



December 14, 2010

VIA ELECTRONIC
AND U.S. MAIL

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, Dept 408
Bismarck, ND 58505-0480

RE: SETTLEMENT AGREEMENT COMPLIANCE FILING (CASE NO. PU-07-776)

Dear Mr. Nitschke:

Enclosed please find information related to nuclear decommissioning costs and remaining life studies for generating plants owned by Northern States Power Company, a Minnesota corporation operating in North Dakota (“Xcel Energy”). This information is being provided per provisions of the Settlement Agreement approved by the North Dakota Public Service Commission (the “Commission”) in its *Order Adopting Settlement* dated December 31, 2008 (Case No. PU-07-776).

On March 3, 2009, we submitted to the Commission copies of the 2008 Triennial Nuclear Plant Decommissioning Accrual (MN Docket No. E002/M-08-1201). In the years between triennial submissions, the Company submits informational filings to the Minnesota Public Utilities Commission (“MNPUC”) providing the status of the nuclear decommissioning fund. Due to the voluminous nature of these submissions (over 500 pages), Attachments A and B, respectively, are excerpts of our 2009 and 2010 updates. . If you wish to review the financial schedules included with these filings, they can be accessed at the MN eDockets system at:

Web address: <https://www.edockets.state.mn.us/EFiling/home.jsp>

Search for: Docket No. 08-1201;

Dates of Submission: October 30, 2009 and October 29, 2010

Also, on March 5, 2010, we submitted to the Commission copies of the Annual Review of Remaining Lives (MNPUC Docket No. E,G002/D-10-173) filed with the MNPUC. Attachment C is the corresponding MNPUC Order issued in that docket.

- 2 PU-09-131 Filed 12/14/2010 Pages: 56
2009 - 2010 info. letter re. Nuclear Plant Decommissioning Accrual MN PUC Order on 2010 Annual Review of Remaining Lives
Northern States Power Company
David Sederquist
- 141 PU-07-776 Filed 12/14/2010 Pages: 56
2009 - 2010 info. letter re. Nuclear Plant Decommissioning Accrual MN PUC Order on 2010 Annual Review of Remaining Lives
Northern States Power Company
David Sederquist

Please contact me at 701-241-8632, if you have any questions regarding this submission.

Sincerely,

A handwritten signature in blue ink that reads "David H. Sederquist". The signature is written in a cursive style with a large initial 'D'.

DAVID SEDERQUIST
SR. REGULATORY CONSULTANT

Enclosures

Attachment A

2009 Informational Letter
Nuclear Plant Decommissioning Accrual
MN PUC Docket No. E002/M-08-1201



414 Nicollet Mall
Minneapolis, Minnesota 55401

October 30, 2009

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

—Via Electronic Filing—

RE: DECOMMISSIONING ANNUAL INFORMATIONAL LETTER
DOCKET NO. E002/M-08-1201

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or the “Company”), submits this filing to the Minnesota Public Utilities Commission (the “Commission”) in compliance with the Commission’s April 17, 2000 ORDER DETERMINING DECOMMISSIONING COSTS, APPROVING COST RECOVERY PROCEDURE, AND ESTABLISHING FUTURE FILING REQUIREMENTS (the “April 17, 2000 Order”) and in relation to the above-referenced docket. This required annual filing provides information about the status of the nuclear decommissioning fund.

We provide the required information concerning External Fund Evaluation as attachments to this letter. The content of the attachments is summarized below. Pursuant to the Commission’s June 12, 2009 ORDER APPROVING DECOMMISSIONING PLAN, AS MODIFIED, AND REQUIRING REFUND PROPOSAL (the “June 12, 2009 Order”), this filing does not address risk of premature decommissioning, as no material changes have occurred.

The information herein details the annual accrual and fund status. Xcel Energy is required to review the financial parameters, the funding methodology, and cost estimate every three years. The most recent triennial review was filed with the Commission on October 13, 2008 in the above-referenced docket, and the Commission issued its June 12, 2009 Order approving the filing as modified. The next triennial review is due to be filed with the Commission on or before October 11, 2011. In between triennial filings, and pursuant to the April 17, 2000 and June 12, 2009 Orders, Xcel Energy submits an Annual Information Letter by October 31 discussing fund accruals.

The attachments to this letter include:

1. A schedule of BNY Mellon balances as of August 31, 2009.
2. A brief description of the role of the fund management.
3. A written summary of the fund performance.
4. Yearly fund performance statistics on external funds from January 1, 2008, through August 31, 2009.

Please contact Al Krug at (612) 330-6270 or Lisa Perkett at (612) 330-6950 if you have any questions with regard to this information.

Northern States Power Company,
a Minnesota corporation

RESPECTFULLY SUBMITTED,

/s/

BY: _____

ALLEN KRUG
MANAGING DIRECTOR
GOVERNMENT AND REGULATORY AFFAIRS

Enclosures

c. Service List

**XCEL ENERGY
DECOMMISSIONING ANNUAL INFORMATIONAL LETTER
EXTERNAL FUND EVALUATION**

**DOCKET NO. E002/M-08-1201
OCTOBER 2009**

A. Summary

The Commission's July 20, 2006 ORDER APPROVING ACCESSIBLE ESCROW FUND (the "July 20, 2006 Order") in Docket No. E002/M-05-1648, authorizes Northern States Power Company, a Minnesota corporation ("Xcel Energy" or "Company"), to maintain an external fund for eventual decommissioning of our nuclear plants. Consistent with this Commission Order, Xcel Energy maintains both a tax qualified ("qualified") and a non-tax qualified escrow ("Escrow") fund.

In the Commission's July 20, 2006 Order the Commission authorized the Company to set up an Escrow Fund due to the life extension initiatives taking place at the nuclear plants. All Company contributions after this Order were made to an Escrow Fund, which is a non-qualified decommissioning account that is available to be refunded to ratepayers in the event that the funds are no longer needed to satisfy decommissioning requirements.

In its June 12, 2009 Order in this proceeding ("June 12th Order"), the Commission authorized the Company to refund the surplus funds accumulated in the escrow account for the Monticello generating plant. The Commission ordered the Company to file a proposal for refunding the surplus, which the Company did on August 11, 2009. This proposed plan is currently under consideration by the Commission.

Xcel Energy is required to review the financial parameters, the funding methodology, and cost estimate every three years. The next triennial review will be submitted on or before October 11, 2011, in conformity with the Commission's June 12th Order. In between the triennial filings, Xcel Energy submits an Informational Letter by October 31 discussing fund accruals. The following information is provided:

- A schedule of BNY Mellon balances through August 2009.
- A brief description of the role of the fund management.

- A written summary of the fund performance.
- Yearly fund performance statistics on external funds from January 1, 2008, through August 31, 2009.

B. Fund Balances

The following are the Minnesota jurisdictional balances as of August 31, 2009. In the most recent triennial filing decision, rendered by the Commission on June 12, 2009, the Commission extended end-of-life date for decommissioning accrual for both the Monticello plant and Prairie Island units for decommissioning. This extended time period results in funding accruals no longer being required. As of January 1, 2009 no funding payments are being made to the external funds. A summary of the BNY Mellon accounts for the Minnesota jurisdiction has been included in Attachment C.

Nuclear Decommissioning Fund Jurisdictional Balances August 31, 2009

Minnesota Jurisdiction	
	Total Fund Balance
External Qualified Fund	
Monticello	\$330,916,573
Prairie Island - Unit 1	264,474,196
Prairie Island - Unit 2	280,353,827
Total	875,744,596
External Non-Qualified Escrow Fund	
Monticello	\$22,986,027
Prairie Island - Unit 1	36,360,134
Prairie Island - Unit 2	46,443,142
Total	105,789,303
Grand Total	\$981,533,899

The performance is reviewed for the funds in their entirety. Therefore, all information from here forward is for total Company (NSP-M) in this external fund evaluation document.

C. Trustee

BNY Mellon is the trustee for Xcel Energy's external nuclear decommissioning funds (the "Funds"). The primary duty of the trustee for the Funds is the safe custody of its assets, including handling the settlement of all purchases and sales whether placed by the trustee or by an independent investment manager. No cash is ever sent to the managers. The trustee has limited investment duties other than the responsibility for keeping cash balances temporarily invested. The trustee also screens investment transactions of the independent managers to verify that the transactions do not violate any applicable investment restrictions. Other duties include paying income taxes on the earnings of the qualified trust (taxes on a non-qualified escrow fund are paid by Xcel Energy), paying invoices for services for the trust and investment managers, and keeping accurate records of all of its activities with respect to the fund.

D. Investment Managers

Xcel Energy previously retained Watson Wyatt Investment Consulting ("WWIC") to implement the investment policy for the Funds. In 2009, this relationship was ended and the company retained J.P. Morgan Pension Advisory Group ("J.P. Morgan") in its place. In this capacity, J.P. Morgan assists the Company in establishing investment policy for the Funds and makes decisions on the selection and retention of investment managers for the Funds.

Xcel Energy currently has three investment managers as of September 2009 to manage the assets of the Funds as follows:

1. Delaware Investment Advisors manages the fixed component of the qualified fund.
2. Barclays Global Investors ("BGI") manages the assets of the equity component of the qualified fund.
3. Wells Fargo ("Wells Capital") manages the assets of the non-qualified escrow fund.

These independent managers are considered fiduciaries for the Funds and have complete authority to invest in any particular investment as long as that investment meets the investment guidelines as included in each of the managers' investment advisory contracts.

A fiduciary, utilized here and as defined by Employee Retirement Income Security Act (“ERISA”) is any person who:

1. Exercises any discretionary control over the management of a plan or the management or disposition of its assets,
2. Renders investment advice for a fee with respect to the funds or property of a plan or has the authority to do so, or
3. Has any discretionary authority or responsibility in the administration of a plan.

Although Xcel Energy has established the general guidelines in the investment advisory contracts, the Company does not direct the purchase of individual investments. The investment managers, however, being fiduciaries to the fund, must act in the best interests of the fund.

E. Earnings Evaluation

To review investment performance there are two basic comparisons to be made:

1. Performance of similar investments over time
2. Comparison of market value to the original cost (“book value”)

When making these comparisons, the current market value of the fund is used because it represents the value of the securities if they were sold today. For accounting purposes, Xcel Energy records the actual purchase price of the investments. Quarterly, a market value adjustment journal entry is made to book any unrealized gain or losses to special regulatory accounts per Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The difference between market and book values represents the unrealized gains or losses. In addition it should be noted that trustee fees, investment management fees and income taxes also are paid from these funds, thereby impacting overall fund performance. Tables showing fund performance are shown in Attachment B.

F. Conclusion

The time weighted annual return for the qualified fund is 1.82% for the period March 15, 1991 through August 31, 2009, and the time weighted annual return for the escrow fund is 6.12% for the period October 1, 2006 through August 31, 2009. However, both of these returns are somewhat overstated because taxes have not been paid on the unrealized gains in these funds. The current unrealized loss in the qualified fund is \$114.2 million, and the current unrealized gain in the escrow fund is \$3.2 million through August 2009.

Year-to-year returns can fluctuate significantly and these funds are long-term in nature. For example, the qualified fund earned the following returns over time:

Year	Earned Return
1993	10.4%
1994	(4.1)
1995	12.7
1996	3.0
1997	7.2
1998	6.2
1999	(3.2)
2000	10.1
2001	5.5
2002	10.0
2003	2.9
2004	3.2
2005	1.4
2006	6.2
2007	3.6
2008	(22.9)
2009 YTD	13.5

Yearly returns reflect short-term factors, but the focus of the investments is to achieve long-term returns and not the year-by-year results.

Attachment B shows the results of the qualified Nuclear Decommissioning Trust Fund (for all jurisdictions). Consistent with IRS rules, the investments to the qualified fund are

by unit, thus earnings are shown separated by unit. BNY Mellon prorates the fund on a monthly basis to each jurisdiction. Attachment B also shows the results of the non-qualified fund transfer to the qualified fund and the Escrow fund (for all jurisdictions). The results are shown in total because all the assets are managed in one account. Managing the assets as one account reduces overall costs of management and thus increases long-term returns.

Attachment B

2010 Informational Letter
Nuclear Plant Decommissioning Accrual
MN PUC Docket No. E002/M-08-1201



414 Nicollet Mall
Minneapolis, MN 55401-1993

October 29, 2010

— VIA ELECTRONIC FILING —

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

RE: NUCLEAR DECOMMISSIONING ANNUAL INFORMATIONAL LETTER
DOCKET NO. E002/M-08-1201

Dear Dr. Haar:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or “Company”) submits this filing to the Minnesota Public Utilities Commission (“Commission”) in compliance with the Commission’s April 17, 2000 ORDER DETERMINING DECOMMISSIONING COSTS, APPROVING COST RECOVERY PROCEDURES, AND ESTABLISHING FUTURE FILING REQUIREMENTS (“April 17, 2000 Order”) in Docket No. E002/M-99-1438 in relation to the above-referenced docket.

We provide the required information concerning External Fund Evaluation as attachments to this letter. Pursuant to the Commission’s June 12, 2009 ORDER APPROVING DECOMMISSIONING PLAN, AS MODIFIED, AND REQUIRING REFUND PROPOSAL (the “June 12, 2009 Order”), this informational filing does not address risk of premature decommissioning, as no material changes have occurred in the risk or the risk mitigating coverage. The content of the attachments are summarized below.

The information herein details the annual accrual and fund status. Xcel Energy is required to review the financial parameters, the funding methodology, and cost estimate every three years. The most recent triennial review was filed with the Commission on October 13, 2008. The Commission issued an order approving the filing on June 12, 2009. The next triennial review is due to be filed with the Commission on or before October 11, 2011. In between triennial filings, pursuant to the April 17, 2000 and June 12, 2009 Orders, the Company submits an Annual Informational Letter by October 31 discussing fund accruals.

The attachments to this Annual Informational Letter include:

- Attachment A: Written Summary of the Fund
- Attachment B: Summary of Fund Performance
 - B1: Monticello Qualified Fund
 - B2: Prairie Island Unit 1 Qualified Fund
 - B3: Prairie Island Unit 2 Qualified Fund
 - B4: Escrow Account
- Attachment C: Summary of Fund Balances
(January 1, 2009, through August 31, 2010)

Monticello has received NRC approval for license extension. Previously, within this docket, we conducted a full decommissioning review and concluded that the decommissioning trust fund was over funded for the foreseeable future and that amounts paid into escrow were appropriately eligible for refund. As we near the triggering event of NRC license extension approval of Prairie Island and the possibility for amounts in escrow to be refunded, we are evaluating key component assumptions. Our stress test relating to the Monticello refund focused primarily on the risk of a depletion of the decommissioning fund from a potential disruptive market loss. Based on today's circumstances, we are now evaluating how certain other key components, such as the potential of a lower real growth rate and a lengthened period for full removal of spent fuel from the site, may impact the fund. As we continue to refine this analysis, we will provide additional information as it becomes available, culminating in a full triennial review in October 2011.

Please contact Brian Zelenak at (612) 330-5641 or Lisa Perkett at (612) 330-6950 if you have any questions with regard to this information.

Sincerely,

By: _____
ALLEN KRUG
MANAGING DIRECTOR
REGULATORY AFFAIRS

Enclosures
c. Service List

Attachment A

Written Summary of the Fund

External Fund Evaluation

WRITTEN SUMMARY OF THE FUND

NUCLEAR DECOMMISSIONING - EXTERNAL FUND EVALUATION

A. Summary

The Commission's July 20, 2006 ORDER SETTING END-OF-LIFE DATES AND OTHER GUIDELINES FOR NUCLEAR DECOMMISSIONING ACCRUAL in Docket No. E002/M-05-1648 ("July 20, 2006 Order") provides for Northern States Power Company, a Minnesota corporation ("Xcel Energy" or "Company"), to set up and maintain an external escrow fund for the eventual decommissioning of our nuclear plants. The need for an escrow fund was recognized due to the life extension initiatives taking place at the nuclear plants. Consistent with this Commission Order, Xcel Energy maintains both a tax qualified ("qualified") and a non-tax qualified escrow ("escrow") fund.

All Company contributions for nuclear plant decommissioning made after the July 20, 2006 Order have been made to the escrow account, which is a non-qualified decommissioning account available to be refunded to customers in the event that the funds are no longer needed to satisfy decommissioning requirements. The funds in the qualified trust, which is a standard decommissioning fund, cannot be returned to customers until after all decommissioning activities are completed.

In the June 12, 2009 ORDER APPROVING DECOMMISSIONING PLAN, AS MODIFIED, AND REQUIRING REFUND PROPOSAL in Docket No. E002/M-08-1201 (June 12, 2009 Order"), the Commission determined that based on the Monticello plant's operating license extension to 2030, the decommissioning funds available, and the earnings rate and estimated decommissioning costs, that the Monticello decommissioning funds contained a surplus. The Commission determined that no additional accrual was necessary and authorized the company to refund the surplus funds accumulated in the escrow account. The Company submitted a supplemental filing as directed by the Commission discussing our plan for refunding the escrow balance. The Commission approved the plan on November 30, 2009. The Minnesota retail jurisdictional portion of the Monticello escrow account was withdrawn in December 2009, and was refunded to customers beginning in February 2010.

In the June 12, 2009 Order, the Commission also determined that no additional accrual was necessary for the decommissioning of Prairie Island Unit 1 or 2. The Commission based its decision on the probability of the Prairie Island's operating licenses being extended and determined it was reasonable to assume a shutdown date

of 2023/2034 for Prairie Island Units 1 and 2 respectively. Given the current fund balances, the assumed shutdown date, earnings rate and estimated decommissioning costs, no additional accruals or Prairie Island were deemed necessary.

Per the Commission's Orders beginning with Docket No. E002/D-86-604 and through subsequent dockets, Xcel Energy is required to review the financial parameters, the funding methodology, and cost estimate every three years. The next triennial review will be submitted on or before October 11, 2011. In between triennial filings, Xcel Energy submits an Annual Informational Letter by October 31 discussing fund accruals. In compliance with the Annual Informational Letter requirement, the following information is provided:

- A brief description of the role of the fund management.
- A written summary of the fund performance.
- A schedule of BNY Mellon balances through August 2010.
- Yearly fund performance statistics on external funds from January 1, 2009, through August 31, 2010.

B. Fund Balances

The following are the Minnesota jurisdictional balances as of August 31, 2010. In the 2008 triennial filing, the Commission approved an increase in the accrual time period for both the Monticello plant and both Prairie Island units for decommissioning. This extended time period results in funding accruals no longer being required. As of January 1, 2010 no funding payments are being made to the external funds for any jurisdiction. A summary of the BNY Mellon accounts for the Minnesota jurisdiction has been included in Appendix B

**Nuclear Decommissioning Fund
 Jurisdictional Balances
 August 31, 2010**

Minnesota Jurisdiction	
	Total Fund Balance
External Qualified Fund	
Monticello	\$ 342,998,041
Prairie Island - Unit 1	\$ 276,067,032
Prairie Island - Unit 2	\$ 293,879,886
Total	\$ 912,944,959
External Non-Qualified Escrow Fund	
Monticello	\$ 0
Prairie Island - Unit 1	\$ 37,401,447
Prairie Island - Unit 2	\$ 47,773,221
Total	\$ 85,174,668
Grand Total	\$998,119,627

The performance is reviewed for the funds in their entirety. Therefore, all information from here forward is for total Company (NSP-M) in this external fund evaluation document.

C. Trustee

BNY Mellon is the trustee for Xcel Energy's external nuclear decommissioning funds (the "Funds"). The primary duty of the trustee for the Funds is the safe custody of its assets including handling the settlement of all purchases and sales whether placed by the trustee or by an independent investment manager. No cash is ever sent to the managers. The trustee has limited investment duties other than the responsibility for keeping cash balances temporarily invested. The trustee also screens investment transactions of the independent managers to verify that the transactions do not violate any applicable investment restrictions. Other duties include paying income taxes on the earnings of the qualified trust (taxes on a non-qualified escrow fund are paid by Xcel Energy), paying

invoices for services for the trust and investment managers, and keeping accurate records of all of its activities with respect to the fund.

D. Investment Managers

Xcel Energy has retained J.P. Morgan's Pension Advisory Group ("J.P. Morgan"), part of J.P. Morgan Chase Bank, N.A. J.P. Morgan assists the Company in establishing investment policy for the Funds. Due to the regulatory approval of the life extension of the Monticello nuclear generating plant and the pending approval of the life extensions of the Prairie Island units, the Company asked J. P. Morgan to assess whether changes were needed reflect the extended time horizon and to achieve a better balance between long-term investment return and risk. Based on their evaluation, J.P. Morgan recommended that the Funds be more diversified and the Company concurred. In 2009, the Funds were invested with three managers. In 2010, the list of investment managers was subsequently expanded to seven investment managers covering six asset categories. As of September, 2010, the asset managers and their mandates are:

1. Delaware Investment Advisors manages the fixed income component of the qualified fund.
2. Parametric Portfolio Advisors, a subsidiary of Eaton Vance Investment Managers, manages the assets of the U.S. Equity and Non-US developed equity component of the qualified fund. Parametric also utilizes tax-efficient strategies with respect to the whole trust.
3. Eaton Vance Investment Managers manages the assets of the emerging markets equity component of the qualified fund.
4. Shenkman Capital Management manages the high yield fixed income component of the qualified fund.
5. Both Archstone Partnerships and Aurora Investment Management manage the assets of the hedge funds component of the qualified fund.
6. JPMorgan Chase Bank N.A. manages the assets of the non-qualified escrow fund.

These independent managers are considered fiduciaries for the Funds and have complete authority to invest in any particular investment as long as that investment meets the investment guidelines as included in each of the managers' investment advisory contracts.

A fiduciary utilized here and as defined by Employee Retirement Income Security Act ("ERISA") is any person who:

1. Exercises any discretionary control over the management of a plan or the management or disposition of its assets,
2. Renders investment advice for a fee with respect to the funds or property of a plan or has the authority to do so, or
3. Has any discretionary authority or responsibility in the administration of a plan.

Although Xcel Energy has established the general guidelines in the investment advisory contracts, the Company does not direct the purchase of individual investments. The investment managers, however, being fiduciaries to the fund, must act in the best interests of the fund.

E. Earnings Evaluation

To review investment performance there are two basic comparisons to be made:

1. Performance of similar investments over time,
2. Comparison of market value to the original cost (“book value”).

When making these comparisons, the current market value of the fund is used because it represents the value of the securities if they were sold today. For accounting purposes, Xcel Energy records the actual purchase price of the investments. Quarterly, a market value adjustment journal entry is made to book any unrealized gain or losses to special regulatory accounts per Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The difference between market and book values represents the unrealized gains or losses. In addition it should be noted that trustee fees, investment management fees, and income taxes also are paid from these funds, thereby impacting overall fund performance. Tables showing fund performance are shown in Appendix A.

F. Conclusion

The time weighted annual return for the qualified fund is 2.43% for the period March 15, 1991 through August 31, 2010. However, this return is somewhat understated because tax losses have not been incorporated on the unrealized losses in the fund. The unrealized loss in the qualified fund is \$64.4 million. The time weighted annual return for the escrow fund is 5.50% for the period October 1, 2006 through August 31, 2010. The unrealized gain on the escrow fund is \$873 thousand through August 2010.

Year-to-year returns can fluctuate significantly and these funds are long-term in nature. For example, the qualified fund earned the following returns over time:

Year	Earned Return
1993	10.4%
1994	(4.1)
1995	12.7
1996	3.0
1997	7.2
1998	6.2
1999	(3.2)
2000	10.1
2001	5.5
2002	10.0
2003	2.9
2004	3.2
2005	1.4
2006	6.2
2007	3.6
2008	(22.9)
2009	20.9
2010 YTD	4.7

Yearly returns reflect short-term factors, but the focus of the investments is to achieve long-term returns and not the year-by-year results.

Appendix A shows the results of the qualified Nuclear Decommissioning Trust Fund (for all jurisdictions). Consistent with IRS rules, the investments to the qualified fund are by unit, thus earnings are shown separated by unit. BNY Mellon prorates the fund on a monthly basis to each jurisdiction. Appendix A also shows the results of the non-qualified fund transfer to the qualified fund and the escrow fund (for all jurisdictions). The results are shown in total because all the assets are managed in one account. Managing the assets as one account reduces overall costs of management and thus increases long-term returns.

Attachment C

MN PUC Order
2010 Annual Review of Remaining Lives
MN PUC Docket No. E002/D-10-173

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

David Boyd	Chair
J. Dennis O'Brien	Commissioner
Phyllis Reha	Commissioner
Thomas Pugh	Commissioner
Betsy Wergin	Commissioner

Lisa H. Perkett
 Director, Capital Asset Accounting
 Xcel Energy Services, Inc.
 414 Nicollet Mall, 4th Floor
 Minneapolis, MN 55401

SERVICE DATE: June 16, 2010

DOCKET NO. E,G-002/D-10-173

In the Matter of Xcel's Request for Approval of the Annual Review of Remaining Lives Depreciation for Electric and Gas Production and Gas Storage Facilities for 2010

The above entitled matter has been considered by the Commission and the following disposition made:

Approved Xcel Energy's proposed service lives, salvage rates, and resulting depreciation rates effective January 1, 2010 for plant in service, and the month placed in-service for the Nobles Wind Plant.

Required Xcel Energy to continue to provide in future depreciation studies an explanation and schedule of the differences between the depreciation remaining lives and IRP planning lives of electric production plant; and

Required Xcel Energy to file its next annual RL update for electric and gas production and gas storage facilities on February 17, 2011.

Required Xcel Energy to file its next five-year depreciation study for electric and gas production and gas storage facilities on February 17, 2015.

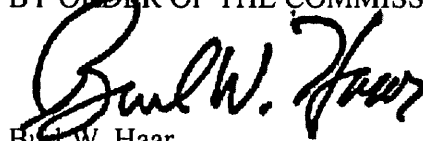
Altered the reporting format for the Annual Review of Remaining Lives to include a history of the last time a change occurred to either the estimated life or salvage value estimate, in a format such as is set forth below, or as the parties hereinafter agree to utilize:

Account	Description	Remaining Life (Years)	Net Salvage (%)	Effective Date of Latest Change (Docket #)	Life Change	Salvage Value Change	Number of Changes in the Last Five Years

Required Xcel, in its pre-filed direct testimony in its next rate case, to identify significant additions to plant investment proposed to be included in rates, and discuss how a life extension for each such plant has been reflected in the depreciation rates used in the rate case, or why a life extension has not been proposed.

The Commission agrees with and adopts the recommendations of the Office of Energy Security which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION



Burl W. Haar
Executive Secretary



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85 7th Place East, Suite 500, St. Paul, MN 55101-2198
main: 651.296.4026 ttry: 651.296.2860 fax: 651.297.7891
www.commerce.state.mn.us

April 19, 2010

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

RE: Comments of the Minnesota Office of Energy Security
Docket No. E,G002/D-10-173

Dear Dr. Haar:

Attached are the *Comments* of the Minnesota Office of Energy Security (OES) in the following matter:

Northern States Power Company's (Xcel Energy or the Company), a Minnesota Corporation, Request for Approval of the Annual Review of Remaining Lives (RL) Depreciation for Electric and Gas Production and Gas Storage Facilities for 2010.

The *Petition* was filed on February 17, 2010 by:

Lisa H. Perkett
Director, Capital Asset Accounting
Xcel Energy Services, Inc.
414 Nicollet Mall, 4th Floor
Minneapolis, Minnesota 55401

The OES recommends that the Commission **approve** the filing and is available to answer any questions the Commission may have.

Sincerely,

/s/ NANCY A. CAMPBELL
Financial Analyst

/s/ LERMA LA PLANTE
Financial Analyst

NAC/LL/ja
Attachment



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA OFFICE OF ENERGY SECURITY

DOCKET NO. E,G002/D-10-173

I. SUMMARY OF PROPOSAL

On February 17, 2010, Northern States Power Company (Xcel Energy or the Company), a Minnesota corporation, submitted its annual remaining-life (RL) depreciation review of its electric and gas Production and Gas Storage facilities service lives and salvage rates, as well as its five-year review of net salvage rates (the 2010 Depreciation Study). This submission is required by Minn. Stat. §216B.11 and Minn. R. pts.7825.0500-7825.0900. The Company also provided a comparison of the proposed electric generation service lives to the planning lives in its Integrated Resource Plan (IRP) as required in the Minnesota Public Utilities Commission's (Commission's) July 1, 2009 *Order* in Docket No. E,G002/D-09-160 (the 2009 Depreciation Study).¹

As discussed on pages 2 and 3 of Xcel's depreciation petition, to determine the appropriate remaining lives of these facilities, Xcel Energy "evaluated system demand, availability of fuel supplies, operating and maintenance costs, and future technological advancements that influence the decision to retire electric and gas Production and Gas Storage facilities."² Based on its evaluation, the Company proposes that the current remaining lives for all electric and gas Production and Gas Storage facilities be adjusted only for the "passage of time,"³ except for the specific plants discussed below. The Company also requests that a new remaining life and net salvage rate be established for Nobles, a new wind facility also discussed below.

¹ 2010 RL Depreciation Study, Attachments B and F.

² 2010 RL Depreciation Study, Page 3.

³ The passage-of-time adjustments reduces the remaining lives of all facilities by one year to reflect the passage of time since the last depreciation study. The passage-of-time adjustment does not result in a change of depreciation accrual if the decrease in the remaining life by one year is offset by the increase in accumulated depreciation as a result of the previous year's depreciation accrual. The reduction in both the numerator and the denominator of the remaining life accrual (Plant in service - depreciation reserve/remaining life) results in essentially no increase in the calculated depreciation accrual (e.g., year 1 (100-0/10 = 10, year 2 (100-0/9 = 10). However, if a significant investment has been made, the remaining life should be adjusted to reflect the investment.

The Company proposes changes to the remaining lives of the following plants as of January 1, 2010:

A. Electric Utility

- Steam Production- *Red Wing and Wilmarth Refuse-Derived Fuel (RDF)* plants remaining lives be extend by five years, to an eight-year remaining life;
- Steam Production-*Sherco Unit 3* remaining life be lengthened by ten years, to a 23 years remaining life;
- Other Production-*Inver Hills* plant remaining life be extended by ten years, to a 17-year remaining life;
- Other Production- *Nobles Wind Project* remaining life of 25 years;

B. Gas Utility

- Gas Production-*Grand Forks* be shortened by two years, to a one-year remaining life;
- Gas Production-*Maplewood* be lengthened by four years, to a ten-year remaining life,
- Gas Production-*Sibley* be lengthened by four years, to a ten-year remaining life; and
- Gas Production-*Wescott* be lengthened by two years, to a ten-year remaining life.

The Company also proposes changes to the existing net salvage rates for Electric Plant for both Steam Production and Other Production plants, but is not recommending changes to net salvage rates for Electric Hydro Production, Gas Production or Gas Production facilities.

As discussed further below, the decreases in depreciation costs due to life extensions were, in large part, offset by increases due to changes in net salvage. As a result, the Company proposes an approximate net increase of \$82,897 in 2010 annual depreciation expense as the net effect of changes in remaining lives (excluding the Nobles Wind Project) and salvage values. Xcel Energy proposes January 1, 2010 as the effective date of all remaining life changes other than the new Nobles Wind Project, which is scheduled to be placed in-service in late November 2010.

II. OFFICE OF ENERGY SECURITY ANALYSIS

The Minnesota Office of Energy Security's (OES) analysis focuses on the following:

- compliance with the July 1, 2009 Order for the 2009 Depreciation Study in Docket No. E,G002/D-09-160 (as discussed in Section A below);
- review of Xcel's proposed changes to the remaining lives of electric plant and gas production and gas storage assets (as discussed in Section B and C below); and
- review of Xcel's proposed changes to the salvage rates of Electric Plant for Steam Production and Other Production (as discussed in Section D below).

A. *COMPLIANCE WITH 2009 DEPRECIATION ORDERS*

1. *Filing Due Dates and Effective Dates*

The Commission's July 1, 2009 Order in Docket No. E,G002/D-09-160 specified that Xcel Energy shall file its next annual remaining life depreciation study of electric and gas production and gas storage facilities along with its five-year study by February 17, 2010. Xcel met that deadline.

Xcel Energy has satisfied the requirement to review remaining life and salvage factors for its electric and gas production and gas storage facilities and, as discussed below, to compare the service lives in the depreciation study with the IRP planning periods for each electric production facility based upon December 31, 2009 plant and reserve balances.

2. *Comparison of the electric generation remaining plant lives in the 2010 Depreciation Study to the planning lives in the 2007 Integrated Resource Plan*

In its 2009 Depreciation Study Order, the Commission ordered Xcel Energy to continue to provide, in the 2010 RL Depreciation Study, an explanation and schedule of the differences between the depreciable service lives and resource planning periods of electric production plant. As stated above Xcel provided this information in its filing. Xcel Energy compares the lives in the 2010 Depreciation Study to the lives in the 2007 IRP. The Company states:

- The resource planning analysis assumed that most generation assets would be able to meet customer resource needs through the 15-year period, and exceptions are specifically discussed in the plan.
- Planned upgrades of specific electric generation assets were discussed further in Xcel's 2007 Resource Plan filing, submitted on December 14, 2007 in Docket E002/RP-07-1572.

Xcel Energy's Schedule F lists each electric production plant facility, its proposed depreciation life, the IRP planning/modeling end of life, and the rationale for the difference between the depreciation life and the IRP planning life. Overall, the OES concludes that Xcel has complied with Commission's 2009 depreciation *Order* and takes no issue with the Company's rationale for the differences at this time.

The OES recommends that the Commission require Xcel Energy to continue to provide in future depreciation studies an explanation and schedule of the differences between the depreciation remaining lives and IRP planning lives of electric production plant.

B. *OES ANALYSIS OF CHANGES TO REMAINING LIVES FOR ELECTRIC PLANT*

As stated above, the Company proposes that the current remaining lives for all electric plant be adjusted only for the one-year passage of time since the last depreciation study, except for the changes in specific plants discussed below.

1. *Steam Production- Red Wings and Wilmarth RDF Plants*

The Company's Red Wing Steam Plant is a two-unit generating plant that burns processed municipal solid waste called refuse-derived fuel (RDF) and is located in Red Wing, Minnesota. The Wilmarth Steam Plant is located in Mankato, Minnesota and has a two-unit generating plant that burns RDF. Currently, the remaining lives for both the Red Wing and Wilmarth production plants are linked directly with the remaining term of the Company's contract with the Resource Recovery Technologies (RRT), which is the provider of refuse for the plant's fuel. The current contract between Xcel Energy and RRT is set to expire at the end of 2012 and the contract has a built-in "follow-on" five-year extension which will take effect at the end of the current contract unless one of the parties opts out. The Company does not intend to opt out of the contract and, accordingly, plans to use both plants well past the expiration of the current RRT contract's current term. Moreover, Xcel Energy believes that continued operation will be possible with minimum capital expenditure. Due to the Company's plan to continue operating the Red Wing and Wilmarth plants, Xcel proposes that the remaining lives be extended by five years, to an eight-year remaining life as of January 1, 2010.

Based on our review, the OES concludes that extending the lives of the Red Wing and Wilmarth RDF plants to eight years is appropriate and reasonable.

2. *Steam Production- Sherco Unit 3*

The Sherco plant is Xcel Energy's largest and newest coal plant and is an integral part of the Company's long-term production outlook. The Company has continued the regular maintenance of the plant and put on capital additions to the plant. Xcel Energy believes that the plant could operate well beyond the currently established remaining life. The Company requested that the remaining life for the plant be lengthened by 10 years, or over 75 percent of the existing remaining life of 13 years, to a 23-year remaining life as of January 1, 2010. The OES sent Information Request No.3 (attached) asking the Company to provide an engineering study or any other additional study, or information that supports Xcel's proposal of extending the remaining life of the plant by 10 years to a 23-year life.

The Company stated in their response the following statement:

The Company's request to extend the remaining life of Sherco Unit 3 by ten years was not based on results from an engineering study. The Sherco plant is an integral part of the Company's long-term production outlook. The current approved remaining life would result in a total life span of 36 years for the unit (period from in-service in 1987 to 2010 plus 13 more years remaining).

Based on industry standards, it would be expected that a plant of Sherco's type would have a service life in the neighborhood of 50 years at a minimum. For example, the Commission has approved longer service lives for large coal plants operated by Minnesota

Power Company and Otter Tail Power Company. The operating lives implicit in the approved remaining lives of the Boswell Energy Center units 1, 2 and 3 are 65, 63 and 62 years respectively. Minnesota Power has requested that the remaining life for Boswell Unit 4 be lengthened by seven years, resulting in a service life of 56 years (Docket No. E015/D-10-223). Moreover, the Commission-approved operating life of Otter Tail's Big Stone plant is 50 years, and the operating life of Otter Tail's Coyote plant is 49 years (Docket No. E017/D-09-1019).

In addition, the North Dakota Public Service Commission (the "NDPSC") approved an extension of the remaining life of the Sherco production units in the 2007 North Dakota Electric Rate Case (North Dakota Public Service Commission Case No. PUC 07-776) to 12 years longer than the remaining life currently approved by the Minnesota Public Utilities Commission (the "Commission"), for an effective life span of 49 years. Previously the remaining lives approved by the NDPSC corresponded with remaining lives approved by the Commission. The North Dakota Commissioners made this change because they felt the total life span of the plant was too short when compared to industry lives of similarly sized coal plants.

We conducted interviews with Company engineers familiar with the operations of the Sherco production plant to assess the operating outlook for the plant. Engineers stated that without any major renovations Sherco Unit 3 could operate well past its currently approved remaining life with only standard maintenance. Despite this fact, work has already begun on an uprate project that we believe will ensure the continued productive life of the plant past its currently approved remaining life.

Our recommended change moves the life span for Sherco Unit 3 closer to the total life-spans approved by the Commission for coal-fired plants operated by other utilities. The longer service life is also more consistent with the extended life approved by North Dakota for Sherco 3. This change would align the overall life span for all the Sherco units (Units 1 and 2 total life spans beginning in 1977 and 1978 respectively would be 45 and 46 years respectively with a current 13 year remaining life). The longer Sherco Unit 3 life is also consistent with expectations in the resource plan which are highlighted in Attachment F to our petition in this docket.

The OES also sent Information Request No. 4 which states as follows:

OES notes that in the most recent rate case (Docket No. E002/GR-08-1065), specifically in OES Information Request No. 1134, dated March 23, 2009, the OES asked the following question, "Is Xcel planning on extending any of the lives of its generation plants in the next two years? If yes, please identify which generation plants Xcel is planning on extending and the expected life of that extension." Xcel's response to this OES information request was, "As the OES is aware, on April 15, 2008, the Company submitted a request with the Nuclear Regulatory Commission to renew the operating license for Prairie Island Nuclear Generating Plant. We continuously review our generation fleet for necessary maintenance and capital improvement projects. At this time the company has no other definite plans for life extension of generation plants with the next two years." OES is surprised that less than 1 year later Xcel is proposing to increase the life of Sherco Unit 3 by 10 years resulting in an approximately \$8.8 million decrease in annual depreciation expense. Please explain why Xcel considers it [to be] reasonable to make this significant change in remaining life outside its rate case?

The Company's response states as follows:

In the Company's response to OES Information Request No. 1134 in our most recent rate case, we discussed our life extension project for the Prairie Island Nuclear Generating Plant. The statement made in response to that data request regarding any plans for life extension for other facilities was accurate. The Company was not planning on making any specific investments in life extension in other facilities, as was done with the Prairie Island facility. Our current proposal to increase the remaining life of Sherco Unit 3 in our 2010 Annual Review of Remaining Lives filing is not based on a specific life extension project, nor did we intend to mislead the OES in our response to Information Request No. 1134.

Pursuant to the purpose of our annual remaining lives review, we have requested to increase the life of Sherco Unit 3 because a longer assumed life more accurately reflects a reasonable estimate of the remaining life for this facility. Additional support for our remaining life determination for Sherco 3 is provided in our response to Information Request No. 3.

The Company believes it is appropriate to make this change outside of a rate case because the purpose of the Remaining Lives filing is to review and confirm that our remaining life estimates for all facilities are reasonable. In the Remaining Lives filing, we consider more factors than just physical work which has been completed or will be completed in the future. Based on GAAP principles, we try to estimate the remaining life of the plant as accurately as possible. The Company believes the change is prudent based on the reasons outlined in our Petition.

We note that we also have an uprate project scheduled for Sherco Unit 3. However, it is not a life extension project as we are only replacing components such as the turbine, as opposed to the Prairie Island plant where we are replacing enough components to result in a life extension. The Sherco Unit 3 project is a targeted efficiency improvement program as part of the Company's long-term operating strategy for the plant. The project may potentially extend the life of the unit because the turbine is a major component. However, the project was not undertaken specifically for this purpose and there will still be original equipment remaining following replacement of the turbine.

The Company understands that OES has expressed concern in prior filings regarding the impacts of depreciation costs set outside of general rate proceedings. We note that the net effect of all changes being made in this remaining life filing is an increase of \$82,897 in depreciation expense for facilities not subject to rider recovery. This is the total result of all the proposed changes, both to remaining lives and net salvage rates. The effects on our depreciation expense as a result of this filing include both increases and decreases with a slight net overall increase.

By phone, the OES further asked the Company, in regards to their response to Information Request No. 4, to provide further details on the uprate project mentioned for the Sherco 3 production plant. Specifically we asked whether the intention to start this project had been filed, whether Xcel Energy intended on requesting cost recovery for the project and whether Xcel had filed a request for cost recovery.

The Company's response to OES information request (Phone-1) stated as follows:

We provided a plan describing upgrades at the Sherco plant as part of our 2004 Resource Plan compliance requirements (Docket No. E002/RP-04-1752) on January 2, 2007 (the "January 2007 Plan").

In our 2007 Resource Plan, filed on December 14, 2007 (Docket No. E002/RP-07-1572), we described a revision to the January 2007 Plan and specifically asked for the Commission's approval of our upgrade plan for Unit 3 as part of the resource plan docket (see page 1-5 in December 2007 filing). On August 5, 2009 the Commission issued its ORDER APPROVING FIVE-YEAR ACTION PLAN AS MODIFIED AND SETTING FILING REQUIREMENTS in Docket No. E002/RP-07-1572 approving the uprate for Sherco Unit 3 (see Order Point No. 1, page 14).

In accordance with Minn. Stat. § 216B.243, a certificate of need is required for an upgrade of 50 MW or greater. Because this upgrade falls below that threshold, no certificate of need is required and approval can be obtained through a resource plan.

We have not yet filed a request for cost recovery. Once the project is complete, we will seek recovery of the costs in a future proceeding.

OES is concerned about Xcel indicating in their response to OES's information request in the most recent rate case that Xcel was not planning on extending any of the lives of its generation in the next two years, and then extending the life of Sherco significantly in this petition. OES is particularly concerned since Xcel's explanation is that it is reasonable to extend the life of this generation plant, based on information which Xcel knew before they filed their most recent rate case. OES recommends Xcel and other utilities carefully respond to information requests in the context of rate cases. Further, utilities should avoid any practice of including costs of life extensions in base rates without also including benefits from factors such as significant changes decreases in depreciation expense due to life extensions. Such practices will likely be challenged by OES. However, OES is not challenging Xcel's proposal in this particular case because Xcel also made changes to net salvage rates (that were also outside its rate case), resulting in increases in depreciation expense which largely offset the decreases due to the Sherco life extension; overall, the net effect of increases and decreases in depreciation is essentially zero. Thus, based on our review, the OES concludes that Company's proposed changes in the remaining life of the plant are reasonable.

3. Other Production-Inver Hills plants

The Inver Hills production plant has six units that generate a total of 360 MW of electricity using natural gas and oil as fuel. The Company made several major updates to the plant. On page eight of Xcel's 2010 Depreciation Study, the Company indicates that four of the six units have completed the replacement of the turbine wheels, with the other two units expecting completion of replacement of turbine wheels in 2011 or 2012.

The OES sent Information Request No. 5 asking Xcel to explain whether the Company's request for a ten-year life extension is for the four units that have been completed or for all six units, and asking why Xcel's proposal of extending the lives of the plants by ten years is appropriate. The Company explained that they are requesting a change in the remaining lives for all six units since the replacements completed to date are sufficient to extend the remaining lives of the plants, and since Xcel is reasonably certain that the remaining two replacements will be completed in a timely manner. The Company further states that extending the life for the entire plant now will avoid assigning different remaining lives for each of the units for only a short period of time and is consistent with their past procedure of aligning the lives of units at a plant when the units have a similar operating outlook.⁴

The OES further asked the Company in Information Request No. 6 to provide an engineering study or any other study or information that supports the ten-year life extension of Inver Hills production plants. Xcel replied that the Company's request to extend the remaining life of Inver Hills by ten years was not based on results from an engineering study, but rather relied on the expertise of the Company's engineers who are familiar with the nature and purpose of the plant upgrades.

The OES notes the same general concerns with the life extension as discussed above for Sherco, but also notes that the reduction in depreciation is offset by the increase in depreciation due to the increase in negative net salvage, resulting in a net effect of essentially zero. Further, Xcel was able to support these changes with reasonable information from its study. Therefore, the OES concludes that Xcel's proposed ten-year life extension for the Inver Hills plant is appropriate and reasonable.

4. Other Production- Nobles Wind Project

The Noble Wind Project is a 201 MW wind energy generation facility consisting of 134 General Electric 1.5 MW sle wind turbines located within a project site encompassing approximately 25,000 acres in Nobles County, Minnesota. It is expected to become operational in November 2010 with an expected useful life of 25 years. Xcel Energy proposes that the life for this new wind resource be set at 25 years effective with the expected in-service date of November 2010.

The OES asked the Company in Information Request No. 7 to provide all information that supports the 25-year life request, including any engineering or additional study or information on related facilities. The OES further asked Xcel to provide the manufacturer's recommended life for this project.

⁴ For example, in the 2009 Review of Remaining Lives (Docket E,G002/D-09-160), the Commission considered and approved the remaining live of Sherco Units 1 and 2 as if they were one entity. This method was also used in approving the live for Black Dog Units 1,3 and 4, and Prairie Island Units 1 and 2

The Company's response to the OES inquiry states:

The remaining life for the Nobles Wind Project was proposed as 25 years to follow the precedent of using a 25 year life for the Grand Meadow Wind Project. We discussed this in our RES Rider eligibility filing (Docket No. E002/M-08-1437) for the Nobles Wind Project.

In the Company's Certificate of Need filing for the Grand Meadow Wind Project (Docket No. E002/CN-07-873), the Company proposed a 25 year service life for the wind project. We stated that we estimated that the service life of the equipment would be at least 25 years. Further, the Company presented an analysis which showed that the levelized cost per megawatt-hour is lower with a 25 year useful life.

The manufacturer of the wind turbines, General Electric, suggests a 20 year service life for the equipment. However, this does not suggest that the turbines cannot operate longer than 20 years. In the Site Permit Filing (Docket No. IP6646/WS-07-839) for the Grand Meadow Wind Project, enXco Development Corporation stated that the contracts with land owners were for thirty years based on the assumption that the project could be in service for thirty years. This same time frame was used in enXco's Nobles Wind Project site permit filing. Thus, the Company's 25 year life provides a reasonable projection as a mid-point between the manufacturer and developer estimates.

In addition to using the 25 year life in the Certificate of Need and RES Rider eligibility filings, we have also used this estimate in our 2007 Resource Plan and annual Renewable Energy Standard filings since 2007.

Based on our review, the OES concludes that the proposed new life for Noble Wind project is reasonable and appropriate at this time.

C. OES ANALYSIS OF CHANGES TO REMAINING LIVES FOR GAS PRODUCTION AND GAS STORAGE

As stated above, the Company proposes that the current remaining lives for all gas production and gas storage facilities be adjusted only for the one-year passage of time since the last depreciation study except for changes in specific plants discussed below.

1. *Gas Production-Grand Forks*

The Grand Forks propane plant located in Grand Forks, North Dakota was placed in service in 1961 with two 30,000 gallon water capacity storage tanks. The plant's effective vaporization capacity, or the amount of liquid propane that can be vaporized with one vaporizer and sent into the natural gas distribution system, is 4,300 Decatherms a day. The Company used the plant extensively to supplement pipeline gas supply prior to 1984 when the Company began operating the North Dakota and Minnesota areas as one integrated system. However, the Company used the plants sparingly since the late 1980's. Due to the minimal hours of usage, a relatively small number of moving parts, and a consistent maintenance schedule the original equipment is still in sellable condition. In the fall of 2009, the last remaining plant inventory was removed from the location. The plant is currently inoperable and there are no current plans to resume operations in the future.

In Information Request No. 11, the OES asked the Company when Xcel plans to sell the Grand Forks Gas Production Plant and what amount of sales proceeds Xcel expects. Xcel stated in its response that the Company is currently looking for a buyer for the remaining plant structure, and they are uncertain at this time what the proceeds will be from the sale of assets remaining at the plant site.

The Company is requesting that the remaining life for the Grand Forks plant be shortened by two years, to a one-year remaining life as of January 1, 2010. This will allow the Company to recover the small amount of unrecovered investment over the current year. The estimated impact to depreciation expense of this change to remaining life is an increase of \$31,202.

Based on our review, the OES recommends approval of the remaining life of Grand Forks as they are reasonable and appropriate. The OES will discuss this issue further, as needed, in Xcel's rate case.

2. *Gas Production-Maplewood*

The Maplewood Propane plant located in Maplewood, Minnesota was placed in service in 1957 with twenty-four 30,000 and nine 90,000-gallon tanks, with effective propane storage of 1,355,000 gallons, or 123,900 Mcf. Propane storage at this location must be refilled by truck. The Company states that since 2008 they have made many plant upgrades like installation of a perimeter gas detection system and emergency shut-off valves in an effort to provide greater protection to surrounding population areas. The Company is requesting to lengthen the life by four years, to a ten-year remaining life of the plant based upon ongoing maintenance of the plant and equipment upgrades.

3. *Gas Production-Sibley*

The Sibley Plant located in Mendota Heights, Minnesota, is a propane plant used to supplement natural gas supplies during the peak demand periods. The Company states in the instant petition that since 2008 they have completed many of the same upgrades for the Sibley plant as described

above for the Maplewood plant, specifically, the installation of perimeter gas detection system and emergency shut-off valves to provide greater protection to surrounding population areas. Xcel Energy proposes that the remaining life of the Sibley plant be lengthened by four years, to a ten-year remaining life as of January 1, 2010.

4. *Gas Production-Wescott*

The Wescott Propane plant, located in Inver Grove Heights, Minnesota has two storage tanks of 5,850,000 gallons each, with a total storage of 1,073,200 MCF and has a pipeline connection to the Sibley Propane plant. Xcel indicates that the Company made upgrades at the Wescott plant since 2008 like replacement of electric heating systems on a failed propane tank, along with upgrades to the metering equipment, air compressors and dryers for the compressors. These upgrades were completed for the primary purpose of extending the life of the plant for at least two years. Based on the completed upgrades the Company is proposing that the remaining life of the plant be lengthened by two years, to a ten-year remaining life as of January 1, 2010.

The OES sent Information Request No. 12 requesting the Company to provide the following:

For the Gas Production Plants- Maplewood, Sibley and Wescott, Xcel is requesting Remaining life extension of four years, four years and two years, respectively in Xcel 2010 Remaining Life Petition. Please provide an engineering study, or other Study and information supporting these remaining life extensions requested by Xcel for these Gas Production Plants.

Xcel Energy stated on their response the following statements:

The Company's request to extend the remaining lives of Maplewood, Sibley and Wescott Gas Production plants was not based on results from an engineering study, but rather relied on the expertise of Company personnel familiar with the nature and purpose of the plant upgrades. Many upgrades have been made at the plants, including the installation of perimeter gas detection systems and emergency shut-off valves to provide greater safety at the Maplewood and Sibley plants. Also, at the Wescott plant, we made upgrades to metering equipment, air compressors, and dryers for the compressors. Company engineers familiar with the plant and the purpose of these projects state that all of these upgrades will extend the service lives of the plants and that it is prudent to extend the lives of the plants to ten years.

The OES appreciates Xcel Energy's prompt response to our questions. Based on our review, the OES concludes that the proposed remaining lives are appropriate and reasonable.

D. CHANGES IN NET SALVAGE RATES

The Commission's August 26, 2005, *Order Certifying Depreciation Rates and Methods* in Docket No. E,G002/D-05-288 requires the Company to submit, by February 17, 2010, "its next five-year depreciation study based on its review of the remaining lives and net salvage rates for electric, gas production, and gas storage facilities." The Company submitted, as Attachment G to this filing, a Comparison of Present to Proposed Net Salvage Rates and estimated accumulation resulting from using these net salvage rates.

The Company proposed changes to the existing net salvage rates for steam and other production assets and is not proposing any changes to the net salvage rates for hydro production, gas production or gas storage assets.

In 2009, the Company contracted the services of TLG Services, Inc (TLG) to perform a comprehensive demolition study on all steam and other electric generating plants. The TLG Dismantling Study (Study) is included in the Company's instant filing as Attachment H. The main purpose of the Study was to estimate the present-day costs for retiring and demolishing the facilities, also known as final removal of existing facilities. Along with the Study, the Company also provided a complete list of the assumptions used in the cost estimates. For the hydro production, the Company relied on its operating personnel for the net salvage review.

1) Electric Plant: Steam and Other Production

Consistent with the Company's last depreciation filing that used an updated dismantling study, the Company proposed adjustments to net salvage rates.⁵ The Company calculated the proposed net salvage rates from the TLG Dismantling Study amounts based on the facilities' remaining lives and the current expectations on use in the future. The Company applied the following principles:

- If the unit has a remaining life less than ten years, use 100 percent of the cost study's estimate to calculate the net salvage rate;
- If the unit has a remaining life greater than or equal to ten years, but less than twenty years, use 75 percent of the cost study's estimate to calculate the net salvage rate; and
- If the unit has a remaining life greater than or equal to twenty years, use 50 percent of the cost study's estimate to calculate the net salvage rate.

The Company proposes changes in net salvage rates for each steam and other production unit and also requests that the proposed net salvage rates be applied to all Federal Energy Regulatory Commission (FERC) accounts for each unit or by plant where the units are not segregated.

⁵ Order Certifying Depreciation Rates and Methods, Aug 26, 2005, Docket No. E,G002/D-05-288.

2) *Other Production-Nobles*

The Company has not included Nobles in the TLG Dismantling Study as it was not yet under construction at the time the Study was conducted. The construction and equipment for Nobles is similar to the Grand Meadow Wind Project, which leads the Company to the conclusion that the dismantling costs for each facility will be comparable. The Company proposes that the initial salvage rate for Nobles be set at a negative 8.7 percent effective with the expected in-service date of late November 2010.

3) *Hydro Production- All Units*

The Company states that there were no recent changes in the condition or complexity at the hydro plant sites that would necessitate a change to the net salvage rates. Thus, the Company is not proposing any changes for hydro production plant's net salvage rates at this time.

4) *Gas Utility*

The Company is not requesting any change to the net salvage rates for gas utility accounts at this time.

OES has attached a copy of Xcel's proposed and OES recommended depreciation remaining lives and net salvage percentages that will be in effect beginning Jan 01, 2010. (See attached OES Attachment No. 1)

Based on our review, the OES concludes that the proposed net salvage rates are appropriate and reasonable.

III. RECOMMENDATIONS

The OES recommends that the Commission:

- approve Xcel Energy's proposed service lives, salvage rates, and resulting depreciation rates effective January 1, 2010 for plant in service, and the month placed in-service for the Nobles Wind Plant.
- require Xcel Energy to continue to provide in future depreciation studies an explanation and schedule of the differences between the depreciation remaining lives and IRP planning lives of electric production plant; and
- require Xcel Energy to file its next annual RL update for electric and gas production and gas storage facilities on February 17, 2011.
- require Xcel Energy to file its next five-year depreciation study for electric and gas production and gas storage facilities on February 17, 2015.

/ja

**Northern States Power Company
MPUC Docket No. E,G002/D-10-173
Recommended Life and Net Salvage Rates**

Account	Description	Remaining Life (Years) 1/1/2010	Net Salvage (%) 1/1/2010
ELECTRIC UTILITY-STEAM PRODUCTION			
Black Dog			
E311	Structures & Improvements	22.0	-8.3
E312	Boiler Plant Equipment	3.0	-18.0
E314	Turbogenerator Units	3.0	-18.0
E315	Accessory Electric Equipment	3.0	-18.0
E316	Miscellaneous Power Plant Equipment	3.0	-18.0
Allen S. King			
E311	Structures & Improvements	27.5	-5.5
E312	Boiler Plant Equipment	27.5	-5.5
E314	Turbogenerator Units	27.5	-5.5
E315	Accessory Electric Equipment	27.5	-5.5
E316	Miscellaneous Power Plant Equipment	27.5	-5.5
Minnesota Valley			
E311	Structures & Improvements	7.5	-101.9
E312	Boiler Plant Equipment	7.5	-101.9
E314	Turbogenerator Units	7.5	-101.9
E315	Accessory Electric Equipment	7.5	-101.9
E316	Miscellaneous Power Plant Equipment	7.5	-101.9
Red Wing			
E311	Structures & Improvements	8.0	-23.3
E312	Boiler Plant Equipment	8.0	-23.3
E314	Turbogenerator Units	8.0	-23.3
E315	Accessory Electric Equipment	8.0	-23.3
E316	Miscellaneous Power Plant Equipment	8.0	-23.3
Sherco Unit 1 & 2			
E311	Structures & Improvements	13.0	-5.1
E312	Boiler Plant Equipment	13.0	-5.1
E314	Turbogenerator Units	13.0	-5.1
E315	Accessory Electric Equipment	13.0	-5.1
E316	Miscellaneous Power Plant Equipment	13.0	-5.1
Sherco Unit 3			
E311	Structures & Improvements	23.0	-4.3
E312	Boiler Plant Equipment	23.0	-4.3
E314	Turbogenerator Units	23.0	-4.3
E315	Accessory Electric Equipment	23.0	-4.3
E316	Miscellaneous Power Plant Equipment	23.0	-4.3
Wilmarth			
E311	Structures & Improvements	8.0	-23.0
E312	Boiler Plant Equipment	8.0	-23.0
E314	Turbogenerator Units	8.0	-23.0
E315	Accessory Electric Equipment	8.0	-23.0
E316	Miscellaneous Power Plant Equipment	8.0	-23.0

**Northern States Power Company
 MPUC Docket No. E,G002/D-10-173
 Recommended Life and Net Salvage Rates**

Account	Description	Remaining Life (Years) 1/1/2010	Net Salvage (%) 1/1/2010
<i>ELECTRIC UTILITY-NUCLEAR PRODUCTION</i>			
Monticello			
E302	Franchises & Consents	20.8	0.0
E321	Structures & Improvements	20.8	0.0
E322	Reactor Plant Equipment	20.8	0.0
E323	Turbogenerator Units	20.8	0.0
E324	Accessory Electric Equipment	20.8	0.0
E325	Miscellaneous Power Plant Equipment	20.8	0.0
Montecillo- Interim Storage Facility			
E21	Structures & Improvements	20.8	0.0
E322	Reactor Plant Equipment	20.8	0.0
Prairie Island Unit 1 & 2			
E321	Structures & Improvements	14.3	0.0
E322	Reactor Plant Equipment	14.3	0.0
E323	Turbogenerator Units	14.3	0.0
E324	Accessory Electric Equipment	14.3	0.0
E325	Miscellaneous Power Plant Equipment	14.3	0.0
Prairie Island-Interim Storage Facility			
E21	Structures & Improvements	14.3	0.0
E322	Reactor Plant Equipment	14.3	0.0
<i>ELECTRIC UTILITY-HYDRO PRODUCTION</i>			
Hennepin Island			
E302	Franchises & Consents	24.2	0.0
E331	Structures & Improvements	24.2	-30.0
E332	Reservoirs, Dams & Waterways	24.2	-30.0
E333	Water Wheels, Turbines & Generators	24.2	-30.0
E334	Accessory Electric Equipment	24.2	-30.0
E335	Miscellaneous Power Plant Equipment	24.2	-30.0
Lower Dam			
E331	Structures & Improvements	24.2	-30.0
E332	Reservoirs, Dams & Waterways	24.2	-30.0
Upper Dam			
E332	Reservoirs, Dams & Waterways	24.2	-30.0
E335	Miscellaneous Power Plant Equipment	24.2	-30.0
<i>ELECTRIC UTILITY-OTHER PRODUCTION</i>			
Alliant Tech			
E344	Generators	2.8	0.0
Angus C. Anson Units 2 & 3			
E341	Structures & Improvements	25.4	-4.5
E342	Fuel Holders, Producers & Accessories	9.8	-4.4
E344	Generators	9.8	-4.4
E345	Accessory Electric Equipment	9.8	-4.4

**Northern States Power Company
MPUC Docket No. E,G002/D-10-173
Recommended Life and Net Salvage Rates**

Account	Description	Remaining Life (Years) 1/1/2010	Net Salvage (%) 1/1/2010
E346	Miscellaneous Power Plant Equipment	9.8	-4.4
Angus C. Anson Unit 4			
E341	Structures & Improvements	25.4	-4.5
E342	Fuel Holders, Producers & Accessories	25.4	-4.5
E344	Generators	25.4	-4.5
E345	Accessory Electric Equipment	25.4	-4.5
E346	Miscellaneous Power Plant Equipment	25.4	-4.5
Black Dog Unit 5			
E341	Structures & Improvements	22.0	-8.3
E342	Fuel Holders, Producers & Accessories	22.0	-8.3
E344	Generators	22.0	-8.3
E345	Accessory Electric Equipment	22.0	-8.3
E346	Miscellaneous Power Plant Equipment	22.0	-8.3
Blue Lake Units 1 thru 4			
E341	Structures & Improvements	25.4	-5.2
E342	Fuel Holders, Producers & Accessories	3.0	-11.9
E344	Generators	3.0	-11.9
E345	Accessory Electric Equipment	3.0	-11.9
E346	Miscellaneous Power Plant Equipment	3.0	-11.9
Blue Lake Units 7 & 8			
E341	Structures & Improvements	25.4	-5.2
E342	Fuel Holders, Producers & Accessories	25.4	-5.2
E344	Generators	25.4	-5.2
E345	Accessory Electric Equipment	25.4	-5.2
E346	Miscellaneous Power Plant Equipment	25.4	-5.2
Grand Meadow Wind Project			
E340.1	Wind Rights	23.9	0.0
E341	Structures & Improvements	23.9	-8.7
E342	Fuel Holders, Producers & Accessories	23.9	-8.7
E344	Generators	23.9	-8.7
E345	Accessory Electric Equipment	23.9	-8.7
E346	Miscellaneous Power Plant Equipment	23.9	-8.7
Granite City			
E341	Structures & Improvements	3.0	-38.8
E342	Fuel Holders, Producers & Accessories	3.0	-38.8
E344	Generators	3.0	-38.8
E345	Accessory Electric Equipment	3.0	-38.8
E346	Miscellaneous Power Plant Equipment	3.0	-38.8
High Bridge			
E341	Structures & Improvements	28.4	-3.1
E342	Fuel Holders, Producers & Accessories	28.4	-3.1
E344	Generators	28.4	-3.1
E345	Accessory Electric Equipment	28.4	-3.1
E346	Miscellaneous Power Plant Equipment	28.4	-3.1

**Northern States Power Company
MPUC Docket No. E,G002/D-10-173
Recommended Life and Net Salvage Rates**

Account	Description	Remaining Life (Years) 1/1/2010	Net Salvage (%) 1/1/2010
Inver Hills			
E341	Structures & Improvements	17.0	-11.0
E342	Fuel Holders, Producers & Accessories	17.0	-11.0
E344	Generators	17.0	-11.0
E345	Accessory Electric Equipment	17.0	-11.0
E346	Miscellaneous Power Plant Equipment	17.0	-11.0
Key City			
E341	Structures & Improvements	3.0	-38.6
E342	Fuel Holders, Producers & Accessories	3.0	-38.6
E344	Generators	3.0	-38.6
E345	Accessory Electric Equipment	3.0	-38.6
E346	Miscellaneous Power Plant Equipment	3.0	-38.6
Nobles Wind Project (In-service date, not January 1, 2010)			
E340.1	Wind Rights	25.0	0.0
E341	Structures & Improvements	25.0	-8.7
E342	Fuel Holders, Producers & Accessories	25.0	-8.7
E344	Generators	25.0	-8.7
E345	Accessory Electric Equipment	25.0	-8.7
E346	Miscellaneous Power Plant Equipment	25.0	-8.7
Riverside			
E341	Structures & Improvements	29.2	-5.0
E342	Fuel Holders, Producers & Accessories	29.2	-5.0
E344	Generators	29.2	-5.0
E345	Accessory Electric Equipment	29.2	-5.0
E346	Miscellaneous Power Plant Equipment	29.2	-5.0
United Hospital			
E344	Generators	7.7	0.0
Wind-to-Battery System			
E342	Fuel Holders, Producers & Accessories	14.0	0.0
GAS UTILITY-GAS PRODUCTION			
Grand Forks			
G305	Structures & Improvements	1.0	-15.0
G311	LP Gas Equipment	1.0	4.0
G320	Other Equipment	1.0	-23.0
Maplewood			
G305	Structures & Improvements	10.0	-17.0
G311	LP Gas Equipment	10.0	8.0
G320	Other Equipment	10.0	0.0
Sibley			
G305	Structures & Improvements	10.0	-1.0
G311	LP Gas Equipment	10.0	8.0
G320	Other Equipment	10.0	-1.0
Wescott			

**Northern States Power Company
MPUC Docket No. E,G002/D-10-173
Recommended Life and Net Salvage Rates**

Account	Description	Remaining Life (Years) 1/1/2010	Net Salvage (%) 1/1/2010
G305	Structures & Improvements	10.0	-3.0
G311	LP Gas Equipment	10.0	1.0
G320	Other Equipment	10.0	3.0
GAS UTILITY-GAS STORAGE			
Wescott			
G361	Structures & Improvements	8.0	-10.0
G362	Gas Holders	8.0	5.0
G363	Purification Equipment	8.0	1.0
G363.1	Liquefaction Equipment	8.0	2.0
G363.2	Vaporizing Equipment	18.0	2.0
G363.3	Compressor Equipment	8.0	2.0
G363.4	Measuring & Regulating Equipment	8.0	6.0
G363.5	Other Equipment	8.0	0.0

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Xcel Energy
Docket No.: E,G002/D-10-173
Response To: MN Office of Energy Security Information Request 3
Analysts La Plante, Johnson, Campbell
Date Received: February 26, 2010

Question:

Please provide an engineering study or any other additional study, or information that supports Xcel's proposal of extending the remaining life of Sherco Unit 3 by 10 years to a 23 year life, as discussed on page 6 of Xcel's 2010 Review of Remaining Lives Petition in Docket No. E002/D-10-173.

Response:

The Company's request to extend the remaining life of Sherco Unit 3 by ten years was not based on results from an engineering study. The Sherco plant is an integral part of the Company's long-term production outlook. The currently approved remaining life would result in a total life span of 36 years for the unit (period from in-service in 1987 to 2010 plus 13 more years remaining).

Based on industry standards, it would be expected that a plant of Sherco's type would have a service life in the neighborhood of 50 years at a minimum. For example, the Commission has approved longer service lives for large coal plants operated by Minnesota Power Company and Otter Tail Power Company. The operating lives implicit in the approved remaining lives of the Boswell Energy Center units 1, 2 and 3 are 65, 63 and 62 years respectively. Minnesota Power has requested that the remaining life for Boswell Unit 4 be lengthened by seven years, resulting in a service life of 56 years (Docket No. E015/D-10-223). Moreover, the Commission-approved operating life of Otter Tail's Big Stone plant is 50 years, and the operating life of Otter Tail's Coyote plant is 49 years (Docket No. E017/D-09-1019).

In addition, the North Dakota Public Service Commission (the "NDPSC") approved an extension of the remaining life of the Sherco production units in the 2007 North Dakota Electric Rate Case (North Dakota Public Service Commission Case No. PUC

07-776) to 12 years longer than the remaining life currently approved by the Minnesota Public Utilities Commission (the "Commission"), for an effective life span of 49 years. Previously the remaining lives approved by the NDPSC corresponded with remaining lives approved by the Commission. The North Dakota Commissioners made this change because they felt the total life span of the plant was too short when compared to industry lives of similarly sized coal plants.

We conducted interviews with Company engineers familiar with the operations of the Sherco production plant to assess the operating outlook for the plant. Engineers stated that without any major renovations Sherco Unit 3 could operate well past its currently approved remaining life with only standard maintenance. Despite this fact, work has already begun on an uprate project that we believe will ensure the continued productive life of the plant past its currently approved remaining life.

Our recommended change moves the life span for Sherco Unit 3 closer to the total life-spans approved by the Commission for coal-fired plants operated by other utilities. The longer service life is also more consistent with the extended life approved by North Dakota for Sherco 3. This change would align the overall life span for all the Sherco units (Units 1 and 2 total life spans beginning in 1977 and 1978 respectively would be 45 and 46 years respectively with a current 13 year remaining life). The longer Sherco Unit 3 life is also consistent with expectations in the resource plan which are highlighted in Attachment F to our petition in this docket.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 8, 2010

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Xcel Energy

Docket No.: E,G002/D-10-173

Response To: MN Office of Energy Security Information Request 4

Analysts La Plante, Johnson, Campbell

Date Received: February 26, 2010

Question:

OES notes that in the most recent rate case (Docket No. E002/GR-08-1065), specifically in OES Information Request No. 1134, dated March 23, 2009, the OES asked the following question, “Is Xcel planning on extending any of the lives of its generation plants in the next two years? If yes, please identify which generation plants Xcel is planning on extending and the expected life of that extension.” Xcel’s response to this OES information request was, “As the OES is aware, on April 15, 2008, the Company submitted a request with the Nuclear Regulatory Commission to renew the operating license for Prairie Island Nuclear Generating Plant. We continuously review our generation fleet for necessary maintenance and capital improvement projects. At this time the company has no other definite plans for life extension of generation plants with the next two years.” OES is surprised that less than 1 year later Xcel is proposing to increase the life of Sherco Unit 3 by 10 years resulting in an approximately \$8.8 million decrease in annual depreciation expense. Please explain why Xcel considers it is reasonable to make this significant change in remaining life outside its rate case?

Response:

In the Company’s response to OES Information Request No. 1134 in our most recent rate case, we discussed our life extension project for the Prairie Island Nuclear Generating Plant. The statement made in response to that data request regarding any plans for life extension for other facilities was accurate. The Company was not planning on making any specific investments in life extension in other facilities, as was done with the Prairie Island facility. Our current proposal to increase the remaining life of Sherco Unit 3 in our 2010 Annual Review of Remaining Lives filing is not based on a specific life extension project, nor did we intend to mislead the OES in our response to Information Request No. 1134.

Pursuant to the purpose of our annual remaining lives review, we have requested to increase the life of Sherco Unit 3 because a longer assumed life more accurately reflects a reasonable estimate of the remaining life for this facility. Additional support for our remaining life determination for Sherco 3 is provided in our response to Information Request No. 3.

The Company believes it is appropriate to make this change outside of a rate case because the purpose of the Remaining Lives filing is to review and confirm that our remaining life estimates for all facilities are reasonable. In the Remaining Lives filing, we consider more factors than just physical work which has been completed or will be completed in the future. Based on GAAP principles, we try to estimate the remaining life of the plant as accurately as possible. The Company believes the change is prudent based on the reasons outlined in our Petition.

We note that we also have an uprate project scheduled for Sherco Unit 3. However, it is not a life extension project as we are only replacing components such as the turbine, as opposed to the Prairie Island plant where we are replacing enough components to result in a life extension. The Sherco Unit 3 project is a targeted efficiency improvement program as part of the Company's long-term operating strategy for the plant. The project may potentially extend the life of the unit because the turbine is a major component. However, the project was not undertaken specifically for this purpose and there will still be original equipment remaining following replacement of the turbine.

The Company understands that OES has expressed concern in prior filings regarding the impacts of depreciation costs set outside of general rate proceedings. We note that the net effect of all changes being made in this remaining life filing is an increase of \$82,897 in depreciation expense for facilities not subject to rider recovery. This is the total result of all the proposed changes, both to remaining lives and net salvage rates. The effects on our depreciation expense as a result of this filing include both increases and decreases with a slight net overall increase.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 12, 2010

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Xcel Energy

Docket No.: E,G002/D-10-173

Response To: MN Office of Energy Security Information Request Phone-1

Analyst: Campbell

Date Received: March 22, 2010

Question:

In regards to previous response to IR No. 4, please provide further details on the uprate project mentioned for the Sherco 3 production plant? Has the intention to start this project been filed anywhere? Does Xcel Energy intend on requesting cost recovery for the project? Has a request for cost recovery been filed?

Response:

We provided a plan describing upgrades at the Sherco plant as part of our 2004 Resource Plan compliance requirements (Docket No. E002/RP-04-1752) on January 2, 2007 (the "January 2007 Plan").

In our 2007 Resource Plan, filed on December 14, 2007 (Docket No. E002/RP-07-1572), we described a revision to the January 2007 Plan and specifically asked for the Commission's approval of our upgrade plan for Unit 3 as part of the resource plan docket (see page 1-5 in December 2007 filing). On August 5, 2009 the Commission issued its ORDER APPROVING FIVE-YEAR ACTION PLAN AS MODIFIED AND SETTING FILING REQUIREMENTS in Docket No. E002/RP-07-1572 approving the uprate for Sherco Unit 3 (see Order Point No. 1, page 14).

In accordance with Minn. Stat. § 216B.243, a certificate of need is required for an upgrade of 50 MW or greater. Because this upgrade falls below that threshold, no certificate of need is required and approval can be obtained through a resource plan.

We have not yet filed a request for cost recovery. Once the project is complete, we will seek recovery of the costs in a future proceeding.

Response By: Brandon Kirschner

Title: Accounting Analyst

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Xcel Energy

Docket No.: E,G002/D-10-173

Response To: MN Office of Energy Security Information Request 6

Analysts La Plante, Johnson, Campbell

Date Received: February 26, 2010

Question:

For the 10 year life extension for the Inver Hills units, please provide an engineering study or any other study or information that supports your 10 year life extension request.

Response:

The Company's request to extend the remaining life of Inver Hills by ten years was not based on results from an engineering study, but rather relied on the expertise of Company personnel familiar with the nature and purpose of the plant upgrades. A project upgrading the turbine wheels on all of the units at the plant is underway. This is the second major project we have initiated, as all of the turbines at the plant were rewound between 2003 and 2006. Company engineers with expertise at the plant have stated that the projects were undertaken for the purpose of extending the life of the plant and agreed that a ten year life extension was prudent based on the expected service life of the replaced equipment in conjunction with the existing equipment at the plant.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 8, 2010

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Xcel Energy
Docket No.: E,G002/D-10-173
Response To: MN Office of Energy Security Information Request 7
Analysts La Plante, Johnson, Campbell
Date Received: February 26, 2010

Question:

For Xcel's requested life of 25 years for the Nobles Wind Project, please provide all information that supports this 25 year life request, including any engineering or additional study, or information on related facilities.

Response:

The remaining life for the Nobles Wind Project was proposed as 25 years to follow the precedent of using a 25 year life for the Grand Meadow Wind Project. We discussed this in our RES Rider eligibility filing (Docket No. E002/M-08-1437) for the Nobles Wind Project.

In the Company's Certificate of Need filing for the Grand Meadow Wind Project (Docket No. E002/CN-07-873), the Company proposed a 25 year service life for the wind project. We stated that we estimated that the service life of the equipment would be at least 25 years. Further, the Company presented an analysis which showed that the levelized cost per megawatt-hour is lower with a 25 year useful life.

The manufacturer of the wind turbines, General Electric, suggests a 20 year service life for the equipment. However, this does not suggest that the turbines cannot operate longer than 20 years. In the Site Permit Filing (Docket No. IP6646/WS-07-839) for the Grand Meadow Wind Project, enXco Development Corporation stated that the contracts with land owners were for thirty years based on the assumption that the project could be in service for thirty years. This same time frame was used in enXco's Nobles Wind Project site permit filing. Thus, the Company's 25 year life provides a reasonable projection as a mid-point between the manufacturer and developer estimates.

In addition to using the 25 year life in the Certificate of Need and RES Rider eligibility filings, we have also used this estimate in our 2007 Resource Plan and annual Renewable Energy Standard filings since 2007.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 8, 2010

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Xcel Energy
Docket No.: E,G002/D-10-173
Response To: MN Office of Energy Security Information Request 11
Analysts La Plante, Johnson, Campbell
Date Received: February 26, 2010

Question:

When does Xcel plan to sell the Grand Forks Gas Production Plant and what is the expected amount of the sales proceeds?

Response:

The Company is currently looking for a buyer for the remaining plant structures. We are uncertain at this time what the proceeds will be from the sale of assets remaining at the plant site. One account to which potential scrap sales proceeds may be posted is FERC Account 311 – LP Gas Equipment. The account is currently expected to realize a positive net salvage value of four percent. Should the salvage realized on the sale be different than the expected four percent, we will expense any shortfall in the current year and any overage will be allocated to the remaining operating assets in the account.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 8, 2010

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Xcel Energy
Docket No.: E,G002/D-10-173
Response To: MN Office of Energy Security Information Request 12
Analysts La Plante, Johnson, Campbell
Date Received: February 26, 2010

Question:

For the Gas Production Plants – Maplewood, Sibley and Westcott, Xcel is requesting remaining life extension of four years, four years and two years, respectively in Xcel 2010 Remaining Life Petition. Please provide an engineering study, or other study and information supporting these remaining life extensions requested by Xcel for these Gas Production Plants.

Response:

The Company's request to extend the remaining lives of the Maplewood, Sibley and Wescott Gas Production plants was not based on results from an engineering study, but rather relied on the expertise of Company personnel familiar with the nature and purpose of the plant upgrades. Many upgrades have been made at the plants, including the installation of perimeter gas detection systems and emergency shut-off valves to provide greater safety at the Maplewood and Sibley plants. Also, at the Wescott plant, we made upgrades to metering equipment, air compressors, and dryers for the compressors. Company engineers familiar with the plant and the purpose of these projects stated that all of these upgrades will extend the service lives of the plants and that it is prudent to extend the lives of the plants to ten years.

Response By: Brandon Kirschner
Title: Accounting Analyst
Department: Capital Asset Accounting
Telephone: 612-215-5361
Date: March 8, 2010

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