

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye Chair  
Ellen Gavin Commissioner  
Marshall Johnson Commissioner  
Phyllis Reha Commissioner  
Gregory Scott Commissioner

In the Matter of Northern States ISSUE DATE: JUNE 3, 2003  
Power Company d/b/a Xcel Energy's DOCKET NO. E,G002/D-03-230  
Request for Approval of the Remaining Life ORDER CERTIFYING DEPRECIATION  
Depreciation Study for 2003 RATES AND METHODS

**PROCEDURAL HISTORY**

On February 18, 2003, Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company) filed its annual 2003 remaining-life (RL) depreciation study based on its review of depreciation rates under Minnesota Rules, parts 7825.0500-7825.0900. The Energy Division of the Minnesota Department of Commerce (Department) examined the study, including the Company's remaining lives, interim retirement and salvage rates. The Department recommended approval except for the proposed increase in depreciation expense for the Pathfinder nuclear facility decommissioning costs.

No party opposed approval.

The Commission placed and approved this docket on its consent calendar agenda.

**FINDINGS AND CONCLUSIONS**

The depreciation study submitted by the Company used the remaining life (RL) technique of straight line depreciation to calculate depreciation accruals, as required by Minnesota Rules, part 7825.0800. The study used accepted methods to determine the remaining life and interim retirement and salvage rates of the Company's property accounts. The Commission finds the resulting depreciation rates to be reasonable, proper, and adequate under Minnesota Statute section 216B.11 and Minnesota Rules, part 7825.0600 except for the proposed increase in depreciation expense for the Pathfinder Steam Plant decommissioning costs.

The Company proposes that the current remaining lives for all electric and gas production and gas storage facilities remain in effect and be adjusted only for the passage-of-time except for the Allen S. King Plant, the Black Dog Structures and Improvements, and the Grand Forks Gas Peak Shaving Plant.

Xcel Energy requested to adjust its remaining lives based upon its analysis. The Company's records support the proposed adjustments. The Company proposed that the remaining life for the Allen S. King Plant be increased by three years. The RL will then approximately coincide with the proposed 2007 in-

service date of the new steam turbine, pollution control equipment, and significant boiler reconstruction work. At that time, the Company will propose a new RL for the refurbished plant.

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Xcel Energy also proposed to increase the RL of the Structures and Improvements account (E311) associated with its Black Dog units (3, 4, and 5) from six to 29 years. Since the structure is a common facility for more than one unit, the longest RL was proposed.

Additionally, the Company proposed to increase the RL of its Grand Forks Peak Shaving Plant by five years. The RL of the plant has been at zero since January 1, 1991. Xcel Energy proposed to use the salvage rates as previously used for the plant.

The Company reviewed interim retirement and salvage rates as part of the annual depreciation rate review. As a result, Xcel Energy proposed no changes to the interim retirement and salvage rates except for a three-year (2003\_2005) extension to the electric utility Pathfinder Plant recovery period for the estimated additional cost associated with the removal of contaminated materials that remain at the site.

Based on the Department's review, the changes to the remaining lives, interim retirement and salvage rates are supported by analysis and reasonable except for the proposed increase in depreciation expense for the Pathfinder nuclear facility decommissioning costs. The Commission will approve Xcel Energy's requested service lives, interim retirement and salvage rates, and resulting depreciation rates as proposed, except for the removal expense associated with the Pathfinder Steam Plant.

Based on the Department's recommendations, the impact to depreciation expense for 2003 is a net decrease of \$7,398,820 (a \$7,413,219 decrease for the electric utility and a \$14,399 increase for the gas utility). This decrease reduces depreciation expense for financial statement purposes but does not impact current rates.

Based on the Department's recommendation, the Commission will require an in-depth study of the electric utility salvage rates in Xcel Energy's next RL study due February 17, 2004.

The depreciation rates and methods certified in this Order are binding on all future rate proceedings and will remain in effect until the next depreciation certification or until otherwise changed by the Commission (Minnesota Rules, part 7825.0900). Specific dollar amounts of gross plant, depreciation reserve, annual accrual, and dollars to be allowed as additional depreciation are subject to audit, however, and the inclusion of items in this Order for depreciation purposes does not guarantee their inclusion in rate base for ratemaking purposes.

The depreciation lives and rates approved in this Order for all the plants and components include the Prairie Island facility. The Commission recognizes that legislation may affect the figures approved for that facility and that Xcel may be making a filing in the near future updating or amending the Prairie Island information to reflect current conditions.

**ORDER**

1. The Commission certifies the following depreciation rates on the basis of the depreciation petition submitted by Xcel Energy.

| Acct. No.                      | Remaining Life                      | Estimated Future Net (Years) | Salvage (%) |
|--------------------------------|-------------------------------------|------------------------------|-------------|
| <b>Electric Utility</b>        |                                     |                              |             |
| <b><u>Steam Production</u></b> |                                     |                              |             |
| <b>Black Dog 3 &amp; 4</b>     |                                     |                              |             |
| E311                           | Structures & Improvements           | 29 .0                        | -20         |
| E312                           | Boiler Plant Equipment              | 5 .0                         | 0           |
| E314                           | Turbogenerators                     | 5 .0                         | 0           |
| E315                           | Accessory Electric Equipment        | 5 .0                         | 0           |
| E316                           | Miscellaneous Power Plant Equipment | 5 .0                         | 0           |
| <b>High Bridge</b>             |                                     |                              |             |
| E311                           | Structures & Improvements           | 5 .0                         | -20         |
| E312                           | Boiler Plant Equipment              | 5 .0                         | 0           |
| E314                           | Turbogenerators                     | 5 .0                         | 0           |
| E315                           | Accessory Electric Equipment        | 5 .0                         | 0           |
| E316                           | Miscellaneous Power Plant Equipment | 5 .0                         | 0           |
| <b>Allen S. King</b>           |                                     |                              |             |
| E311                           | Structures & Improvements           | 5 .0                         | -40         |
| E312                           | Boiler Plant Equipment              | 5 .0                         | 0           |
| E314                           | Turbogenerators                     | 5 .0                         | 0           |
| E315                           | Accessory Electric Equipment        | 5 .0                         | 0           |
| E316                           | Miscellaneous Power Plant Equipment | 5 .0                         | 0           |
| <b>Minnesota Valley</b>        |                                     |                              |             |
| E311                           | Structures & Improvements           | 2 .0                         | -20         |
| E312                           | Boiler Plant Equipment              | 2 .0                         | 0           |
| E314                           | Turbogenerators                     | 2 .0                         | 0           |
| E315                           | Accessory Electric Equipment        | 2 .0                         | 0           |
| E316                           | Miscellaneous Power Plant Equipment | 2 .0                         | 0           |
| <b>Red Wing</b>                |                                     |                              |             |
| E311                           | Structures & Improvements           | 4 .5                         | -20         |
| E312                           | Boiler Plant Equipment              | 4 .5                         | 0           |
| E314                           | Turbogenerators                     | 4 .5                         | 0           |
| E315                           | Accessory Electric Equipment        | 4 .5                         | 0           |
| E316                           | Miscellaneous Power Plant Equipment | 4 .5                         | 0           |
| <b>Riverside Unit 7</b>        |                                     |                              |             |
| E311                           | Structures & Improvements           | 11 .8                        | -20         |
| E312                           | Boiler Plant Equipment              | 11 .8                        | 0           |

E314 Turbogenerators 11 .8 0  
 E315 Accessory Electric Equipment 11 .8 0  
 E316 Miscellaneous Power Plant Equipment 11 .8 0  
 Riverside Unit 8  
 E312 Boiler Plant Equipment 5 .9 0  
 E314 Turbogenerators 5 .9 0  
 E315 Accessory Electric Equipment 5 .9 0  
 E316 Miscellaneous Power Plant Equipment 5 .9 0

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| Acct. No.  | Remaining Life                | Estimated Future Net | Salvage (%)        |
|------------|-------------------------------|----------------------|--------------------|
| <u>No.</u> | <u>Class of Utility Plant</u> | <u>(Years)</u>       | <u>Salvage (%)</u> |

Sherco I & II

E311 Structures & Improvements 11 .8 -20  
 E312 Boiler Plant Equipment 11 .8 0  
 E314 Turbogenerators 11 .8 0  
 E315 Accessory Electric Equipment 11 .8 0  
 E316 Miscellaneous Power Plant Equipment 11 .8 0

Sherco III

E311 Structures & Improvements 17 .4 -20  
 E312 Boiler Plant Equipment 17 .4 0  
 E314 Turbogenerators 17 .4 0  
 E315 Accessory Electric Equipment 17 .4 0  
 E316 Miscellaneous Power Plant Equipment 17 .4 0

Wilmarth

E311 Structures & Improvements 4 .5 -20  
 E312 Boiler Plant Equipment 4 .5 0  
 E314 Turbogenerators 4 .5 0  
 E315 Accessory Electric Equipment 4 .5 0  
 E316 Miscellaneous Power Plant Equipment 4 .5 0

Nuclear Production

Monticello

E321 Structures & Improvements 7 .7 0  
 E322 Reactor Plant Equipment 7 .7 0  
 E323 Turbogenerators 7 .7 0  
 E324 Accessory Electric Equipment 7 .7 0  
 E325 Miscellaneous Power Plant Equipment 7 .7 0

Prairie Island

E321 Structures & Improvements 4.8 0  
 E322 Reactor Plant Equipment 4.8 0  
 E323 Turbogenerators 4.8 0  
 E324 Accessory Electric Equipment 4.8 0  
 E325 Miscellaneous Power Plant Equipment 4.8 0  
 Prairie Island- Interim Storage Facility  
 E321 Structures and Improvements 4.8 0

Hydro Production

Hennepin Island

E331 Structures & Improvements 29.0 -10  
 E332 Reservoirs, Dams, & Waterways 29.0 -15  
 E333 Waterwheels, Turbines, & Generators 29.0 5  
 E334 Accessory Electric Equipment 29.0 5  
 E335 Miscellaneous Power Plant Equipment 29.0 5

Lower Dam

E331 Structures & Improvements 29.0 -10  
 E332 Reservoirs, Dams, & Waterways 29.0 -15

Upper Dam

E332 Reservoirs, Dams, & Waterways 29.0 -15  
 E335 Miscellaneous Power Plant Equipment 29.0 5

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| Remaining | Estimated              |         |             |
|-----------|------------------------|---------|-------------|
| Acct.     | Life                   | Future  | Net         |
| No.       | Class of Utility Plant | (Years) | Salvage (%) |

Alliant Tech

E344 Generators 6.8 0

Other Production

Angus C. Anson

E341 Structures & Improvements 16.8 0  
 E342 Fuel Holders 16.8 0  
 E344 Generators 16.8 0  
 E345 Accessory Electric Equipment 16.8 0  
 E346 Miscellaneous Power Plant Equipment 16.8 0

Black Dog 5

E341 Structures & Improvements 29.0 0  
 E342 Fuel Holders 29.0 0  
 E344 Generators 29.0 0

E345 Accessory Electric Equipment 29.0 0  
 E346 Miscellaneous Power Plant Equipment 29.0 0

Blue Lake

E341 Structures & Improvements 5.0 0  
 E342 Fuel Holders 5.0 0  
 E344 Generators 5.0 0  
 E345 Accessory Electric Equipment 5.0 0  
 E346 Miscellaneous Power Plant Equipment 5.0 0

Granite City

E341 Structures & Improvements 4.0 0  
 E342 Fuel Holders 4.0 0  
 E344 Generators 4.0 0  
 E345 Accessory Electric Equipment 4.0 0  
 E346 Miscellaneous Power Plant Equipment 4.0 0

Inver Hills

E341 Structures & Improvements 5.0 0  
 E342 Fuel Holders 5.0 0  
 E344 Generators 5.0 0  
 E345 Accessory Electric Equipment 5.0 0  
 E346 Miscellaneous Power Plant Equipment 5.0 0

Key City

E341 Structures & Improvements 4.0 0  
 E342 Fuel Holders 4.0 0  
 E344 Generators 4.0 0  
 E345 Accessory Electric Equipment 4.0 0  
 E346 Miscellaneous Power Plant Equipment 4.0 0

United Health Care

E344 Generators 5.5 0

United Hospital

E344 Generators 14.7 0

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| Acct. No. | Remaining Life         | Estimated Future Net | Salvage (%) |
|-----------|------------------------|----------------------|-------------|
| No.       | Class of Utility Plant | (Years)              |             |

West Faribault

E341 Structures & Improvements 4.0 0  
 E342 Fuel Holders 4.0 0  
 E344 Generators 4.0 0  
 E345 Accessory Electric Equipment 4.0 0

E346 Miscellaneous Power Plant Equipment 4 .0 0

## **Gas Utility**

### Gas Production

#### Maplewood

G305 Structures & Improvements 6 .0 -10

G311 LP Gas Equipment 6 .0 15

G320 Other Equipment 6 .0 10

#### Sibley

G305 Structures & Improvements 4 .0 -10

G311 LP Gas Equipment 4 .0 15

G320 Other Equipment 4 .0 10

#### Wescott

G305 Structures & Improvements 5 .5 -10

G311 LP Gas Equipment 5 .5 10

G320 Other Equipment 4 .0 0

#### Grand Forks

G305 Structures & Improvements 5 .0 -10

G311 LP Gas Equipment 5 .0 10

G320 Other Equipment 5 .0 0

### Gas Storage

#### Wescott

G361 Structures & Improvements 5 .5 -10

G362 Gas Holders 5 .5 5

G363 Purification Equipment 5 .5 5

G363.1 Liquefaction Equipment 4 .0 5

G363.2 Vaporizing Equipment 25 .0 5

G363.3 Compressor Equipment 4 .0 10

G363.4 Measuring & Regulating Equipment 4 .0 0

G363.5 Other Equipment 4 .0 0

2. Accruals to the depreciation reserve for each account shall be calculated by taking the original cost of depreciable property in the account, subtracting its estimated future net salvage and its associated depreciation reserves, and dividing the difference by the estimated RL of the surviving plant in the account.

3. In the event any class of plant shall become fully depreciated by the use of these rates, then no further depreciation accrual for such class of plant shall be made.

4. By February 17, 2005, the Company shall file an annual depreciation report based on its annual review of RLs and interim retirement and salvage rates. The Company shall use plant and reserve

balances as of December 31, 2003 to estimate 2004 accruals. The next five-year depreciation study for the RL accounts is due by February 17, 2004 including an in-depth study of the electric utility salvage rates.

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5. Xcel Energy shall provide in its next RL petition a schedule and narrative of the differences between the electric generation plant lives in its most recent resource plan and the electric generation plant lives in its remaining life depreciation petition.

6. The RLs and interim retirement and salvage rates certified by this Order are effective January 1, 2003.

7.7. Along with its remaining life study due in February 2005, Xcel shall include an in-depth analysis of its salvage rates.

The Commission agrees with and adopts the recommendations of the Department of Commerce which are attached and hereby incorporated in the Order.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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