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Fargo, ND 58102

July 31, 2018

—VIA ELECTRONIC FILING AND U.S. MAIL—

Mr. Darrell Nitschke
ND Public Service Commission
600 E. Boulevard
Dept. 408
Bismarck, ND 58504-0480

RE:

COURTENAY WIND ENERGY PROJECT
COMPLIANCE FILING – DECOMMISSIONING PLAN
CASE NO. PU-13-64, PU-15-174, PU-17-23, PU-17-251

Dear Mr. Nitschke:

Northern States Power Company, a Minnesota corporation (“Xcel Energy” or “the Company”), submits to the North Dakota Public Service Commission (the “Commission”) this updated decommissioning plan compliance filing in the above-referenced matters. This filing is being made pursuant to North Dakota Century Code 49-02-27, North Dakota Administrative Code Section 69-09-09-06, and Condition 31 of the Certificate of Site Compatibility (Certificate Number 36, as amended) for Energy Conversion Facility for Courtenay Energy, LLC (Courtenay Facility) which requires a decommissioning plan describing the manner in which the Company anticipates decommissioning the Courtenay Facility and the estimated costs to do so.¹

Background

The Courtenay Facility is composed of one hundred 2.0 MW Vestas wind turbines located on privately-owned land (primarily agricultural) located in Stutsman County, northeast of Jamestown, North Dakota. The Courtenay Facility was initially developed by Geronimo Energy, and the assets were purchased by Xcel Energy in 2015 and placed into service in December 2016. Xcel Energy currently owns and commercially operates the Courtenay Facility, which represents an important part of Xcel Energy’s continued commitment to a

¹ This plan complies with revised decommissioning rules (NDAC Ch. 69-09-09) effective July 1, 2017.

cost-effective and geographically diverse supply portfolio of Company-owned wind resources.

The Courtenay Facility became commercially operational in early December 2016 with a service-life assumption of 25 years and an estimated decommissioning date of November 2041. As is the case with all Company generating investments, the estimated remaining life of the facility will be periodically reassessed in connection with the Company's Remaining Life Studies, which occur every five years.

On August 24, 2015, an Advanced Determination of Prudence ("ADP") and a Certificate of Public Convenience and Necessity for this project were granted by the Commission in Case Nos. PU-15-181 and PU-15-175, respectively.

Decommissioning Scope

Xcel Energy will begin decommissioning the Courtenay Facility within twelve months after the time the facility reaches the end of its useful life, as required in Section 69-09-09-04 of the ND Administrative Code. The decommissioning process will be completed within twenty-four months of the end of the facility's useful life.

Decommissioning will include:

1. Dismantling and removal of all towers, turbine generators, transformers, and overhead cables;
2. Removal of underground cables to a depth of at least twenty-four inches;
3. Removal of foundations, buildings, and ancillary equipment to a depth of at least thirty-six inches;
4. Site restoration and reclamation to the approximate original topography that existed prior to the construction of the facility with topsoil respreads over the disturbed areas at a depth similar to that in existence prior to the disturbance.
5. Grading and topsoil of areas disturbed by the facility, and reseeded according to nature resource conservation service recommendations, unless the commission approves an owner request signed by the applicable landowner, identifying the surface features the landowner prefers to remain in place and the reason the landowner prefers those features to remain.

In general, the Company's decommissioning and restoration activities will adhere to the requirements of the appropriate governing authorities and will be in accordance with applicable federal, state, and local permits (if any are required), and pursuant to the terms and conditions of any landowner leases currently in place.

Decommissioning Process

The process of removing structures involves evaluating and categorizing all components and materials into categories of recondition and reuse, salvage, and disposal. In the interest of increased efficiency and minimal transportation impacts, components and materials may be

stored on-site at landowner-approved locations until the bulk of similar components or materials are ready for transport. The components and material will be transported to the appropriate facilities for reconditioning, salvage, or disposal. Above-ground structures include the turbines, transformers, overhead collection or transmission lines, substation(s), and the facility's portions of the interconnection facilities. Below-ground structures include turbine, substation, and building foundations, collection system conduit and cable, fiber optic facilities, and subterranean drainage structures, if any.

Turbine removal: Access roads to turbines will be widened to a sufficient width to accommodate movement of appropriately sized cranes, trucks, and other machinery required for the disassembly and removal of the turbines. Control cabinets, electronic components, and internal cables will be removed. The rotor, nacelle, and tower sections will be lowered to the ground where they may be transported whole for reconditioning and reuse, or disassembled/cut into more easily transportable sections for salvageable, recyclable, or disposable components.

Turbine and substation foundation removal: Topsoil will be removed from an area surrounding the foundation and stored for later replacement, as applicable. Turbine foundations will be excavated to forty-eight inches below grade per the landowner agreements in place. All anchor bolts, rebar, conduits, cable, and concrete will be removed to this depth. The remaining excavation will be filled with clean sub-grade material of quality comparable to the immediate surrounding area. The sub-grade material will be compacted to a density similar to surrounding sub-grade material. All unexcavated areas compacted by equipment used in decommissioning will be de-compacted to adequately restore the topsoil and subgrade material to the proper density consistent and compatible with the surrounding area.

In accordance with North Dakota Century Code 49-02-27, the location of any portion of underground foundation not removed during decommissioning will be recorded with the county recorder in the county in which the facility is located.

Underground collection cables: The cables and conduits contain no materials known to be harmful to the environment. As part of the decommissioning, these items will be cut back to the required depth. All cable and conduit and other materials buried below the required depth will be left in place and abandoned.

Overhead collection lines: Overhead collection lines and poles will be removed as needed.

Access roads and construction pads: Access roads and construction pads will be reclaimed to agricultural land suitable for its purpose before the construction of the Courtenay Facility.

Site Restoration Activities

Prior to the removal of structures from all work areas, topsoil will be removed, separated from other excavated material, stockpiled, and clearly designated. The topsoil will be replaced to original depth. The topsoil will be de-compacted to match the density and consistency of the immediately surrounding area. Any topsoil deficiency and trench settling will be mitigated with imported topsoil consistent with the quality of the affected site.

Following decommissioning activities, the sub-grade material and topsoil from affected areas will be de-compacted and restored to a density and depth consistent with the surrounding areas to a maximum depth of eighteen inches. The affected areas will be inspected, cleaned, and all construction-related debris removed. Disturbed areas will be reseeded to promote re-vegetation of the area to a condition reasonably similar to original condition. In all areas, restoration shall include, as reasonably required, leveling, terracing, mulching, and other necessary steps to prevent soil erosion, to ensure establishment of suitable grasses and forbs, and to control noxious weeds and pests.

Decommissioning Costs

Xcel Energy will be responsible for all costs associated with decommissioning the Courtenay Facility.

To ensure that there is adequate recovery of future decommissioning and restoration costs, a negative net salvage rate is included in the calculation of the depreciation expense rate for the project. The net salvage rate reflects the net of the estimated decommissioning costs and any offsetting proceeds from the salvaging and/or recycling of certain generation equipment, such as the towers, cables, and other material. The net salvage rate is negative in this case because the forecasted costs of decommissioning the facility are higher than the expected salvage proceeds.

Based on the Company's most recently completed engineering study of the estimated decommissioning expense for the Courtenay Facility, the Company recommends a net salvage rate of negative 9.3 percent for purposes of North Dakota ratemaking. This percentage of the value of Courtenay Facility assets will be collected over the life of the facility as part of the annual depreciation expense, and will be recorded in the accumulated depreciation reserve account for the eventual removal and restoration of the wind facility (less any actual salvage proceeds).

Net salvage rates will continue to be reviewed every five years with an engineering study for each generating facility, including the Courtenay Facility. If any rules and regulations change regarding removal (e.g. mandates for deeper removal of underground equipment and material), these changes will be incorporated into the next *Annual Review of Remaining Lives Study* to be filed in 2020 and every five years thereafter.

Based on this approach and supported by the detail on Attachment A, a conservative initial estimate of decommissioning expense for this project is approximately \$31.3 million, or

about \$313,000 per turbine, in 2018 dollars. It should be noted that this estimate applies only to the generation assets for this project. The transmission assets within this project will be depreciated using the approved average service lives, net salvage rates, and depreciation rates for those assets. These transmission depreciation lives and rates were approved in the Company's most recent electric rate proceeding (Case No. PU-12-813).

Conclusion

In summary, this updated decommissioning plan includes the following information per 69-09-09-01 (6) of the North Dakota administrative code:

- The current anticipated life of the Courtenay Facility is 25 years;
- An estimate of the total cost of decommissioning and site restoration at the end of the project's useful life (excluding salvage value of the turbines and equipment) is \$31,324,610;
- A description of the methods and assumptions used to determine the decommissioning cost estimate is included;
- A description of the anticipated manner in which the Courtenay Facility will be decommissioned is included;
- There are currently no expected effects on present and future natural resource development; and
- A plan of financial assurance will be provided after the Courtenay Facility's tenth year of operations (December 2026).

Xcel Energy is a regulated utility governed by the laws of the State of North Dakota and will observe all regulatory requirements with respect to decommissioning the Courtenay Facility, including removal of all buildings and equipment and restoration of the land.

Xcel Energy respectfully requests that this filing be accepted as being in compliance with the decommissioning requirements of this Commission.

If you have any questions or concerns regarding this matter, please contact me at dave.sederquist@xcelenergy.com or (701) 241-8632.

Sincerely,



David H. Sederquist
Sr. Consultant, Regulation & Finance

Case Nos. PU-13-64, PU-15-174, PU-17-23, PU-17-251
 Courtenay Wind Energy Project
 Compliance Filing - Decommissioning Plan
 Attachment A, Page 1 of 1



Project:	Courtenay Decommissioning
Proposal Type:	Non-Binding Decommissioning Budget
Proposal Date:	7/18/2018
WTG #:	100
WTG Type:	Vestas 2 MW - 80M HH - 100M rotor
Total MW:	200
Phase:	1
Location:	Courtenay, ND

OVERALL PRICING WORKSHEET

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	AMOUNT
1	SITE CIVIL WORK REMOVAL				
1a	Balance of Site Civil Work Removal	1	LS	\$ 2,767,386	\$ 2,767,386
1b	Cement Stabilized Material Haul Off Allowance (includes replacement with black dirt)	1	LS	\$ 1,764,007	\$ 1,764,007
2	FOUNDATION PEDESTAL REMOVAL (to 4' depth)	100	EA	\$ 10,689	\$ 1,068,942
3	WTG TEARDOWN				
3a	WTG Teardown	100	EA	\$ 72,070	\$ 7,207,038
3b	Haul Off & Disposal Allowance	100	EA	\$ 135,148	\$ 13,514,800
4	OTHER/MISCELLANEOUS				
4a	Surveying/Engineering/Testing				Not Applicable
4b	O&M Building Removal	1	LS	\$ 89,700.00	\$ 89,700
4c	Taxes, if Applicable				Not Applicable
4d	Met Tower Removal				Not Applicable
4e	General Conditions	1	LS	\$ 1,616,269	\$ 1,616,269
4f	Mobilization	1	LS	\$ 797,339	\$ 797,339
5	COLLECTION SYSTEM REMOVAL (Leave Cable in Ground)	1	LS	\$ 776,275	\$ 776,275
6	SUBSTATION REMOVAL (to 4' depth)	1	LS	\$ 592,250	\$ 592,250
7	TRANSMISSION LINE	1	LS	\$ 1,130,605	\$ 1,130,605
8	INTERCONNECT				Not Applicable
TOTAL PRICE (EXCLUDING PERFORMANCE BOND)					\$ 31,324,610

in 2018 USD

ALTERNATES

ITEM	DESCRIPTION	QUANTITY	UNIT	UNIT PRICE	AMOUNT
A	APPROXIMATE SCRAP VALUE OF COMPONENTS (See next page)	1	LS	\$ (5,507,080)	\$ (5,507,080)