

E-002/D-93-504 ORDER DEFERRING PROCEEDING AND EXTENDING TIME FOR
DEPRECIATION FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of the Petition of Northern States Power Company for Depreciation Certification for Expected Decommissioning Costs for the Monticello and Prairie Island Nuclear Steam Generating Facilities

ISSUE DATE: October 11, 1993

DOCKET NO. E-002/D-93-504

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PROCEDURAL HISTORY

On June 1, 1993, Northern States Power Company (NSP or the Company) filed its Triennial Review of Nuclear Plant Decommissioning with the Commission as required by the Commission's

On August 2, 1993, NSP filed a letter requesting that the Commission reset its procedural schedule for the triennial filing so that the Commission's decision on any change in the decommissioning accruals is made after the conclusion of the 1994 legislative session.

On August 5, 1993, the Commission issued a notice soliciting comments on the Company's request.

On August 9, 1993, the Minnesota Department of Public Service (the Department) filed comments. The Department recommended that the Commission approve the substance of NSP's triennial filing, but first grant the procedural delay.

On August 10, 1993, Minnesota Energy Consumers (MEC) filed comments recommending, among other things, that the Commission deny NSP's request for a delay in the procedural schedule.

On August 19, 1993, NSP and the Department filed reply comments.

On September 30, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

1. Delay in the Review of NSP's 1994 Decommissioning Accrual Proposal

In its February 25, 1991 Order in Docket No. E-002/D-90-184, the Commission continued to require NSP to file a new decommissioning cost study every three years and promised a full scale review of decommissioning costs, cost recovery mechanisms, and fund accruals following each filing. The current docket has been established to consider that triennial filing, which the Company made on June 1, 1993.

The specific purpose of this special proceeding is to consider whether NSP is setting aside an adequate amount annually to meet reasonable expectations of the actual cost of decommissioning its nuclear power generating plants (Monticello and Prairie Island) at the time that decommissioning is expected to take place.

In its June 1, 1993 filing, NSP proposed a monthly accrual amount for 1994 that was \$716,463 lower than the monthly accrual level reported in the Company's most recent informational letter dated October 1, 1992. The Company stated that the decrease resulted from several changes: a decrease in the escalation rate, a change in the cost estimate, an increase in the Nuclear Regulatory Commission (NRC) minimum in 1993 dollars, and a decrease due to improved external return assumptions.

In a subsequent filing, however, NSP requested that the Commission postpone consideration of its proposal, noting an increase in the uncertainty about implementation of the dry cask storage and long-term operation of the Prairie Island nuclear generating facility. The Company argued that it would be unwise to implement its proposed decrease until the legislature had approved the dry-cask storage project.

Minnesota Energy Consumers (MEC) opposed NSP's request for a postponement. MEC argued that the outcome of the dry cask storage case does not affect main reasons for the proposed decrease: earnings and the rate of inflation. MEC asserted that allowing the current accrual rates to continue would allow NSP to overcollect approximately \$16.1 million annually until the dry cask storage issue is resolved.

The Commission will grant NSP's request to postpone consideration of the proposal to decrease the accrual amount. If the legislature prohibits dry cask storage of spent nuclear fuel at the Prairie Island site, it appears that the Prairie Island units will reach the end of their economic lives much sooner than was expected when the current accrual rate was set or when NSP made its current triennial filing. With a decrease in the number of

years to accrue the required decommissioning costs, a substantial shortfall of such funds is likely to result. Such a shortfall would fall heavily on ratepayers at the time of the early decommissioning. In light of these considerations, a delay in making an accrual decision is appropriate. Adoption of the Company's proposed reduction would provide only a short-term benefit for ratepayers if the legislature's subsequent action shortens the economic life of the Prairie Island plant. In that case, any decrease that ratepayers would experience under the Company's originally proposed accrual plan would simply compound the burden of future ratepayers.

2. Delayed Filing of Depreciation Certification Studies

Utilities request certification of their depreciation rates and practices annually. In support of their proposed depreciation rates, each company must file a depreciation certification study covering all the company's plant in service. Minn. Rules, parts 7825.0500 et seq.

In its August 2, 1993 filing, NSP requested that the Commission delay the time for filing its annual remaining life depreciation study for 1994 until the future of the Prairie Island plant is better known. After requesting this delay, the Company stopped preparation of its entire 1994 depreciation study. At the hearing, the Company asked alternatively that it be allowed to file the part of that study relating to its nuclear facilities (Prairie Island and Monticello) at a later date when the legislature's treatment of the Prairie Island plant is known.

The Commission finds that the fate of the Prairie Island plant is not likely to affect the validity of depreciation figures for the Company's non-nuclear plant. Therefore, it would have been appropriate for the Company to submit the non-nuclear portion of its 1994 depreciation study as originally scheduled. The Commission will direct the Company to proceed to file that information within 60 days of this Order.

With respect to the nuclear facilities, however, the Commission finds that the future life of the Prairie Island facility may be so substantially affected by the legislature's action that it is reasonable to delay filing the Prairie Island portion of the depreciation study until after that treatment is known. In addition, the Commission accepts for this purpose the Company's assertion that the depreciation treatment of its other nuclear facility (Monticello) is so interrelated with the fate of the Prairie Island facility that it makes sense for the Company to prepare and file depreciation figures for both facilities at the same time. Therefore, the Commission will grant the Company's request to delay filing depreciation proposals for those two facilities.

ORDER

1. Northern States Power Company's (NSP's or the Company's) request that the Commission reset its procedural schedule for the Company's triennial filing so that the Commission's decision on any change in the decommissioning accruals is made after the conclusion of the 1994 legislative session is granted.
2. Within 60 days of this Order, NSP shall file its 1994 petition for depreciation certification and attendant depreciation study with respect to all plant other than its two nuclear facilities: Monticello and Prairie Island.
3. Within 60 days after the Governor signs into law the legislation emerging from the 1994 legislature regarding NSP's Prairie Island nuclear facility, the Company shall file its 1994 depreciation proposals regarding its Monticello and Prairie Island facilities.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

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