



414 Nicollet Mall
Minneapolis, MN 55401

April 14, 2025

—Via Electronic Filing—

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
TRANSMISSION COST RECOVERY RIDER
DOCKET NO. E002/M-24-371

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Reply Comments in response to the April 3, 2025 Comments of the Department of Commerce, Division of Energy Resources.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact Nathan Kostiuk nathan.c.kostiuk@xcelenergy.com or me at rebecca.d.eilers@xcelenergy.com or 612-339-5570 if you have any questions regarding this filing.

Sincerely,

/s/

REBECCA EILERS
MANAGER, REGULATORY AFFAIRS

Enclosure
cc: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Audrey C. Partridge	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF NORTHERN STATES
POWER COMPANY PETITION FOR
APPROVAL OF THE 2025 TRANSMISSION
COST RECOVERY RIDER

DOCKET NO. E002/M-24-371

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits these Reply Comments to the Minnesota Public Utilities Commission (Commission) in response to the April 3, 2025 Comments of the Department of Commerce, Division of Energy Resources. In Comments, the Department requested we provide additional information about the initial approved costs for the three new transmission projects included in the Rider, as well as a comparison of initial forecast to actual costs related to the Hosting Capacity Analysis (HCA) project in our Reply Comments.

In this Reply, we provide the requested approved costs along with citations to the associated Commission Orders where those costs were initially presented for the Brookings Second Circuit, Bayfront to Ironwood, and MISO LRTP2 Alexandria to Big Oaks projects and provide a discussion of actual HCA project costs, which are less than the initial proposed budget.

REPLY COMMENTS

I. TRANSMISSION PROJECTS - APPROVED COSTS

The Department requested the Company provide in Reply the initial costs and Commission Orders approving the three new transmission projects: Brookings Second Circuit, Bayfront to Ironwood, and MISO LRTP2 Alexandria to Big Oaks.

The approved costs by project and their respective associated Orders are provided in Table 1 below.

Table 1
Approved Costs

Project	Initial Forecast	2025 TCR Petition Forecast¹	Variance %	Commission Order
Brookings Second Circuit	\$102.0 million	\$99.2 million	-3%	August 15, 2023; E002/CN-23-200 ²
Bayfront to Ironwood	\$132.0 million	\$167.3 million	27%	Certificate of Public Convenience and Necessity on April 15, 2022 in PSCW Docket No. 4220-CE-183.
MISO LRTP2 Alexandria to Big Oaks	\$134.60-\$143 million	\$133.8 million	-1%	October 30, 2024 in Docket Nos. E002,E017,ET2,E015,ET10/ CN-22-538 and E002,E017,ET2,E015,ET10/ CN-23-159; MISO approval July 2022 (MTEP 21)

The costs presented in our TCR filing for two of the projects, Brookings Second Circuit and MISO LRTP2 Alexandria to Big Oaks, are forecasted to be less than the costs presented in their respective project approval dockets. The Bayfront to Ironwood project costs are forecasted to be more than the costs presented in the project approval docket. We discuss the cost variance for the Bayfront to Ironwood project in more detail below.

On April 15, 2022, the Public Service Commission of Wisconsin (PSCW) issued its Final Decision authorizing Northern States Power Company – Wisconsin (NSPW) to construct the Bayfront to Ironwood project. On November 13, 2024 NSPW filed a letter to inform and get PSCW approval of cost increases, scope changes, and schedule delays to the project.

The Final Decision contemplated a project cost of \$132 million, including Allowance for Funds Used During Construction (AFUDC). Upon detailed review of project costs and design options, NSPW updated the cost estimate in its November 13 filing to \$199.5 million, including AFUDC, which is 51 percent more than the cost outlined

¹Total forecasted spend as reflected in Attachment 3b, including internal labor, from Petition in Docket No. E002/M-24-371.

² The CapX Brookings transmission line was granted a permit by the South Dakota Public Utilities Commission (SDPUC) in Docket No. EL10-016, with the permit approving a second circuit on the South Dakota portion of the line. This project was approved for recovery by the SDPUC in the Company’s South Dakota Transmission Cost Recovery Rider filing in Docket No. EL23-026.

in the Certificate of Public Convenience and Necessity (CPCN) application and approved by the PSCW in the Final Decision.

The primary reasons for the increase from \$132 million to \$199.5 million are a more developed understanding of the totality of rock excavation and materials and labor necessary to complete this project along with inflationary pressures (both on labor and material). Labor increases include foundation drilling crews, transmission line crews and additional substation coordination work.

When presenting the updated project scope and cost to the PSCW, NSPW requested a determination by no later than July 2025, so as not to miss the construction season in the northern part of the service territory. The Company will update the Commission regarding decisions made by the PSCW related to the Bayfront to Ironwood project's cost and scope in our next TCR proceeding. We note that costs through 2025 which are at issue in the current TCR proceeding are less than the initial project scope costs of \$132 million, so application of a cost cap does not change recovery of the 2025 revenue requirements.

II. HOSTING CAPACITY ANALYSIS (HCA) COSTS

In Comments, the Department requested the Company explain whether any of the HCA costs included in the 2025 forecasted revenue requirements in the instant Petition exceed the values included in Department Table 5, which were originally presented by the Company in our previous TCR Rider in Docket No. E002/M-23-467.

At the time of our TCR filing, total project costs, excluding internal labor, were \$841,590. The HCA costs included in the 2025 forecasted revenue requirements do not exceed the total included in Table 5 of the Department's Comments. Due to system constraints, the Company is not able to track actual project spend to the line items as presented in Table 5, so we are not able to produce a line-by-line comparison of forecast to actual costs.

The Department noted in Comments that the estimated HCA costs include a 50 percent contingency, which they indicate is significant. In our Petition, we explain that this project initially had a 100 percent contingency applied. The Company included this contingency percentage because initially we did not have experience developing project scope for this new type of project. The Company's standard practice in those cases is to include significant contingency until we better understand project scope and costs, and we can refine the forecast amount as we proceed with the project. After Phase 1 was completed, the project team re-evaluated the entire scope of the

project with additional information and analysis. The team determined that less development was necessary, which reduced the contingency and therefore the overall project cost. The HCA project was completed and placed into service in December 2024, and its final project cost is less than the initial project cost presented in our 2022 Hosting Capacity Program Report. The Company will present the final cost of this project and its impact to the TCR in our next TCR filing.

CONCLUSION

We appreciate the opportunity to provide these Reply Comments. We respectfully maintain our request that the Commission approve the Company's TCR Petition.

Dated: April 14, 2025

Northern States Power Company

CERTIFICATE OF SERVICE

I, Victor Barreiro, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

DOCKET No. E002/M-24-371

Dated this 14th day of April 2025

/s/

Victor Barreiro
Regulatory Administrator

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