



- Not Public Document – Not For Public Disclosure
- Public Document – Not Public Data Has Been Excised
- Public Document

Xcel Energy Information Request No. 2-14
Docket No.: PU-18-403
Response To: North Dakota Public Utilities Commission
Requestor: Michael Majoros
Date Received: April 10, 2019

Question:

At page 2, Mr. Martin states “Xcel Energy will be purchasing the LLCs that presently own MEC I and MEC II including a series of upgrades that have been undertaken on these facilities...”

- a. If these LLCs file any type of regulatory reports such as the FERC Form 1, please provide copies of those reports as of December 31, 2018 as well as the estimated changes through June 2019.
- b. Please provide the original cost of the MEC 1 and MEC II facilities at the account and subaccount level according to the FERC Uniform System of Accounts as of December 31, 2018 as well as the estimated changes through June 2019. “*Original cost*, as applied to electric plant means the cost of such property to the person first devoting it to public service.” (FERC Definition 23.)
- c. Please provide the accumulated depreciation recorded on the LLCs’ books for each plant account and subaccount as of December 31, 2018 as well as the estimated changes through June 2019.
- d. Please identify and provide the amounts as of December 31, 2018 as well as the estimated changes through June 2019 of all typical rate base adjustments associated with MEC I and MEC II. For example, accumulated deferred taxes, accumulated deferred investment tax credits, material and supplies etc.
- e. Provide the annual depreciation rates applied to MEC I and MEC II. Also, provide the depreciation studies supporting these depreciation rates.

- f. Please provide a complete set of the general ledger entries that Xcel Energy anticipates making to record the requested purchase. Please include the acquisition adjustment and goodwill the Company anticipates will be recorded including the calculation of these amounts. Please include any entries as a result of cessation of the PPAs and any other related entries.

Response:

- (a) Mankato Energy Center, LLC and Mankato Energy Center II, LLC sell wholesale power and services at market-based rates and are not required to file quarterly or annual FERC Form 1 or Form 3s, respectively.
- (b) Xcel Energy prepared accounting entries based on the net book value of MEC's property, plant and equipment as of September 30, 2018 and taking into consideration estimated remaining project costs associated with MEC II and additional assets to be acquired, through May 31, 2019. Please refer to Attachment A. Xcel Energy does not possess MEC I and MEC II facilities account and subaccount level accounting according to the FERC Uniform System of Accounts as of December 31, 2018.
- (c) Please refer to response (b), Xcel Energy does not possess MEC I and MEC II LLC's account and subaccount level accounting according to the FERC Uniform System of Accounts as of December 31, 2018. On a GAAP basis, as of the date of acquisition, estimated costs will be approximately \$566 million offset by \$25 million of accumulated depreciation for a total net book value of \$541 million.
- (d) Xcel Energy will start accounting for MEC I & MEC II upon acquisition. MEC I & MEC II is not within rate base outside of its current ratemaking treatment for the PPA costs.
- (e) Xcel Energy's accounting starts upon acquisition and does not currently have annual depreciation rates or depreciation studies related to MEC I and MEC II.
- (f) Please refer to Attachment A for proposed accounting entries to record the requested purchase.

The MEC I PPA is recorded as an operating lease on Xcel Energy's balance sheet. Upon an estimated acquisition date of May 31, 2019, the PPA will terminate and Xcel Energy will record the following entry:

Account and Description	Debit	Credit
<i>Record Termination of MEC I PPA – Operating Lease</i>		
Debit: FERC Account 227 – Obligations Under Capital Leases – Noncurrent	\$219,214,529	
Debit: FERC Account 243 –Obligations Under Capital Leases - Current	\$28,825,805	
Credit: FERC Account 101.1 – Property Under Capital Leases		\$223,232,897
Credit FERC Account 182.3 – Other Regulatory Assets		\$24,807,437

Preparer: Aaron Hansen
 Title: Manager
 Department: Capital Asset Accounting
 Telephone: 612-330-6854
 Date: April 24, 2019

Proposed NSPM Accounting Entries

Account and Description	Debit	Credit
<i>Record Acquisition of Mankato Assets – Total Company¹</i>		
Debit: FERC Account 102 – Electric Plant Purchased or Sold	\$636,755,000	
Debit: FERC Account 154 – Plant Materials and Operating Supplies	\$4,245,000	
Debit: FERC Account 165 – Prepayments ²	\$9,000,000	
Credit: FERC Account 131 – Cash		\$650,000,000
 <i>Record Estimated Transaction Costs of Acquiring Mankato Assets – Total Company</i>		
Debit: FERC Account 102 – Electric Plant Purchased or Sold	\$450,000	
Credit: FERC Account 232 – Accounts Payable		\$450,000
 <i>Record acquisition adjustment and place assets into service – Total Company³</i>		
Debit: FERC Account 101 – Electric Plant in Service	\$565,648,000	
Debit: FERC Account 114 – Electric Plant Acquisition Adjustments	\$96,194,000	
Credit: FERC Account 108 – Accumulated Provision - For Depreciation of Electric Utility Plant		\$24,637,000
Credit: FERC Account 102 – Electric Plant Purchased or Sold		\$637,205,000
 <i>Record 2019 amortization of acquisition adjustment – Total Company⁴</i>		
Debit: FERC Account 406 – Amortization of Electric Plant Acquisition Adjustments	\$1,719,517	
Credit: FERC Account 115 – Accumulated Provision for Amortization of Electric Plant Acquisition Adjustments		\$1,719,517

¹ Proposed Transaction is subject to a working capital adjustment to be reflected in final accounting entries upon consummation of Proposed Transaction.

² Includes a water supply agreement.

³ Entry represents current book value of Mankato I and Mankato II, forecasted to May 31, 2019.

⁴ Entry represents the estimated 2019 amortization of the acquisition adjustment assuming the Proposed Transaction closes on June 1, 2019, with an amortization term for \$29,984,873 of the acquisition adjustment associated with the existing Mankato I gas generator over an estimated useful life through December 31, 2046, and an amortization term for \$66,209,127 of the acquisition adjustment associated with common plant over an estimated useful life through December 31, 2054. The estimated annual amortization starting in 2020 using these same assumptions would be \$2,947,743. Retail rate recovery of the acquisition adjustment and the amortization period are subject to approval by the state commissions with jurisdiction over NSPM. If retail rate recovery of the acquisition adjustment is not approved, and the Proposed Transaction closes, the amortization would be recognized in FERC Account 425 – Miscellaneous Amortization.