



414 Nicollet Mall
Minneapolis, Minnesota 55401

December 22, 2008

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

—Via Electronic Filing—

RE: REPLY COMMENTS
2009 NUCLEAR PLANT DECOMMISSIONING ACCRUAL
DOCKET NO. E002/M-08-1201

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), submits this reply to the comments of the Minnesota Office of Energy Security (the “OES”) dated December 12, 2008.

REPLY

A. Accrual Period for Prairie Island Units

Our Petition proposes a three-year stretch-out to the accrual periods for both units. We have submitted a license renewal application (“LRA”) for both Prairie Island units with the Nuclear Regulatory Commission (“NRC”) and we have made a Certificate of Need filing with the Commission for expansion of the independent spent fuel storage facility to facilitate extended operation of the plant. We continue to believe that a three-year stretch-out strikes an appropriate balance between the need for adequate funding and the potential for over-funding, as well as between the interests of current and future ratepayers, given some uncertainty inherent in the license renewal process.

The OES recommends that the accrual period for the Prairie Island units be lengthened to a ten-year stretch-out, which results in no further contributions to the decommissioning funds in 2009. The OES examined several scenarios and evaluated the consequences of the varying decommissioning choices. The OES concluded that “regardless of the decision made by the Commission in this docket, there is the

potential for large changes in the annual decommissioning accrual between 2010 and 2011.” (OES Comments, December 12, 2008, page 13).

We agree with the OES that there are a number of accrual period scenarios that are reasonable, and that choosing among them involves a judgment about the underlying risks and primary goals. While we recognize that the OES recommendation is one of these judgments, we believe our three-year approach to decommissioning accruals reflects a better near term outcome.

Two factors that we considered in arriving at this conclusion are: (1) the level of the remaining decommissioning accrual; and (2) the potential for opposition in our state and NRC proceedings. Under the OES approach, the decommissioning accrual would be reduced to zero, whereas the three-year extension would retain some level of continued contribution. With respect to the second reason, while we acknowledge that Monticello relicensing has proceeded smoothly, since the application to renew the operating licenses for Prairie Island Units 1 and 2 was submitted to the NRC on April 11, 2008, the Atomic Safety and Licensing Board (“ASLB”) granted a hearing for 7 of the 11 contentions filed. While we are still confident that we will be successful in the federal regulatory process, we continue to believe that the combination of these factors suggest that a smaller partial step extension is warranted at this time.

B. Refund of Monticello Escrow Fund

The OES recommends that the Commission approve our proposal to refund the accessible escrow account. The Company agrees with the recommendation and with the use of the refund as a tool to lower the risk of over-funding for decommissioning costs. In the Monticello case, uncertainties due to the regulatory process have been resolved and all indications are that the plant will continue to operate for an extended period of time. Thus, the decommissioning fund will have an extended period of time to accumulate adequate resources. We are open to using a refunding technique the Commission deems prudent. Once the Commission approval is granted, we will work with the OES to design the appropriate refund and bring it back to the Commission for approval.

C. Reconciliation of Proposed Holding Period With 2005 Filing

The OES noted that the decommissioning cost estimate included in our Petition involved an increase in the assumed spent fuel holding period, as compared to the holding period used in our last decommissioning filing in 2005. The holding period used in the 2005 cost estimate was 5.5 years, whereas the holding period in this year’s

estimate was increased to between 12 and 15 years. The OES asked that we reconcile these differences.

The holding period is the amount of time that spent fuel is kept in the spent fuel pool to cool both thermally and radioactively before it is transferred to dry storage containers. The 5.5 years used in 2005 was based upon the minimum time period the fuel must cool before the DOE will accept shipment per its contract with the Company. However, we have updated the estimated time based upon a number of factors including the type of fuel we anticipate using, the duration of the time nuclear fuel will remain in the core, and the technical specifications of spent fuel storage canisters we now anticipate using in the future. The increases in energy production we propose at Monticello and Prairie Island extend the cooling time necessary before spent fuel can be placed in dry storage containers. That is not an issue now since there is considerable inventory of spent fuel that has adequately cooled. However the issue has the potential to extend the operation of the pool to accommodate the last spent fuel discharged prior to decommissioning.

D. Provision of 2010 Balance Sheet Accounts for SFAS 143

The OES recommends that we be required to provide year-end 2010 balance sheet accounts for SFAS 143 related to nuclear decommissioning in our next decommissioning filing. We have no objection to this recommendation. In accordance with the OES recommendation and previous precedent in filings, we will provide a balance sheet updated to year-end 2010 for SFAS 143 accounts related to nuclear decommissioning in the next nuclear decommissioning filing made with the Commission.

CONCLUSION

We recommend that the Commission approve our Petition, which for Monticello is directly aligned with the OES's recommendation. With regard to the proper accrual period to be used for the Prairie Island units, due to the issues that have been raised in the Prairie Island LRA process, we believe our proposed three-year stretch-out to the accrual period reasonably reflects an appropriate balance.

Please contact me at (612) 330-6950 if you have any questions.

SINCERELY,

/s/

LISA PERKETT
DIRECTOR, CAPITAL ASSET ACCOUNTING

c: Service List

CERTIFICATE OF SERVICE

I, Josie Oxley, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

DOCKET NO. E002/M-08-1201

Dated this 22nd day of December 2008

/s/

Josie Oxley
Administrative Assistant

In the Matter of Northern States Power
Company d/b/a Xcel Energy 2009 Nuclear
Plant Decommissioning Accrual
E002 /M-08-1201
November 6, 2008

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

Julia Anderson
MN Office of The Attorney General
1400 Bremer Tower
445 Minnesota St
St Paul, MN 55101-2131

Christopher Anderson
Senior Attorney
Minnesota Power
30 West Superior St
Duluth, MN 55802-2093

Roger Boehner
6511 Humbolt Ave N, #210
Brooklyn Center, MN 55430

Jeffrey A Daugherty
CenterPoint Energy Minnegasco
800 LaSalle Ave 11th Fl
PO Box 59038
Minneapolis, MN 55459-0038

Chris Duffrin
Energy CENTS Coalition
823 East 7th St
St Paul, MN 55106

Sharon Ferguson
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

John Lindell
MN Office of Attorney General – RUD
900 Bremer Tower
445 Minnesota Street
St Paul, MN 55101-2130

James J Bertrand Esq
Leonard Street & Deinaud
150 South 5th St, Ste 2300
Minneapolis, MN 55402

Steven Bosacker
City of Minneapolis
City Hall Rm 301M
350 South 5th St
Minneapolis, MN 55415-1376

Ron Elwood
Legal Services Advocacy Project
2324 University Ave, Ste 101
St Paul, MN 55114

Todd J. Guerrero
Lindquist & Venum, PLLP
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2205

Sandra Hofstetter
MN Chamber of Commerce
1140 Mary Hill Circle
Hartland, WI 53029-8009

Alan R Jenkins
Jenkins at Law LLC
2265 Roswell Rd, Ste 100
Marietta, GA 30062

Dave Johnson
Community Action of Minneapolis
2104 Park Ave #CFD
Minneapolis, MN 55404-2847

Richard Johnson
Moss & Barnett
4800 Wells Fargo Center
90 South 7th St
Minneapolis, MN 55402

Michael Krikava
Briggs & Morgan
2200 IDS Center
80 South 8th St
Minneapolis, MN 55402

Doug Larson
Dakota Electric Association
4300- 220th Street W
Farmington, MN 55024

Robert S. Lee
Mackall, Crouse & Moore Law Offices
1400 AT&T Tower
901 Marquette Avenue
Minneapolis, MN 55402-2859

Pam Marshall
Energy Cents Coalition
823 – Seventh St East
St Paul, MN 55106

Joseph V Plumbo
Business Manager
Local Union 23 IBEW
923 Payne Avenue
St Paul, MN 55101

David Niles
Advant Energy
200 South 6th St, Ste 300
Minneapolis, MN 55402

Michael Sarafolean
Gerdau Ameristeel US, Inc.
4221 West Boy Scout Blvd, Suite 600
Tampa, FL 33607

Richard J. Savelkoul
Felhaber, Larson, Fenlon & Vogt, P.A.
444 Cedar St, Suite 2100
St Paul, MN 55101-2136

Kathleen D Sheehy
Administrative Law Judge
Office of Administrative Hearings
PO Box 64620
St Paul, MN 55164-0620

Kenneth Smith
District Energy St Paul Inc
76 W Kellogg Blvd
St Paul, MN 55102-1611

Ron L Spangler Sr
Rate Case Mgr, Regulatory Svcs
Otter Tail Power Company
215 South Cascade
Fergus Falls, MN 56538

Byron Starns
Leonard Street and Deinard
150 South 5th St, Ste 2300
Minneapolis, MN 55402

Eric F. Swanson
Winthrop & Weinstine
Suite 3500
225 South Sixth St
Minneapolis, MN 55402-4629

Lisa Veith
Assistant City Attorney
400 City Hall & Courthouse
15 W Kellogg Blvd
St Paul, MN 55102-1616

Megan Hertzler
Ass't General Counsel
Xcel Energy
414 Nicollet Mall – 5th Fl
Minneapolis, MN 55401-1993

SaGonna Thompson
Records Analyst
Xcel Energy
414 Nicollet Mall - 7th Fl
Minneapolis, MN 55401-1993

Lon Stanton
ENRON-Northern Natural Gas
1600 West 82nd St, Ste 210
Minneapolis, MN 55431

James Strommen
Kennedy & Graven
470 US Bank Plaza
200 South 6th St
Minneapolis, MN 55402

James Talcott
Northern Natural Gas Company
1111 South 103rd Street
Omaha, NE 68124-1000

Christopher Clark
Ass't General Counsel
Xcel Energy
414 Nicollet Mall – 5th Fl
Minneapolis, MN 55401-1993

James P Johnson
Ass't General Counsel
Xcel Energy
414 Nicollet Mall – 5th Fl
Minneapolis, MN 55401-1993