two methods: direct expensing and deferral with an amortization, often referred to as a “deferral-and-amortization method”. The deferral-and-amortization method is used only when authorized by a specific regulatory jurisdiction. Thus, if no approval exists for a specific jurisdiction, the jurisdiction must use the direct expense method. As the costs for planned major maintenance activities provide value to the constructed asset over the next cycle to which the refueling relates (typically the next 18 to 24 months), the deferral-and-amortization method has the benefit of better matching costs to the period

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

in which it relates. These costs include, but are not limited to, contract labor, company labor and benefits, materials and supplies, transportation, machine equipment, tool usage, permits, equipment rental, taxes, and various incurred for planned major maintenance activities such as cleaning, servicing, replacement, or repair, as well as costs of replacement components, minor parts, and interactive agents (such as certain fluids or elements).

In general, those nuclear refueling outage costs that are properly includable to a regulatory asset under the deferral-and-amortization method should be charged to the appropriate reload-specific set of deferred work orders. A series of deferred work orders will be established for each reload to align with the applicable FERC Account to which the O&M cost would have been charged if it had been expensed, such that the amortization is expensed to those same O&M FERC Accounts. Any work done during a refueling outage that meets the requirements for capitalization is not includable in the deferred work orders. In addition, costs for standard maintenance or normal operations, which occur during a refueling outage and which are **not** listed in the definition of includable expenses shown below, are to be expensed to the appropriate O&M accounts. This policy defines the expenses allowed to the deferred work orders established for refueling outage costs and helps one understand the limits in the use of these deferred work orders.

Definition

Nuclear reactors are typically shut down once every 18 to 24 months to refuel approximately one third of the reactor core. There are many costs associated with a refueling outage. These include the following O&M costs:

- Replacement of approximately one third of the nuclear fuel assemblies in the reactor core;
- Numerous inspections on equipment to ensure safety and compliance with requirements;
- Test and maintenance jobs that can be performed only when the reactor is shut down; and
- Repairs and refurbishment of major nuclear and non-nuclear components of the plant (e.g., control rods, main coolant pumps, steam generators, turbine valves and blading, main electric generator).

This is a general list of items. However, other costs arise during a refueling outage that may be appropriate for deferral and amortization. Such costs may only be deferred following a review of the new charges for compliance with this policy and, upon compliance, approval by the outage manager and the site accounting manager (with retention of the appropriate documentation). If work begins on these activities prior to receiving approval, the expenditures will be treated as an O&M expense. However, certain costs occurring before and after the actual period when the unit is off-line are allowable to deferred work orders. Descriptions of allowed pre-outage costs and post-outage costs are included below.

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

In addition to the work performed in a “base” refueling outage, more extensive work is required during refueling outages, usually staggered over a 10-year period, to comply with periodic Nuclear Regulatory Commission (NRC) and insurance requirements. In addition, it is anticipated that more extensive refueling outages occasionally will be needed as larger projects are completed. These more extensive outages will require longer periods and higher costs than typical refueling outages, but are one-time expenses not anticipated to be repeated over the license renewal period. Because each unit has different operating characteristics and parameters, each has its own fuel cycle, ranging from 18 to up to 24 months. Thus, the number of refueling outages scheduled in any given year will vary, with two outages occurring in most years, one in others, and the potential for even three refueling outages occurring in some years. Extensive planning goes into the preparation and execution of these outage schedules.

The deferral-and-amortization method of accounting will include only costs directly associated with a planned refueling outage. All other work, albeit done at the time of the outage, will be directly charged to the appropriate O&M or capital accounts as has been traditionally done. Planned outage costs for the next refueling can begin soon after the unit returns to service as contracts are being set and material is being ordered. However, most of the costs associated with planned outage work occur within the actual outage period. An activity or work order is considered planned outage work if one of the following conditions applies:

- The plant impact of the work scope requires an outage to complete;
- The work scope is required by Technical Specifications, license-based provisions, or other regulatory requirements to be performed during the outage timeframe;
- The work scope duration required exceeds greater than 75% limited condition operations (“LCO”) duration;
- The work scope requires a preventative maintenance test (“PMT”) or a test that can only be performed during an outage, and the work that is required ensures unit reliability for the next cycle.

Pre-outage Costs

As with any large project, capital or maintenance, there is considerable planning that occurs in order for the outage to be as efficient as possible. These planning costs are allowed as part of the deferred work order even if the costs occur in a prior year. The earliest that outage costs can occur is shortly after the unit comes on-line from the last outage. Costs cannot be deferred that occur any earlier than the beginning of the operating cycle immediately before the outage being planned.

Allowable costs during the pre-outage period include the following:

- Outage milestone planning to develop a systematic approach for preparing for an outage;
- Surveillance and special testing of equipment;

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

- Any work issues identified for performance prior to a planned outage.

As with all the costs, proper documentation must exist to support the appropriateness of the charge to the FERC specific deferred work order. Any charge that does not meet the above requirements should be charged directly, in the current period, to the appropriate O&M account.

Post-outage Costs

Typically, costs continue to come in throughout the month following the return to service. This is expected, however any costs that are known and measurable in the month when the unit returns to service should be recorded as an unvouchered liability in that month. The month when the bill is received will then contain a reversal of the unvouchered liability and recognition of the actual expense. This true up from estimate to actual is often referred to as a “pick up”.

Allowable costs during the post-outage period include the following:

- Resolution of disputed outage contractor issues;
- Delay charges;
- Costs associated with the removal of equipment to support outage activities.

As with all the costs, proper documentation must exist to support the appropriateness of the charge to the FERC specific deferred work order. Any charge that does not meet the above requirements should be charged directly, in the current period, to the appropriate O&M account.

Non-outage Costs

Non-outage activities may be added to the outage schedule based on work benefits that can be gained by delaying the work until the outage. Although this work is performed at the same time as the refueling outage, it is not included in the deferral and amortization. This includes the following, but is not limited to these examples:

- Personnel exposure to radiation that can be measurably reduced by performing the work when the unit is shutdown rather than at power assuming the work can be deferred to a planned outage;
- Regular maintenance work on the same component that is scheduled for work during the outage and the work can be safely delayed until the outage;
- Work based on economic considerations and surveillance or preventative maintenance tasks that are scheduled during the outage period and cannot be rescheduled outside of the outage period.

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

Unplanned Outage Costs

Unplanned outages includes the work that cannot be delayed until the next planned outage and requires the unit to be shutdown in order for the work to be completed. Also included in unplanned outages is any work done when the unit is brought off line for safety reasons. Costs related to these unplanned outages, as well as all non-outage activity costs, are not eligible for the deferral-and-amortization method of accounting, and will continue to use the direct expense accounting method.

Accounting

Deferred Work Order

Each outage for each unit is assigned a separate set of FERC specific deferred work orders. Before the first refueling outage charge is anticipated, the business area will request a series of deferred work orders be issued. The set of deferred work orders will include one work order for each nuclear production FERC O&M account anticipated to be charged (the same FERC accounts used to record the refueling outage costs to expense). As costs are incurred during the outage, the FERC specific deferred work order will accumulate costs previously charged to the specific FERC O&M account. The use of work orders facilitates the accumulation of charges, but it also facilitates review for audit purposes.

Other Regulatory Assets

The accumulation of refueling outage costs for those jurisdictions allowing the deferral-and-amortization method will be cleared from the deferred work order to FERC Account 182.3, *Other Regulatory Assets*. The subsequent amortization of each balance reduces the regulatory asset to zero over the period the plant is operating until the next reload outage. The regulatory asset account will be maintained separate for each reload at each unit and also by each applicable nuclear production FERC O&M account. It is anticipated that this information will be segregated via a work order tag in the regulatory asset account.

Various Jurisdictions

For any rate jurisdiction that has not approved the use of the deferral-and-amortization method for nuclear refueling outage costs, that jurisdiction will continue to use the direct expensing method for its portion of the nuclear refueling outage costs. Therefore, unless all rate jurisdictions authorize use of the deferral-and-amortization method, the accounting will be maintained by rate jurisdiction. Assuming there are some rate jurisdictions that will allow the use of the deferral-and-amortization method and others that will not, the following steps generally will occur:

1. The nuclear plant personnel identify the refueling expenses that are appropriate to be deferred. Plant personnel do not allocate jurisdictional costs and thus gather total company charges only under this policy.

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

2. The plant personnel assign the identified costs in step 1 to a deferred work order, with each work order being specific to a FERC account and a particular reload.
3. The charges in the deferred work order are allocated to the various rate jurisdictions each month (based on the appropriate jurisdictional allocation factor in use at the time for each nuclear production FERC O&M account).
4. For those jurisdictions using the deferral-and-amortization method, the jurisdictional work order will set up the regulatory asset for amortization.
5. For those jurisdictions using the direct expense method, the costs in the jurisdictional work order are expensed in the month incurred.
6. The regulatory asset is maintained by each reload and by each applicable FERC O&M account such that the amortization is charged to the appropriate FERC O&M account each month

Amortization

The monthly amortization is calculated for each nuclear production FERC account for each reload for each unit separately. The amortization is a straight-line calculation derived by dividing the amount accumulated for the refueling outage by the number of months in the amortization period. The following method is used to calculate the amortization period.

Amortization Period

The amortization begins with the month the unit comes on-line, and continues through the month before it comes back on-line with the next refueled core. The intent behind using this period is to be assured that the previous deferral finishes the month prior to the next one beginning, leaving no months without an amortization or having amortizations from the previous and current reload overlapping. For example, the unit comes off line in February 2008 to refuel and comes back on-line March 2008. The plant operates through the rest of 2008, all of 2009, and comes off-line in February 2010 for the next refueling. This refueling is complete in March 2010. The amortization period is the number of months from March 2008 to February 2010, or 24 months in this example.

The number of months in the amortization is set based on the expected future refueling date for the next outage. The date, although a forecast, is a fairly certain date that will usually only fluctuate by one or two months on either side of the forecast date. When it is known that the next reload date has moved, the amortization period is adjusted. The amortization is adjusted for the remaining months by dividing the current balance by the remaining months in the amortization period. Continuing the above example, if the refueling date is revised from February 2010 to April 2010 in January 2010, then the remaining amortization period is lengthened by two months. In January 2010, the remaining amortization was 2 months and is lengthened to 4 months based on the revised date for refueling.

FERC O&M Accounts

Based on accumulating the charges to a FERC specific deferred work order, the amortization is calculated for the month for each applicable O&M account. Each refueling operation may have a different spread of the costs incurred across the various nuclear O&M accounts; therefore, there may

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

be many amortizations being calculated for each reload to effectively charge the correct FERC O&M account. The amortization is charged to the same nuclear production O&M expense account as would be used for direct expensing. The amortization period is the same across all FERC O&M account amortizations.

Applicable FERC O&M Accounts to Nuclear Refueling Outages

FERC Account	Account Title
<i>Operations</i>	
517	Operation Supervision and Engineering
519	Coolants and Water
520	Steam Expenses
523	Electric Expenses
524	Miscellaneous Nuclear Power Expenses
<i>Maintenance</i>	
528	Maintenance Supervision and Engineering
529	Maintenance of Structures
530	Maintenance of Reactor Plant Equipment
531	Maintenance of Electric Plant
532	Maintenance of Miscellaneous Nuclear Plant

Pick-ups

The term “pick-ups” is used to refer to the trailing costs that occur subsequent to the completion of the work. Business unit personnel are expected to book all known or estimable costs in the final month of the outage work. By recognizing an estimate of work completed to date, the amortization can begin with a very close approximation of total costs in the deferred work orders. The costs incurred in the “post-outage” phase are recognized in the deferred work orders with a debit offset by a credit to account payable or unvouchered liabilities. When the final costs are determined, the entire estimate is reversed with the actual payment being recognized to the appropriate deferred work order. There is a time limit on this process. Costs not finalized within three months after the unit begins operating are settled to expense.

Direct Expensing

Assuming a jurisdiction may not adopt this change of accounting for its customers, their portion of the O&M costs will be expensed when incurred. The jurisdictional split is determined at the time the set of FERC specific deferred work orders is requested for the outage. Every charge booked to the deferred work order will be allocated between jurisdictions that allowed the deferral-and-amortization

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

method of accounting and those jurisdictions using the direct expense method. For example, if 75% of the jurisdictions allow deferred accounting and 25% do not, for every dollar incurred, 25 cents is expensed immediately and 75 cents is deferred and amortized. See steps defined under the “*Various Jurisdictions*” section above.

Tax Treatment

The treatment described to this point deals with the financial treatment of these costs for book purposes. The treatment of these costs for tax purposes is not impacted by whether the costs are deferred and amortized or expensed as incurred. The amount spent in a given year on refueling costs is what is deducted for income tax purposes. Therefore, choosing to defer some of the O&M costs for the books creates a timing difference between the book and tax recognition for these refueling costs. To recognize this difference, a deferred tax liability is created, setting up when the costs are expensed for taxes and flowing back when the amortization is complete.

Policy Application

Making the decision of where a particular cost should be charged may not always be clear and concise and interpretations will have to be made. Nuclear refueling costs meeting the above criteria for deferral can be charged to a deferred work order while all routine maintenance and standard operating costs should be charged to the appropriate O&M expense accounts. Any uncertainty about this policy should be directed to Regulatory Accounting for resolution.

Regulatory

Interchange Agreement

Costs incurred in the nuclear production O&M FERC accounts are shared between the two Northern State Power companies through the FERC jurisdictional “Restated Agreement to Coordinate Planning and Operations and Interchange Power and Energy between Northern States Power Company (Minnesota) and Northern States Power Company (Wisconsin)” (Interchange Agreement). Costs are shared based on assignment to specific FERC accounts using a ratio of either the 36 month coincident peak demand or current year energy requirements. Through the Interchange Agreement, NSPM bills a proportionate share of the nuclear production O&M expense to NSPW. The use of the deferral-and-amortization method of accounting for nuclear production O&M costs will change the pattern of expensing, however, the content of what is being expensed as well as the FERC accounts used to record those same expenses has not changed. Therefore, there is no impact to the Interchange Agreement resulting from this use of the deferral-and-amortization method.

Internal Controls

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

Regulatory Accounting has initiated the following tasks to assure that a valid work order for the regulatory assets resulting from this process exists from month to month:

- Working with the nuclear plant personnel to assure that proper documentation of cost assignment is being maintained;
- Periodically reviewing deferred work orders to assure that only proper costs are being included;
- Establishing the appropriate jurisdictional allocations for each deferred work order;
- Communicating this policy and its implications for the budgeting process for departmental operating expenses to all business unit personnel responsible for departmental budgets;
- Providing forecast information for the future amortizations applicable to this method based on the business area's budget of deferred costs.

Accountabilities

Business Unit Personnel

Business unit personnel are responsible for the following:

- Requesting set of deferred work orders prior to the first refueling outage charge;
- Making sure all costs are being appropriately tracked based on the rules stated above;
- Assuring unvouchered liabilities are booked timely;
- Providing all supporting documentation for the costs contained in any deferred work order;
- Keeping Regulatory Accounting aware of any changes to the refueling schedule in time to affect the monthly amortization.

Regulatory Accounting

Regulatory Accounting is responsible for the following:

- Performing the compliance accounting associated with this deferral;
- Providing the appropriate jurisdictional allocators for the various accumulating work orders;
- Calculating and documenting the monthly amortization;
- Providing all relevant deferral related information for the amortization for the forecast and for rate case preparations;

Planned Major Maintenance – Nuclear Refueling Outage (Uniform Policy)

- Periodically reviewing work orders for the appropriateness of charges and working with the business unit personnel to resolve any issues.

References

FASB Staff Position No. AUG AIR-1, *Accounting for Planned Major Maintenance Activities*, September 2006

Supercedure

This is the first issuance of this policy.

Appendices

There are no appendices to this policy.

Illustration of Deferred Accounting for Nuclear Refueling Outage Expenses
Assuming Approval for Deferred Accounting in all NSPM Jurisdictions
Entire Process Set Up for Each Outage at Each Facility

Managerial Business View - Nuclear plant assigns cost to project accumulating work order as Subledger. Project accumulating work order set up specific for each nuclear outage and FERC account.

Project Accumulating Work Orders - Allocates between Deferred and Expense by FERC

Deferred Work Order FERC 182.3 Other Regulatory Assets

Financial View Amortization By FERC Account

Interchange Agreement Billing of Financial View Expense / Amortizations by FERC Account

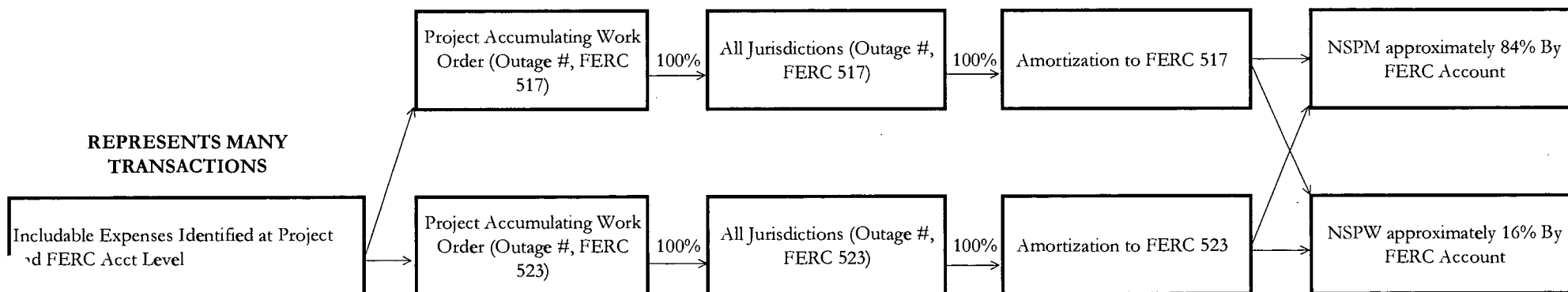


Illustration of Deferred Accounting for Nuclear Refueling Outage Expenses
Assuming not all NSPM Jurisdictions Approve Deferred Accounting
Entire Process Set Up for Each Outage at Each Facility

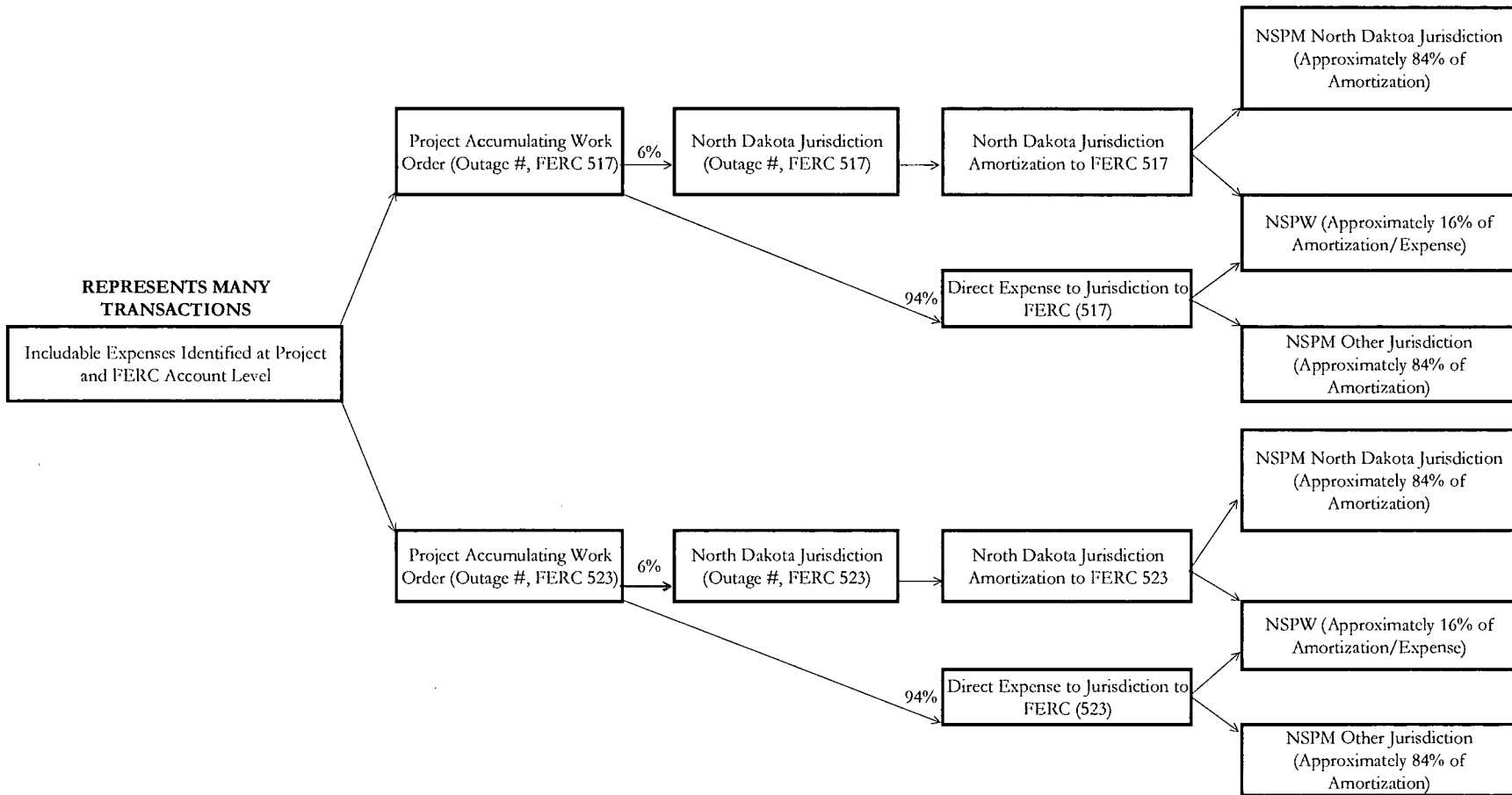
Managerial Business View - Nuclear plant assigns cost to project accumulating work order as Subledger. Project accumulating work order set up specific for each nuclear outage and FERC account.

Project Accumulating Work Orders - Split between Deferred and Expense by FERC Account

Deferred Work Order FERC 182.3 Other Regulatory Assets

Financial View Amortization OR Expense By FERC Account by Jurisdiction

Interchange Agreement Billing of Financial View Expense / Amortizations by FERC Account



Amortization of Reload O&M Costs - Summary

	Total All Units		O&M Allocation		ND Jurisdiction Allocators		ND Jurisdiction - All Units	
	O&M Expense	Amortization	Demand	Energy	Demand	Energy	O&M Expense	Amortization
2008	50,759,000	16,535,421	60.8828%	39.1172%	4.8822%	4.9539%	2,492,407	811,935
2009	58,821,000	44,282,980	60.8828%	39.1172%	4.8822%	4.9539%	2,888,274	2,174,417
2010	35,000,000	52,307,202	60.8828%	39.1172%	4.8822%	4.9539%	1,718,597	2,568,428
2011	55,769,000	51,845,836	60.8828%	39.1172%	4.8822%	4.9539%	2,738,412	2,545,774
2012	60,854,000	47,577,085	60.8828%	39.1172%	4.8822%	4.9539%	2,988,099	2,336,166
2013	71,504,000	52,313,419	60.8828%	39.1172%	4.8822%	4.9539%	3,511,044	2,568,733
2014	27,992,000	61,257,183	60.8828%	39.1172%	4.8822%	4.9539%	1,374,484	3,007,897
2015	64,114,000	56,269,503	60.8828%	39.1172%	4.8822%	4.9539%	3,148,174	2,762,988
2016	26,206,000	50,107,440	60.8828%	39.1172%	4.8822%	4.9539%	1,286,787	2,460,414
2017	57,698,000	44,567,807	60.8828%	39.1172%	4.8822%	4.9539%	2,833,131	2,188,402

Amortization of Refueling Outage Costs - By Unit, By Month
Total Company

PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN REMOVED
ATTACHMENT E

Monticello		Prairie Island Unit 1		Prairie Island Unit 2		Total	
Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization

2008 [Begin Trade Secret

Jan
 Feb
 Mar
 Apr
 May
 Jun
 Jul
 Aug
 Sep
 Oct
 Nov
 Dec

End Trade Secret]

- -

2009 [Begin Trade Secret

Jan
 Feb
 Mar
 Apr
 May
 Jun
 Jul
 Aug
 Sep
 Oct
 Nov
 Dec

End Trade Secret]

- -

Amortization of Refueling Outage Costs - By Unit, By Month
Total Company

PUBLIC DOCUMENT
TRADE SECRET DATA HAS BEEN REMOVED
ATTACHMENT E

Monticello		Prairie Island Unit 1		Prairie Island Unit 2		Total	
Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization

2010 [Begin Trade Secret

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

End Trade Secret]

2011 [Begin Trade Secret

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

End Trade Secret]

Amortization of Refueling Outage Costs - By Unit, By Month
 Total Company

PUBLIC DOCUMENT
 TRADE SECRET DATA HAS BEEN REMOVED
 ATTACHMENT E

	Monticello		Prairie Island Unit 1		Prairie Island Unit 2		Total	
	Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								
							<u>End Trade Secret]</u>	<u>-</u>
							<u>-</u>	<u>-</u>
2015	[Begin Trade Secret							
Jan								
Feb								
Mar								
Apr								
May								
Jun								
Jul								
Aug								
Sep								
Oct								
Nov								
Dec								
							<u>End Trade Secret]</u>	<u>-</u>
							<u>-</u>	<u>-</u>

Amortization of Refueling Outage Costs - By Unit, By Month
 Total Company

PUBLIC DOCUMENT
 TRADE SECRET DATA HAS BEEN REMOVED
 ATTACHMENT E

Monticello		Prairie Island Unit 1		Prairie Island Unit 2		Total	
Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization	Refueling Costs	Amortization

2016 [Begin Trade Secret

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

End Trade Secret]

- -

2017 [Begin Trade Secret

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

End Trade Secret]

- -

PU-07-774

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Megan J. Hertzler
 414 Nicollet Mall, 5th Fl.
 Minneapolis, mn 55401

A. Signature Agent Addressee
 X Mike Schuster
 B. Received by (Printed Name) C. Date of Delivery
 1-10-08
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 2560 0001 6050 6957

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

PU-07-774

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 SaGonna Thompson
 414 Nicollet Mall
 Minneapolis, mn 55401

A. Signature Agent Addressee
 X Mike Schuster
 B. Received by (Printed Name) C. Date of Delivery
 1-10-08
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 2560 0001 6050 6971

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

PU-07-774

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 David Sederquist
 2302 Great Northern Dr.
 Fargo, ND 58102

A. Signature Agent Addressee
 X Jack Christopher
 B. Received by (Printed Name) C. Date of Delivery
 1-10-08
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.
 4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Transfer from service label) 7007 2560 0001 6050 6964

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540