

## Staff Briefing Papers

**Meeting Date**    **December 11, 2025**

**Agenda Item 6\***

**Company**            Northern States Power Co. d/b/a Xcel Energy

**Docket No.**        G-002/MR-25-357

**In the Matter of the Petition of Xcel Energy for Approval of a New Base Gas Cost for Interim Rates**

**Issues**              Should the Commission approve the proposed new base cost of gas?

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✓ **Relevant Documents**

**Date**

Xcel Energy – Initial Filing

October 31, 2025

Department of Commerce – Comments

November 12, 2025

Xcel Energy – Reply Comments

November 17, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

## Table of Contents

I.	INTRODUCTION .....	1
II.	BACKGROUND .....	1
III.	LEGAL STANDARDS.....	1
IV.	DISCUSSION.....	1
A.	Xcel Energy – Initial Filing .....	1
B.	Department of Commerce – Comments .....	2
1.	Demand Cost of Gas.....	2
2.	Commodity Gas Costs .....	3
3.	Total Gas Cost .....	4
4.	Tariffs .....	4
5.	Department Recommendations .....	4
C.	Xcel Energy – Reply Comments .....	4
V.	STAFF ANALYSIS .....	5
VI.	DECISION OPTIONS .....	6

## I. INTRODUCTION

To coincide with the implementation of interim rates in its general rate case filing,<sup>1</sup> Northern States Power Company d/b/a Xcel Energy (Xcel Energy or the Company) filed its petition and requested approval to establish a new base cost of gas (BCOG) and reset the purchased gas adjustment to zero.

This miscellaneous filing matches Xcel Energy's proposed interim retail billing rates with the gas costs used to calculate the Company's proposed interim rate revenue. This filing eliminates the purchased gas adjustment (PGA), which represents the difference between Xcel Energy's current base costs approved in Docket No. G-002/GR-23-413, and the new base gas costs used in Xcel Energy's current general rate filing in Docket No. G-002/GR-25-356.

## II. BACKGROUND

On October 31, 2025, Xcel Energy filed a general rate case under Docket No. G-002/GR-25-356. On the same day, Xcel Energy filed a new base cost of gas under Docket G-002/MR-25-357 to coincide with the January 1, 2026 implementation of interim rates in the general rate case.

On November 12, 2025, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments recommending that the Commission approve Xcel Energy's Base Cost of Gas filing, subject to review of the demand entitlement and costs information requested in Reply Comments.

On November 17, 2025, Xcel Energy filed reply comments accepting the Department's recommendations.

## III. LEGAL STANDARDS

Minnesota Rules, Part 7825.2700, subd. 2, requires a utility to petition for a new base cost of gas, submitted as a miscellaneous rate change, to coincide with the implementation of interim rates during a general rate proceeding. This rule requires that "The base cost of gas must separately state the commodity base cost and the demand base cost components for each class."<sup>2</sup>

## IV. DISCUSSION

### A. Xcel Energy – Initial Filing

Xcel Energy proposed recovery of test-year demand gas costs of \$107,265,739 and commodity

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<sup>1</sup> Docket No. G-002/GR-25-356.

<sup>2</sup> See 7825.2700 PURCHASE GAS CHARGES, AUTOMATIC ADJUSTMENT. Minnesota Administrative Rules.  
<https://www.revisor.mn.gov/rules/7825.2700/>

gas costs of \$327,688,053. Thus, when the proposed demand costs and commodity costs of gas are added together, these result in total gas costs of \$434,953,792.

## **B. Department of Commerce – Comments**

### **1. Demand Cost of Gas**

The Department reviewed Xcel Energy's Petition for consistency with the calculations in the rate case. The Department's analysis indicated that the information is consistent between the rate case and the base cost of gas filing. However, the Department found it unclear whether Xcel Energy calculated its demand cost of gas using the demand entitlement units filed on November 1, 2024 in Docket No. G-002/M-24-271 and approved by the Commission on June 23, 2025, the demand entitlement units filed in Docket No. G-002/M-25-67, or based on some future demand entitlement units.

The Department recommended that Xcel Energy, in Reply Comments, explain how it calculated the demand gas costs and identify the demand entitlement unit petition(s) and units that were used in their demand gas cost calculations.

The Department noted that the Company has also used the design-day and associated jurisdictional allocations from the Company's most recent information from its demand entitlement filing in Docket No. G-002/M-25-67 (Docket 25-67) filed on August 1, 2025 and supplemented on October 31, 2025.

Finally, in its review of demand costs, at this time the Department found no inconsistencies between the sales forecast reported in the rate case filing and that which was presented in the base cost of gas Petition.

The Department noted that Commission Staff in its August 25, 2017 Briefing Papers on CenterPoint Energy's base cost of gas filing in Docket No. G-008/MR-17-591, stated the following:<sup>3</sup>

Staff points out that commodity gas costs, although recovered dollar for dollar, is a component of total revenue and total revenue is either a component or the "driver" for various test year estimates such as bad debt expense, late payment fees and storage costs. For instance, proposed test year bad debt expense is calculated as 0.96% of firm revenue; therefore, a 10% fluctuation (\$43.645 million) in commodity gas costs would impact bad debt expense by \$419,000.

The Department noted that the Commission has required companies during previous base cost of gas proceedings, to provide updated BCOG information reflecting changes in commodity and

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<sup>3</sup> Staff briefing papers are available in eDockets.

demand costs.<sup>4</sup>

Thus, the Department recommended that Xcel Energy provide updated cost of gas information in this proceeding and in its companion general rate case. The Department recommended that the Commission should require Xcel Energy to work with Commission and Department Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Xcel Energy's BCOG and reflected in the accompanying general rate case. The update(s) should be filed in both this docket and in the general rate case.<sup>5</sup> Additionally, when the Company files its final base cost of gas pursuant to Minn. R. pt. 7825.2700, subp. 2, the cost of gas in that filing should equal the cost of gas approved for use in the general rate case.<sup>6</sup>

## 2. Commodity Gas Costs

The Department noted that Xcel Energy estimated its commodity costs based on a combination of market indicators. The forecast is based on the New York Mercantile Exchange (NYMEX) for the first two years, and then transitions into blending for years 3 and beyond using a simple average of the NYMEX (25%), Wood Mackenzie (37.5%) and S&P Global (37.5%) forecasts to develop a composite forecast.<sup>7</sup>

The Department compared these estimated commodity cost rates to current NYMEX market expectations and concluded that, currently, the rate estimates are appropriate.

Additionally, the Department stated that, after estimating commodity costs for its customers, Xcel Energy calculated the estimated Weighted Average Cost of Gas (WACOG) for each customer class.<sup>8</sup> Xcel Energy calculated its total gas cost recovery amount by multiplying monthly test-year sales amounts by the monthly projected WACOG price, resulting in no difference.<sup>9</sup> Xcel Energy expects total 2026 commodity costs to be \$327,688,053.<sup>10</sup>

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<sup>4</sup> See for example, the Commission's December 5, 2017 *Order Setting New Base Cost of Gas for Interim Rate Period* in Docket No. G-011/MR-17-564, September 29, 2017 *Order Setting New Base Cost of Gas* in Docket No. G-008/MR-17-591, and December 18, 2019 *Order Setting New Base Cost of Gas* in Docket No. G-008/MR-19-525, respectively.

<sup>5</sup> Docket No. G-002/GR-25-356.

<sup>6</sup> Minn. R. pt. 7825.2700, subp. 2, states in part: "A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding."

<sup>7</sup> Petition, at 3.

<sup>8</sup> Petition, Attachment A at 1-2.

<sup>9</sup> See Xcel Energy's rate case filing in Docket 25-356, Direct Testimony of Michelle M. Terwilliger, Exhibit \_\_\_\_ (MMT-1), Schedule 5. The total commodity costs are embedded in the calculations and are approximately \$327,688,053. In Petition Attachment A, they are approximately \$327,688,053 resulting in no difference.

<sup>10</sup> Petition, Attachment A at 1-2.

### 3. Total Gas Cost

The Department noted that there is no discrepancy between the test year total cost of gas of \$434,953,792 (demand cost of \$107,265,739 plus commodity cost of gas of \$327,688,053) and rate case total gas cost of \$434,953,792 and concluded that the total gas costs are acceptable.

### 4. Tariffs

Xcel Energy provided its proposed updated tariff sheets in both clean and redlined versions as Attachment D to the Petition. The Department reviewed the proposed tariff sheets and concluded that the proposed changes correctly update the base cost of gas values in accordance with the calculations contained in Attachments A through C of the Petition. As a result, both the clean and redlined versions of the tariff sheets are acceptable.

### 5. Department Recommendations

The Department recommended that Xcel Energy's base cost of gas filing be approved, subject to the Department's review of the demand entitlement and costs information requested in Reply Comments, and that Xcel Energy be required to:

- Explain in Reply Comments how it calculated the demand gas costs and identify the demand entitlement unit petition(s) and units that were used in their demand gas cost calculations.
- Provide updated cost of gas information in this proceeding and in its companion general rate case; and
- Work with Commission and Department Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Xcel Energy's base cost of gas and reflected in the accompanying general rate case. The update(s) should be filed in both this docket and in the general rate case.

#### C. Xcel Energy – Reply Comments

Xcel Energy stated that its demand gas costs were calculated using the contracted demand entitlement rates and the design day demand units included in Xcel Energy's 2025 demand entitlement filing.<sup>11</sup>

Xcel Energy identified two differences between the demand cost calculations in its base cost of gas filing versus the demand entitlement filing. First, the base cost of gas filing includes approximately \$14 million in interstate storage capacity costs, while the demand entitlement filing, consistent with a previous Commission order,<sup>12</sup> classifies these costs as commodity

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<sup>11</sup> Docket No. G-002/M-25-67, August 1, 2025 Petition. Costs effective January 1, 2026.

<sup>12</sup> Docket No's. G-002/M-07-1395, G-002/M-08-1315, G-002/M-09-1287, G-002/M-10-1163, G-002/M-11-1076, G-002/M-12-862, and G-002/M-13-663, Ordering Paragraph 4, June 9, 2014.

charges. Secondly, the base cost of gas filing reflects an additional \$4 million in increased NNG rates for the full 2026 calendar year, whereas the demand entitlement filing period (November 2025 through October 2026) includes two months at the prior, lower rates.

Xcel Energy agreed to the Department's recommendations to provide updated cost of gas information in both this docket and the companion general rate case. Additionally, Xcel Energy agreed to work with Commission and Department staff to determine the appropriate timing and whether the updated information should be applied to both the base cost of gas and rate case filings.

## V. STAFF ANALYSIS

Staff notes that commodity gas cost, although recovered dollar for dollar, is a component of total revenue and total revenue is either a component or the "driver" for various test year estimates such as bad debt expense, late payment fees and storage costs. For instance, a 10% fluctuation to the proposed \$434,953,792 base cost of gas, would impact bad debt expense<sup>13</sup> by \$217,477.<sup>14</sup>

Thus, as recommended by the Department, due to the commodity gas costs' impact on various test year estimates, if the Commission requires Xcel Energy to provide updated cost of gas information throughout this proceeding as a check on the reasonableness of the amount forecasted for the test-year, the Company should be instructed to make the filings under both this docket and the general rate case docket.

In response to the Department's request for additional information, Xcel Energy explained how its demand gas costs were calculated in the base cost of gas Petition. Since this information was provided at the end of the comment period, the Commission may want to offer the Department an opportunity to respond.

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<sup>13</sup> Xcel Energy's 2026 Test Year proposed bad debt ratio is 0.50 percent. See Howard Direct at 40, Docket No. G-002/GR-25-356.

<sup>14</sup>  $\$434,953,792 \times 10\% \times 0.50\% = \$217,477$ .



## VI. DECISION OPTIONS

### **Base Cost of Gas**

1. Approve Xcel Energy's Base Cost of Gas as filed. [Xcel Energy]
2. Do not approve Xcel Energy's Base Cost of Gas.

### **Updated Commodity Costs**

3. Require Xcel Energy to file updated information on the commodity cost of gas both in this proceeding and in the general rate case in Docket No. G-002/GR-25-356. Direct the Company to work with the Department and Commission Staff to determine the appropriate timing for providing this information and whether this updated information should be applied to Xcel Energy's base cost of gas. [Department, Xcel Energy]
4. Do not require Xcel Energy to provide updated information on the commodity cost of gas.