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Xcel Energy

Docket No.: EL14-016

Response To: SDPUC Data Request No. Informal 1

Requestor: Brittany Mehlhaff

Date Received: March 31, 2014

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Question:

Please explain the accounting treatment for the costs already incurred for the Hollydale project that will occur if the MN PUC grants the requested withdrawal of the Certificate of Need and Route Permit applications. Will some costs be transferred to a new project and capitalized and other costs expensed?

Response:

At this point we do not expect to make any change in the accounting treatment for the costs already incurred for the Hollydale project if the MN PUC grants the request for withdrawal of the Certificate of need and Route Permit applications. While the granting of our request will extend the regulatory permitting phase of the project, and ultimately the completion of facilities under this project, we do expect that facilities will eventually be permitted and constructed. The nature of those facilities and the routing of any transmission line components will impact the permitting requirements and may eventually define the accounting treatment. Potential accounting treatments include: 1) transfer incurred project costs to O&M and close existing Hollydale project accounts; 2) apply incurred project costs to an interim-solution project designed to alleviate the transmission congestion in the Hollydale area in the short term; or 3) continue accruing Hollydale project costs as we work to submit revised Certificate of Need and Route Permit applications to the MPUC. If Options 2 or 3 were to be selected, costs would be transferred to a new project and capitalized. If Option 1 were selected, costs would be expensed. We will provide an update to the SDPUC if and when there is a change in the accounting treatment for this project.

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