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Fargo, ND 58102

November 21, 2022

—Via Email and U.S. Mail—

Steven M. Kahl, Executive Director
North Dakota Public Service Commission
State Capitol Building, Department 408
600 East Boulevard
Bismarck, ND 59505-0480

RE: 2022 UPDATE OF REMAINING LIVES AND DEPRECIATION RATES
(CASE NO. PU-07-776)

Dear Mr. Kahl:

Pursuant to the approved Settlement Agreement in Case No. PU-07-776, Northern States Power Company (NSP) submits this letter to inform the North Dakota Public Service Commission that Xcel Energy filed its: 1) 2022 Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities; 2) 2022 Annual Update of Remaining Lives and Depreciation Rates for Transmission, Distribution, and General Accounts (TD&G); and 3) the Five-Year TD&G Depreciation Study (Study) with the Minnesota Public Utilities Commission (MPUC) in Docket No. E,G002/D-22-299 (2022 Update). The 2022 Update was filed on three different dates – links to the public version of each filing are below:

1. 2022 Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities (September 8, 2022);
 - a. All pieces except Attachment J (Public Version):
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7b40FA1E83-0000-CC12-8A4B-5C16B47D1C8A%7d&documentTitle=20229-188935-01>
 - b. Attachment J (filed separately due to size):
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={50FA1E83-0000-C437-9742-BA6B80DFF3F9}&documentTitle=20229-188935-03>
2. 2022 Annual Review of Remaining Lives and Depreciation Rates for Transmission, Distribution, and General Accounts (September 12, 2022);

- a. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7b80A33383-0000-CE1C-94F0-14C9C4D3413D%7d&documentTitle=20229-189021-01>
3. 2022 Five-Year Transmission, Distribution, and General Depreciation Study (November 10, 2022).
 - a. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7b007E7684-0000-C710-B34D-3931BE60FF28%7d&documentTitle=202211-190572-01>

In the 2022 Update, the Company proposes updates to depreciation and amortization rates, based on Total NSP Company 2021 year-end plant balances (derived using Minnesota jurisdiction depreciation reserves and statistics). In aggregate, the annual impact of the *proposed* remaining life rates for Minnesota compared to current approved remaining life rates for Minnesota at December 31, 2021 plant balances is an increase of \$35.3 million.

As shown in Table 1 below, the Electric Utility is generating most of the increase at \$40.8 million. Of the \$40.8 million Total Company increase, \$32.8 million is due to the proposed remaining life accelerations at the Steam Allen S. King and Steam Sherco Unit 3 production plants, a \$49.7 million increase, which is offset by a \$15.0 million decrease for the proposed extension of the Grand Meadow and Nobles wind farms. The primary driver of the decrease in Total Company Gas Utility expense of \$5.5 million, is primarily driven by the remaining life extensions at the Maplewood and Sibley Gas Production and Wescott Gas Storage facilities, creating a combined expense decrease of \$9.4 million. Other notable changes are those related to the newly proposed TD&G 5-year Deprecation Study, which resulted an expense increase of \$12.3 million. The electric utility (prior to the common plant allocation) transmission and distribution function accounted for \$17.4 million of the \$19.5 million increase, with electric transmission FERC Account 355 Poles and Fixtures and distribution FERC Account 364 Poles, Tower, and Fixtures as the most significant increase in their respective function. The gas utility (prior to the common plant allocation) increased expense by \$3.8 million, primarily driven by gas distribution accounts FERC Account 376 Mains-Plastic and FERC Account 381 Meters. Lastly, both electric and gas utility functions experienced significant expense offsets, from the \$13.1 million allocation of common decreased expense, driven primarily by the \$8.8 million decrease to general plant FERC Account 391 Network Equipment.

Table 1: Depreciation and Amortization Expense Impact

		Estimated Change to Depreciation and Amortization before allocations		Common Utility allocations	Estimated Change to Depreciation and Amortization after allocations	
RL 2022 Review	Electric Utility	\$	33,055,055	\$	-	\$ 33,055,055
RL 2022 Review	Gas Utility		(9,425,079)		-	(9,425,079)
RL 2022 Review	Common Utility		-		-	0
	Total Est. Impact	\$	23,629,976	\$	-	\$ 23,629,976
TD&G 2022 Review	Electric Utility	\$	516,172	\$	(1,187,011)	\$ (670,839)
TD&G 2022 Review	Gas Utility		180,948		(77,678)	103,270
TD&G 2022 Review	Common Utility		(1,264,689)		1,264,689	0
	Total Est. Impact	\$	(567,569)	\$	-	\$ (567,569)
TD&G 5-Yr Study	Electric Utility	\$	19,457,434	\$	(10,997,523)	\$ 8,459,911
TD&G 5-Yr Study	Gas Utility		4,606,493		(815,069)	3,791,424
TD&G 5-Yr Study	Common Utility		(11,812,592)		11,812,592	0
	Total Est. Impact	\$	12,251,335	\$	-	\$ 12,251,335
	Electric Utility	\$	53,028,661	\$	(12,184,534)	\$ 40,844,127
	Gas Utility		(4,637,638)		(892,747)	(5,530,385)
	Common Utility		(13,077,281)		13,077,281	0
	Total Est. Impact	\$	35,313,742	\$	-	\$ 35,313,742

a) amounts presented are NSPM Total Company amounts, using MN jurisdictional reserves and statistics ("MN" set of books)

b) amounts presented do not adjust for those currently in MN interim rates

c) electric production and transmission amounts are not adjusted for Interchange Agreement impact

The electric and gas depreciation expense impact changes, from this proceeding, are not directly reflected in our North Dakota electric jurisdictional financial statements or annual revenue requirements until, and unless, the Commission approves these change in the Company's next North Dakota electric or gas rate case.¹ As mentioned above, the depreciation and amortization amounts presented above in Table 1 incorporate the

¹ In the Company's most-recently filed electric rate case (Case No. PU-20-441) and gas rate case (Case No. PU-21-381), the depreciation rates used were from the previously approved 2020 TD&G Update (MPUC Docket No. E,G002-D-20-635) and Remaining Life filing (MPUC Docket No. E,G002-D-19-723), not the 2022 Annual Update which is the subject of this letter.

Minnesota jurisdiction depreciation reserves and statistics, which may differ from those approved in North Dakota.

Since the North Dakota commission has approved depreciation rates and lives (in Case No. PU-20-441 and Case No. PU-21-381) for Electric and Gas Utility and Common assets that are different than what has been approved in Minnesota, there will be no impact to electric depreciation expense in our North Dakota jurisdiction because of this 2022 Annual Update in Minnesota.

Please contact me at alex.j.nisbet@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

ALEX J. NISBET
REGULATORY POLICY SPECIALIST

cc Victor Schock