

Staff Briefing Papers—Volume III Sales Forecast

Meeting Date June 12, 2026 (Oral Arguments) Agenda Item 1***
June 18, 2026 (Deliberations)

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

Docket No. E-002/GR-24-320

In the Matter of the Application by Xcel Energy for Authority to Increase Rates in the State of Minnesota

Issues

1. Should the Commission adopt the recommendations in the ALJ Report
2. If not, what level of revenue is appropriate for Xcel Energy during the test year?
3. How should that revenue be collected from customers?

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✓ Relevant Documents

Date

See Volume 0

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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.

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DISCUSSION

I. Sales Forecast

All Sales Forecast Issues outlined in this Volume are undisputed.

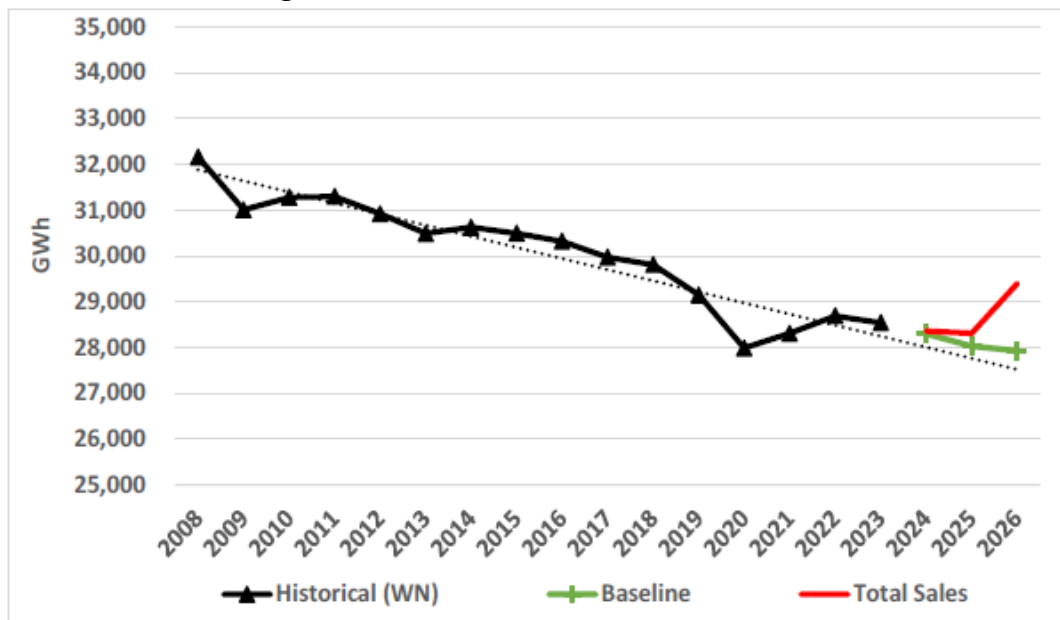
A. Customer and Sales Forecast Introduction

1. Parties Arguments

a. Xcel Energy- Direct

Xcel Energy’s forecast yields relatively flat “baseline” sales with increasing numbers of customers for 2025 and 2026.¹ Baseline sales exclude growth from EVs and large data centers. Although the customer count increases from 2025 to 2026, baseline sales are projected to remain relatively flat through 2026. These results are a continuation of the long-term trend in sales since 2008 with sales reductions from energy efficiency, Demand Side Management (DSM) and Distributed Generation (DG) offsetting organic and demographic growth. Beyond baseline growth, Xcel expects EV adoption and new large data center growth within the Company’s service area to generate new sales. Figure 1 below depicts the baseline and forecasted sales through 2026.

Figure 1: Weather Normalized Retail Sales²



Recent and projected sales, including the stronger contribution of EV sales and Data Centers in 2026, are shown in Table 1 below.

¹ Ex. Xcel-29 at 2-8. (Levine Direct)

² *Id.* at 6.

Table 1: Projected Sales³

Year	Sales (MWh)	% Change from 2023	% Change from 2021-2023 Average
2021-2023 Average	28,828,881		
2023	28,538,799		
2025 projected	28,309,961	(1.4)%	(1.8)%
2026 projected	29,397,905	1.03%	1.02%

Xcel's customer and sales forecasts rely on historical and forecasted economic and demographic variables for Minnesota and the Minneapolis-Saint Paul metropolitan area, as provided by IHS Markit, a respected economic forecasting firm serving Xcel since the 1990s. Minnesota Gross State Product (GSP) and employment are expected to continue a moderate rate of growth over 2025-2026. The effect of the COVID-19 pandemic lingers as Commercial and Industrial sales for 2023 remain about 5 percent below 2019 levels. On the other hand, Weather normalized residential sales remained at elevated levels, about 4 percent above those of 2019.

Overall, Xcel attributed the long-term declining sales trend to 1) DSM achievements, 2) customer-driven energy savings, 3) DG solar, and 4) large customers reducing operations, leaving the Company's service territory, or installing their own generation. Additionally, some observed effects of COVID-19 were expected to continue to impact sales in 2025-2026.

B. Forecast Accuracy

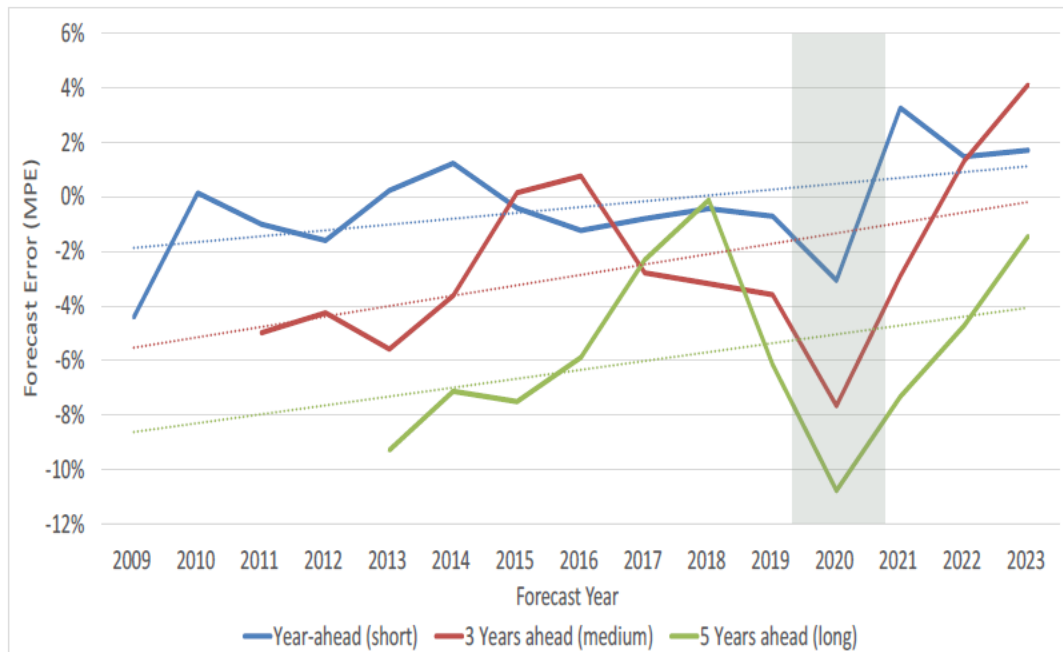
1. Parties Arguments

a. Xcel Energy - Direct

Xcel analyzed its sales forecasts dating back to 2008 for accuracy compared to actuals.⁴ The Company found that weather-normalized sales averaged slightly lower than forecast. However, in recent years the forecasts tended to under-forecast. Accuracy is measured over three timeframes—short-term (1 year ahead), medium-term (3 years ahead), and long-term (5 years ahead). Over the 15-year period, the medium- and long-term forecasts have improved the most on average, as illustrated in the following figure. Figure 2 shows plots of historical forecast accuracy errors, including the green-shaded period representing the unexpected impact of COVID-19 in 2020.

³ Ex. Xcel-29 at 6. (Levine Direct)

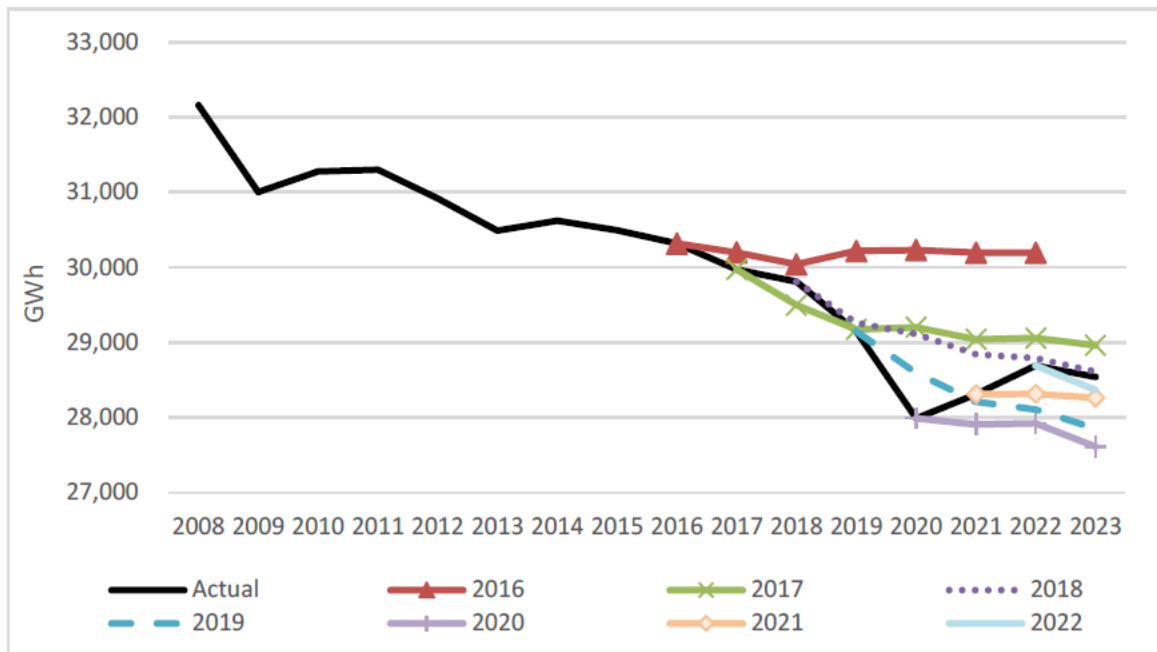
⁴ *Id.* at 8-12.

Figure 2: Historical Forecast Accuracy Error⁵

Based on forecast results, Xcel concluded that its forecast accuracy has improved since 2008. As would be expected, average forecast accuracy for shorter terms is better than that of the longer-term.

Xcel noted that forecast accuracy impacts rates set in a rate case because while rates are fixed in the proceeding, actual rates fluctuate according to the magnitude of the accuracy error. For example, all else equal, a modestly overstated sales forecast benefits customers because the per kilowatt hour (kWh) charge is set at a lower rate than the actual rate. This result also means that rates will be set at a level insufficient to allow the Company to recover its cost of service. Forecast accuracy, as shown in Figure 3 below, shows improvement since 2012 for a few reasons. The largest contributor to forecast variances in recent years was the COVID-19 induced recession. Actual industrial and commercial sales fell more than the increase in residential sales due to the stay-at-home orders, among other causes.

⁵ Ex. Xcel-29 at 9. (Levine Direct)

Figure 3: MN Total Weather Normalized Retail Electric Sales Forecasts⁶

Xcel believed its sales forecast variance is within an acceptable range as measured by MWh variance and on a percentage basis. Xcel claimed that its recent forecasts are more accurate than its past forecasts, citing comparison between its own forecasts and those in Itron's Benchmark Survey of utilities. According to the survey of 90 utilities in 2021 to 2023, the average one-year ahead total system energy forecast variance ranged from 1.8 to 3.1 percent while Xcel's one-year ahead variance averaged 1.7 percent.

b. Department - Direct

The Department reviewed Xcel's sales forecast, data, and methodology.⁷ The Commission's 2013 MYRP Order required Xcel to submit an analysis of the historical accuracy of its short-term, medium-term, and long-term forecasts. The Department took issue with Xcel's conclusion that on average its forecasts tend to modestly overstate actual sales, and that this overstatement would benefit customers. The Department noted that the modest overstatement of the forecast could result in overstating the need for additional resources and result in higher cost recovery.

The Parties had no further comment on the topic of forecast accuracy. Staff considers the issue of forecast accuracy resolved by virtue of the Department's general sales forecast recommendation.⁸

⁶ Ex. Xcel-29 at 11. (Levine Direct)

⁷ Ex. DOC-14 at 5-10. (Shah Direct)

⁸ *Id.* at 3-4.

C. Sales Forecast True-Up Proposal

1. Parties Arguments

a. Xcel Energy - Direct

Xcel proposed a sales forecast true-up to account for updates to its initial actual weather normalized sales and customer counts.⁹ The initial sales forecast for the 2026 plan year was completed in July 2024 using actual data through May 2024. The Company planned to file revised forecasts by February 1, 2026. The updates would consist of actual 2025 figures for the 2025 test year and revised figures for the 2026 plan year. The revised forecasts would follow the same methodologies and assumptions as the initial forecasts, which is the same approach that the Commission has approved in past rate cases. As in the initial filing, raw historical billing month sales data are not adjusted for DSM and DG solar. The updated forecast results in more accuracy since the time between the actual data and the forecast periods is shorter.

Xcel suggested that the updated forecasts with more recent data and a higher degree of accuracy ensures just and reasonable rates, which are beneficial for both ratepayers and the Company.

Xcel argued that a Sales True-up rider benefits ratepayers by absorbing any variances in 2026 actuals related to uncertainties about DG solar, usage of electric vehicles, beneficial electrification of home heating and water heating, and new data center loads. The annual projections for 2025 to 2026 match those proposed in Xcel's initial 2024-2026 Minnesota Electric and Natural Gas Energy Conservation and Optimization Plan (ECO Plan) in Docket No. E,G-002/CIP-23-92.¹⁰ As 2026 actual results unfold with differences against the budget, the Sales forecast True-up helps to ensure that ratepayers pay only the revenue requirement authorized by the Commission.

D. Customer and Sales Forecast

1. Parties Arguments

a. Xcel Energy - Direct

Overview

Xcel's customer and sales forecasts are used to calculate monthly and annual electric supply requirements and projected revenue under present and proposed rates.¹¹ The customer and sales forecasts include the following customer classes:

⁹ Ex. Xcel-29 at 13-16. (Levine Direct)

¹⁰ *In the Matter of Xcel Energy's 2024-2026 Energy Conservation and Optimization Triennial Plan*, Docket No. E,G002/CIP-23-92, 2024-2026 Minnesota Electric and Natural Gas Energy Conservation and Optimization Plan (June 29, 2023)

¹¹ Ex. Xcel-29 at 16-19. (Levine Direct)

- Residential without Space Heating – residential service for domestic purposes excluding space heating;
- Residential with Space Heating – residential service for domestic purposes including space heating;
- Small Commercial and Industrial – commercial and industrial service requiring less than 1,000 kilowatts (kW) billing demand per month on average per year;
- Large Commercial and Industrial – commercial and industrial service requiring 1000 or more kW billing demand per month on average per year;
- Public Street and Highway Lighting – street lighting service available for year-round illumination of public streets, parkways, and highways;
- Other Sales to Public Authorities – public authority service including municipal pumping service and fire and civil defense siren service; and
- Interdepartmental Sales – electric sales made to Xcel Energy gas facilities.

Table 2 below shows total sales and customer forecasts for the 2025 test year and the 2026 plan year. Total projected 2025 test year retail sales of 28,309,961 MWh show a 0.8 percent decline from weather-normalized 2023 sales of 28,538,799 MWh. Xcel also projected 2026 plan year retail sales to increase 3.8 percent from 2025 to 29,397,905 MWh, with the increase primarily due to new data center customers. The average annual growth rate of electric retail sales over the 2025-2026 period is projected to be 2.3 percent.

Total retail customers are projected to increase from 1,365,984 customers in 2023 to 1,414,480 customers in 2026, an increase of 1.2 percent.

Table 2: Total Retail Sales and Customer Forecasts (2025-2026)¹²

Year	Sales (MWh)	Year-End Customers
2025	28,309,961	1,398,911
2026	29,397,905	1,414,480

The projected 1.2 percent growth rate in retail customers is in line with the historical trend. Annual retail customer counts from 2020 through 2023 grew by 1.1 percent, or about 14,987 customers per year. The residential class, which makes up 89 percent of total customers, has been the primary driver of customer growth for Xcel, averaging 1.2 percent annual growth per year for the same period.

Table 3 below summarizes customer counts growth rates. Growth in retail customer counts shows a structural break between the 2009 to 2019 period and the post 2019 period. In the earlier period, annual growth averaged 0.8 percent, whereas the latter period averaged 1.2 percent growth, with residential customer counts growing the fastest.

¹² Ex. Xcel-29 at 18. (Levine Direct)

Table 3: 2009-2026 Year-End Percent Change in Customers¹³

Year	Residential	Commercial & Industrial	Street Lighting	Public Authority	Total Retail
2009-2019 Avg	0.7%	0.6%	4.5%	0.0%	0.7%
2020-2023 Avg	1.2%	0.5%	2.7%	-7.4%	1.1%
2024 Forecast	1.4%	0.5%	1.4%	0.4%	1.3%
2025 Forecast	1.1%	0.7%	1.6%	-0.4%	1.1%
2026 Forecast	1.2%	0.7%	1.5%	-0.4%	1.1%

Comparison to the 2025 Annual Fuel Forecast and the 2024 Resource Plan Forecasts

Xcel presented a comparison of its 2025-2026 rate case forecast with two earlier forecasts.¹⁴ The earliest forecast, the 2024 Resource Plan forecast, was created in the fall of 2023 using historical data up through May 2023. The latter forecast, the 2025 Annual Fuel Forecast, was created in the first quarter of 2024 using historical data through December 2023. Differences between the forecasts are due to the availability of more recent actual data such as customer sales, weather data, economic and demographic variables. In addition, the rate case forecast incorporates updated assumptions regarding new load additions and reductions. It also incorporates updated forecasts of behind-the-meter solar generation, the impacts of electric vehicle charging, and DSM. The basis for future DSM impacts is Xcel's Minnesota Integrated Resource Plan Supplement.

Table 4 below compares the present 2024 rate case forecast with the 2024 Resource Plan forecast. Table 5 further below compares the present 2024 rate case forecast with the 2025 Annual Fuel Forecast. Specifically, Xcel attributed the differences between these earlier forecasts and the 2024 rate case forecast to assumptions regarding data center load additions, which the Company includes in the large commercial and industrial customer class.

¹³ Ex. Xcel-29 at 19. (Levine Direct)

¹⁴ *Id.* at 31-35.

Table 4: Rate Case Forecast Comparison to Resource Plan (MWh)¹⁵

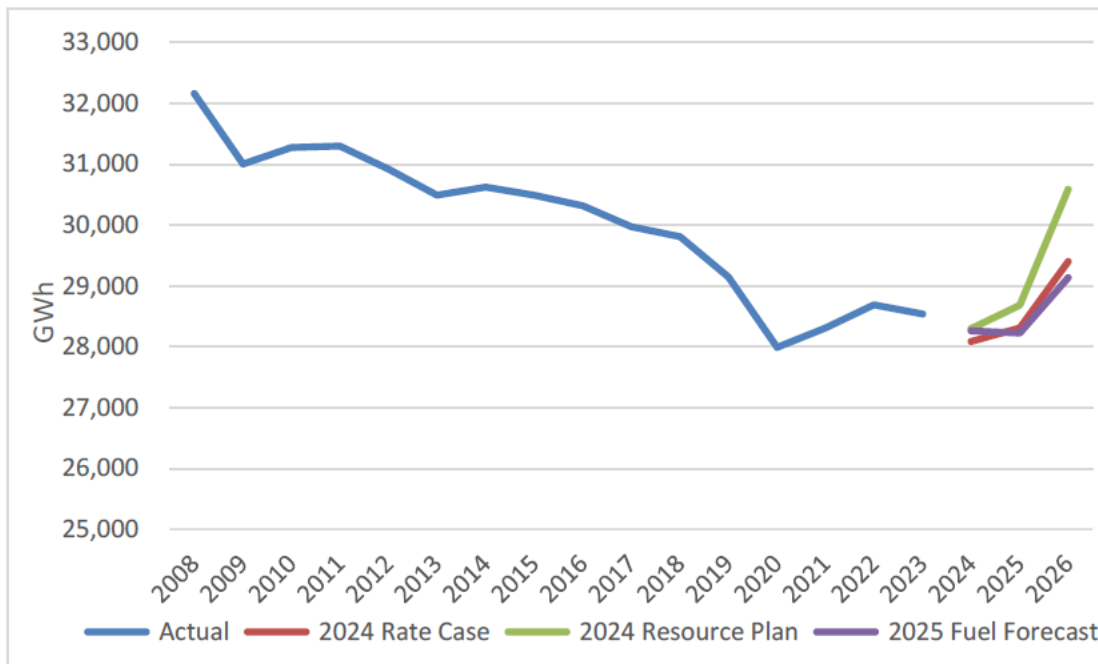
Year	2024 Rate Case	2024 Resource Plan	MWh Difference	% Difference
2025	28,309,961	28,681,053	(371,092)	-1.3%
2026	29,397,905	30,585,358	(1,187,453)	-3.9%

Table 5: Rate Case Forecast Comparison to Annual Fuel Forecast (MWh)¹⁶

Year	2024 Rate Case	2024 Annual Fuel Forecast	MWh Difference	% Difference
2025	28,309,961	28,227,355	82,606	0.3%
2026	29,397,905	29,136,802	261,103	0.9%

Figure 5 below shows the differences in Retail Sales projections between the 2024 Rate Case, the 2024 Resource Plan, and the 2025 Fuel Forecast.

Figure 5: MN Weather Normalized Retail Sales Comparison¹⁷



Residential Class

Xcel’s Residential sales are projected to increase 1.3 percent, from 8,972,840 MWh in 2023 to 9,088,001 MWh in 2026, an average annual rate of 0.4 percent.¹⁸ This is in line with the three-

¹⁵ Ex. Xcel-29 at 33. (Levine Direct)

¹⁶ *Id.* at 33.

¹⁷ *Id.* at 33.

¹⁸ *Id.* at 20-24.

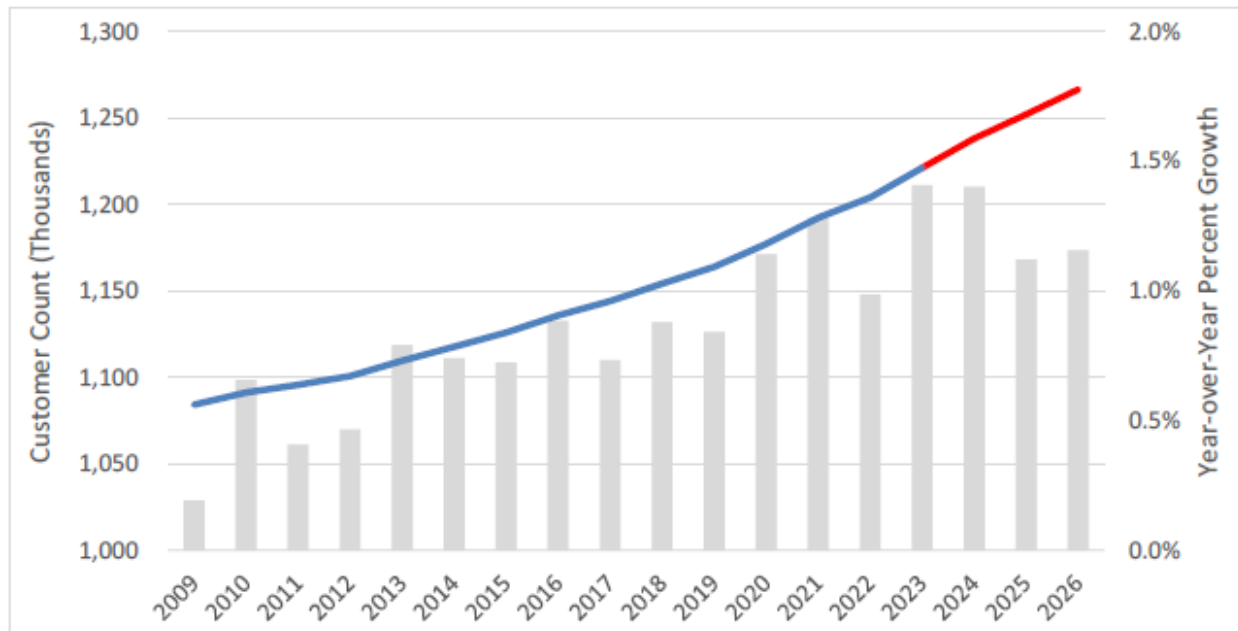
year historical average annual growth rate of 0.3 percent. Figure 6 below shows weather normalized historical sales to residential customers and the 2024-2026 forecast.

Figure 6: MN Residential Sales Forecast¹⁹



The main drivers of Residential class sales growth are recent accelerated customer count growth, and electric vehicle adoption. Xcel is now projecting residential customer count growth exceeding 1 percent to continue in 2025-2026. Figure 7 below shows historical and forecast customer count growth and the year-over-year percent growth rate (grey bars).

¹⁹ Ex. Xcel-29 at 20. (Levine Direct)

Figure 7: Residential Customer Count Growth²⁰

Xcel explained that changes in yearly Residential sales were caused by adjustments in projected DSM and Solar deductions and projected increases in EV and Beneficial Electrification (BE) adaptation. As shown in Table 6 below, Modeled Sales for forecast years 2024, 2025, and 2026 represent the output of Sales Forecast regression models before adjustments for DSM and DG Solar adoption. The Baseline totals show estimated sales adjusted for DSM and DG Solar adoption. Lastly, Total Sales is the sum of Baseline Sales plus estimated EV and BE consumption. Gross Residential baseline 2026 sales would have been 0.8 percent lower than actual 2023 sales with no adjustments for EV and BE consumption. However, projected additions of EV and BE consumption increase total estimated 2026 Residential sales by 0.8 percent, bringing estimated sales in line with the three-year (2021-2023) average historical growth rate of 0.3 percent.

²⁰ Ex. Xcel-29 at 21. (Levine Direct)

Table 6: MN Residential Sales Forecast by Major Component (GWh)²¹

Year	Historical (Weather normalized)	Modeled (Gross of DSM & Solar)	DSM	Solar	Baseline	EV	BE	Total Sales
2015	8,635							
2016	8,652							
2017	8,574							
2018	8,519							
2019	8,532							
2020	8,886							
2021	8,915							
2022	8,860							
2023	8,973							
2024		10,477	(1,325)	(115)	9,037	29	1	9,067
2025		10,459	(1,406)	(133)	8,919	93	5	9,016
2026		10,582	(1,529)	(155)	8,898	179	11	9,088

Staff presents the following Residential sales formula in Table 7 for ease of clarity.

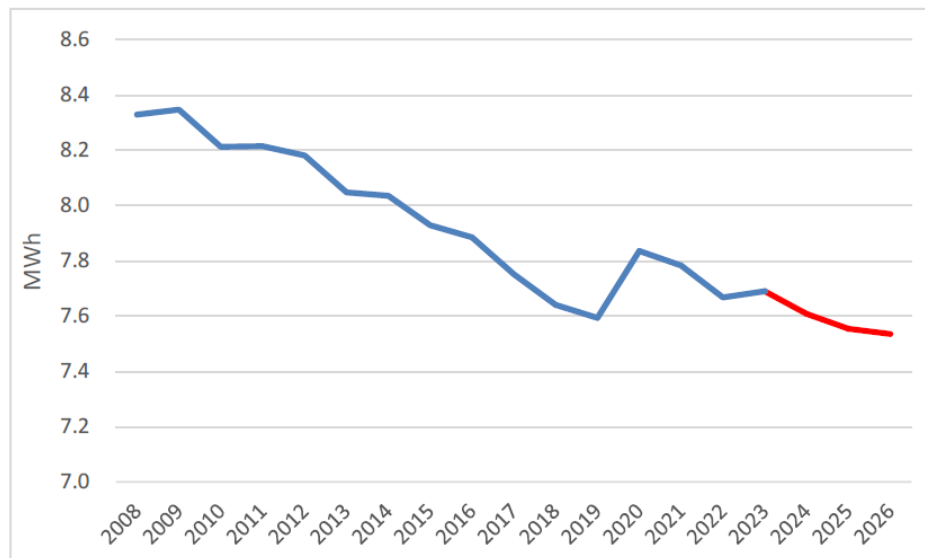
Table 7: Residential Sales Projection Formula by Major Component (2024 Example)²²

Sales Component	2024 (GWh)
Modeled (Gross of DSM and Solar)	+ 10,477
less estimated DSM	(1,325)
less estimated Solar	(115)
Equals Baseline	= 9,037
plus projected EV	+ 29
plus projected Beneficial Electr.	+ 1
Equals Total Residential Sales	= 9,067

Xcel projected Residential Use per Customer (UPC) to continue to decline at an average rate of 0.5 percent in 2025 and 2026, in line with the historical three-year average from 2021-2023). In 2023 weather normalized annual per-customer usage was 7.7 MWh. Annual Residential per customer usage is projected to be 7.6 and 7.5 MWh for 2025 and 2026, respectively, continuing the longer-term declining trend. Figure 8 below shows the long-term declining trend in Residential use per customer.

²¹ Ex. Xcel-29 at 22. (Levine Direct)

²² *Id.* at 22.

Figure 8: Residential User Per Customer²³

Xcel attributed the continued decline in Residential use per customer to Company-sponsored energy efficiency achievements, customer-sponsored energy efficiency achievements, and market-driven conservation outside of Xcel’s programs. For example, in 2023 the U.S. Energy Information Agency estimated household usage to decrease for electric space heating, televisions, refrigeration, and water heaters.

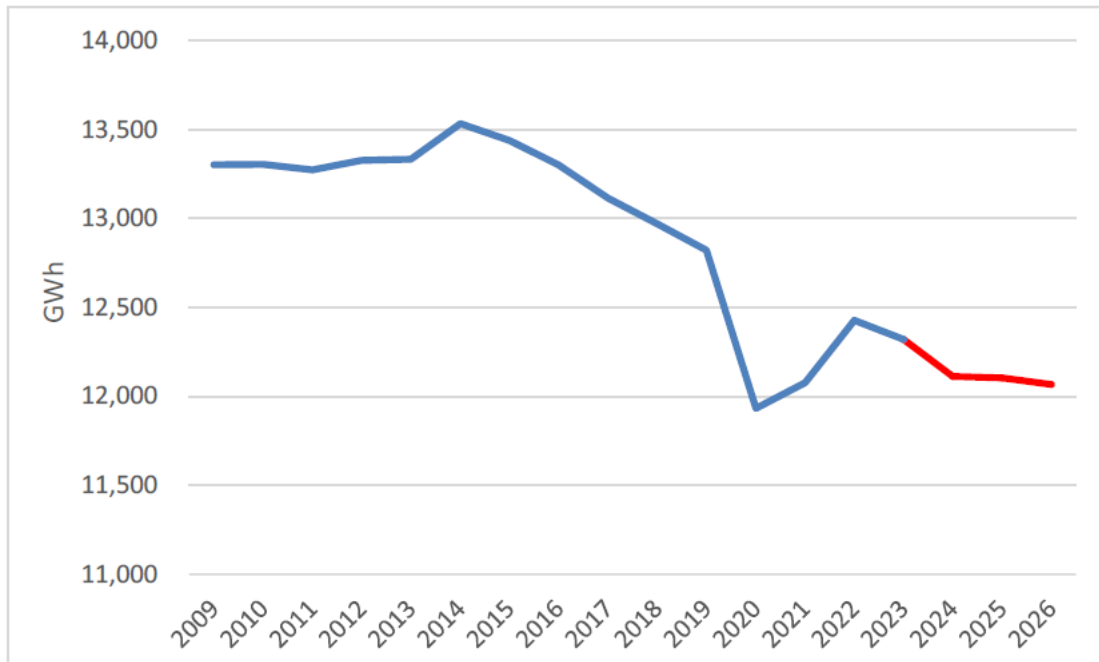
Small Commercial and Industrial

Xcel projected Small Commercial and Industrial customer count growth to return to the pre-COVID-19 trend, forecasted to grow at 0.72 and 0.71 percent for 2025 and 2026, respectively, compared to the 2018-2019 referential time frame of about 0.75 percent.²⁴

Small Commercial and Industrial sales are projected to contract from 12,319,492 MWh in 2023 to 12,103,233 MWh in 2025 and 12,067,289 MWh in 2026. In the post-COVID-19 recovery period of 2021-2-23, electric sales rebounded at a 1.1 percent pace. However, for 2025-2026, sales are projected to decline at -0.2 percent, continuing a longer-term downward trend. Figure 9 below shows historical sales normalized for weather and the 2025-2026 forecast for Small Commercial and Industrial class customers.

²³ Ex. Xcel-29 at 23. (Levine Direct)

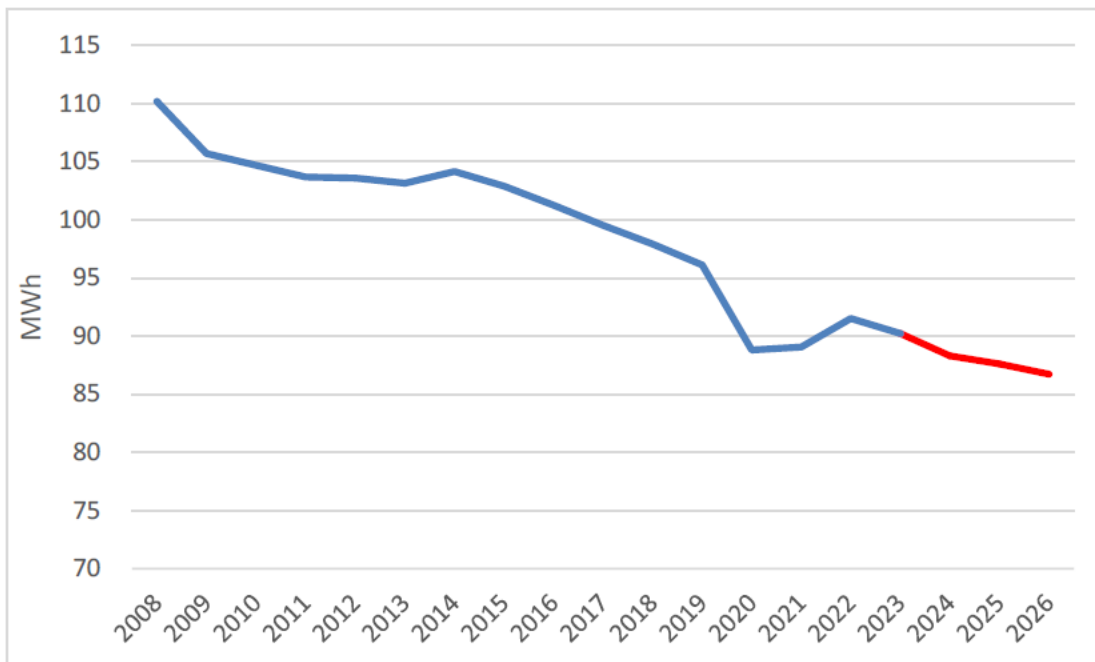
²⁴ *Id.* at 24-28.

Figure 9: Small Commercial and Industrial Sales²⁵

Xcel attributed the projected decrease to continued decline in Use Per Customer resulting from DSM energy savings. Again, the forecast generally follows the longer-term trend outside of the COVID-19 intervention period, with a slight positive deviation in projected EV consumption. Figure 10 below shows the long-term trend in declining Use Per Customer.

²⁵ Ex. Xcel-29 at 26. (Levine Direct)

Figure 10: Small Commercial and Industrial User Per Customer²⁶



Similar to that of the Residential Class above, Table 8 summarizes Small Commercial and Industrial sales by major forecast component. Baseline sales, net of DSM and solar generation, continue to decline at an average annual rate of 0.9 percent. Projected additions of EV and beneficial electrification partially offset losses to DSM and solar. In sum, annual average Small Commercial and Industrial class sales are projected to decline at 0.2 percent over 2025 to 2026.

²⁶ Ex. Xcel-29 at 27. (Levine Direct)

**Table 8: MN Small Commercial and Industrial Sales Forecast
by Major Component (GWh)²⁷**

Year	Historical (WN)	Modeled (Gross of DSM & Solar)	DSM	Solar	Baseline	EV	BE	Total Sales
2015	13,439							
2016	13,300							
2017	13,114							
2018	12,970							
2019	12,822							
2020	11,932							
2021	12,078							
2022	12,428							
2023	12,319							
2024		15,748	(3,378)	(168)	12,202	13	0	12,214
2025		15,742	(3,484)	(192)	12,066	36	1	12,103
2026		15,779	(3,562)	(219)	11,998	68	2	12,067

Large Commercial and Industrial

Xcel projected Large Commercial and Industrial sales are projected to increase from 7,084,321 MWh in 2023 to 8,081,034 MWh in 2026.²⁸ In a departure from the historical trend, Large Commercial and Industrial sales are projected to increase 2.9 percent in 2025 and 14.9 percent in 2026. Xcel includes large data centers in the Large Commercial and Industrial class.

The slight underlying trend in base sales is due to continued energy efficiency gains. After a decrease of 8 percent during the COVID-19 recession, actual Large Commercial and Industrial sales increased only 1.1 percent from 2020 to 2023.

The large 14.9 percent projected increase in Large Commercial and Industrial sales for 2026 is driven by expected commencement of construction, testing, and initial ramping activities for large data centers in the 2025-2026 MYRP period. The Company anticipated additional large data center growth after 2026.

Table 9 below shows the Large Commercial and Industrial sales forecast summarized by major component. Similar to the Residential class above, baseline sales, net of DSM and solar, and Combined Heat and Power (CHP) generation, continue to decline. Baseline sales for 2026 are projected to be 3 percent lower than 2023 sales. However, increases in electric vehicle adoption, new large customer load additions, and a conservative level of beneficial electrification offset declines in baseline sales.

²⁷ Ex. Xcel-29 at 28. (Levine Direct)

²⁸ *Id.* at 28-31.

Table 9: MN Large Commercial and Industrial Sales Forecast by Major Component (GWh)²⁹

Year	Historical (WN)	Modeled (Gross of DSM & Solar)	DSM	Solar, Combo Heat & Power	Baseline	EV	New Large DC Adds	BE	Total Sales
2015	8,210								
2016	8,160								
2017	8,090								
2018	8,128								
2019	7,622								
2020	7,004								
2021	7,158								
2022	7,241								
2023	7,084								
2024		9,211	(1,926)	(387)	6,899	8	7	0	6,914
2025		9,259	(1,986)	(391)	6,882	23	124	1	7,030
2026		9,299	(2,031)	(397)	6,871	51	1,158	1	8,081

Xcel's Economic Development group developed its data center sales forecast assumptions by tracking the stages of development for each project. For each project, the group assigns a probability of final Xcel system connection based on the status of interconnection request submissions, system impact studies, facility studies, interconnection agreements, and procurement of land and equipment. Xcel includes in its data center forecast only those projects that are deemed highly likely and that meet or exceed 5 MW of load. Data center projects less than 5 MW are assumed to be captured by economic indicators in the regression modeling.

Public Street and Highway Lighting

Xcel projected the Street Lighting class forecast to show no change for 2025 and 2026, with sales averaging 88,420 MWh.³⁰ From 2013 to 2020 the installation of more efficient LED lighting decreased load. However, annual sales have remained flat, about 88,000 MWh, since 2021 with no reason to assume sales will change in the future.

b. Xcel Energy - Rebuttal

Updated 2026 Sales Forecast

In Rebuttal Testimony, Xcel discussed a June 2025 updated sales forecast with actual sales and

²⁹ Ex. Xcel-29 at 30. (Levine Direct)

³⁰ *Id.* at 31.

customer count data through May 2025.^{31,32} The Company also included the latest IHS Market outlook, May 2025, into its forecast models. The net effect of the IHS Markit update is mixed and relatively small, with some metrics increasing and others falling. For instance, while the estimate of 2026 Minnesota Real Gross State Product slightly increased, the Minnesota Index for Manufacturing Production fell.

The revised 2025 current outlook is a composite of January to August weather normalized actuals and the 2025 Fall forecast for September to December.³³ Compared to the original 2026 forecast, the revised 2026 forecast showed a 1.4 percent decrease. Residential sales were revised up by 142,382 MWh or 1.6 percent due to recent trends in residential sales and higher projections of electric vehicle and beneficial electrification technology adoption. Revised Small Commercial and Industrial sales fell by 137,248 MWh or 1.1 percent due to updated recent trends in actual sales. Revised Large Commercial and Industrial sales fell by 412,620 MWh, a loss of 5.1 percent due to smaller large customer load additions, weakness in the Minnesota Manufacturing Index, and weaker recent trends. The underlying factor for greater weakness in the Large Commercial and Industrial class is the Company's key account managers' subjective assessments of the timing and magnitude of customer ramps and new details on operational characteristics. Specifically, the 2025 Fall forecast, which serves as the basis for the 2026 forecast indicated deferments of certain large Data Center projects, thus leading to reduced consumption outlooks for 2026. In addition, the Company instituted a reduction in assumed load factors.

c. Department - Surrebuttal

In Surrebuttal Testimony the Department confirmed that, after reviewing the Company's Rebuttal Testimony, Xcel Energy's 2025 Test-Year Sales Forecast was resolved.³⁴

Regarding the 2026 Sales Forecast, the Department recommended the Commission use the updated 2026 Sales Forecast despite deficiencies in the Company's estimated DSM savings analysis and in its unreasonable negative constant regression results.³⁵ For, if the Commission approves continuation of the sales true-up proposal, then Xcel Energy will no longer have to rely on its unreliable models. Furthermore, the Department reiterated that the sales true-up would allow the Company "to recover allowed revenue no matter the reason for the variation in actual revenue."³⁶

³¹ Ex. Xcel-30 at 2-5. (Levine Rebuttal)

³² Ex. Xcel-19 at 24-25. (Halama Rebuttal)

³³ Ex. Xcel-30 at 3-5. (Levine Rebuttal)

³⁴ DOC-15 at 2. (Shah Surrebuttal)

³⁵ *Id.* at 6-7. See the Statistically Modeled Forecasts section and the DSM and DG Treatments section below.

³⁶ *Id.* at 7.

E. Overview of Sales and Customer Forecasting Methodology

1. Parties Arguments

a. Xcel Energy - Direct

Xcel built its 2025-2026 sales forecast on sales and customer counts through May 2024 using a combination of statistical and econometric estimation techniques, as similarly used in prior proceedings.³⁷

The Company used Metrix ND utility forecasting software to produce regression models of customer demand for the Residential without Space Heating, Residential with Space Heating, Small Commercial and Industrial, Large Commercial and Industrial, Public Street Lighting, and the Public Authority classes. Regression modeling, which is well-known and proven in the utility industry, is based on several independent economic, demographic, and weather variables.

Key independent predictor variables are heating degree days (HDD), the temperature-humidity index (THI), and historical numbers of customers. Certain breaks in data trends were estimated with binary variables which change only at the point of the trend break. Monthly data from 2009 through May 2024 were used to create the modeled relationships, which were simulated over the forecast period using the projected levels of the independent predictor variables, including assumed 20-year-averaged HDD and THI.

Xcel forecasted the Public Authorities and Interdepartmental customer classes, with sales of only 0.26 percent of Minnesota retail sales in 2023, based on a two-year historical average of actual data. The averaging method is appropriate for the historical period of the small customer classes. The Company chose the 2022-2023 two-year period instead of the normal three-year period to avoid COVID-19 effects in the 2021 data.

Xcel used demographic data from the Minneapolis-Saint Paul metropolitan area and the state of Minnesota to forecast customer numbers for the Residential without Space Heating, Residential with Space Heating, Small Commercial and Industrial, Public Street and Highway Lighting, and Public Authority classes.

In contrast, for the Large Commercial and Industrial class, the Company used year-end 2023 actual data and new data center data adjusted for expected start dates.

³⁷ Ex. Xcel-29 at 35-38. (Levine Direct)

F. Statistically Modeled Forecasts

1. Parties Arguments

a. Xcel Energy - Direct

Xcel Energy created statistical projections and regression forecasts of sales for each customer class.³⁸ It used various statistical tests, such as R-squared and t-statistics, to validate the regression forecasts. The purpose of these tests is to measure the tightness of fit of the regression to the related data set. Reasonableness of regression forecasts is also measured by the degree of correlation of the independent, predictive statistics with sales outputs.

Model reasonableness was also tested with the Durbin-Watson test statistic for the degree to which residual, unexplained factors carried over, or were correlated, from period to period. A trend in unexplained factors can shift the trends of model results. Visual inspection of the regression line and the actual data points showed that appropriate centeredness and tightness of fit of the regression.

The Company has adjusted sales forecasts for DSM impacts in future years. Past DSM savings are already built into model results. Thus, only future, incremental impacts are included in forecast adjustments. The Company believes the merit of this adjustment is evident since DSM achievements have increased in recent years.

b. Department - Direct

In its review of the Company's Residential (Residential without Space Heating (RES), Residential with Space Heating (RSH), Public Street Highway Lighting (PSHL), and Other Public Authority (OPA)) customer models, the Department observed that they all showed a negative constant term and a perfect R² statistic of 1.00.³⁹ The combination of these results means that, all else constant, there was perfect certainty that Xcel would lose customers, a result contrary to the Company's earlier sales forecast testimony.

In Surrebuttal Testimony, the Department continued to express concern about the validity of the Residential customer count regression models.⁴⁰ After the 2025 and 2026 sales forecast updates, model results continued to yield negative constants and perfect R² statistics of a value of 1.00, which imply that Xcel Energy expected to continue to lose customers. However, Xcel Energy continued to increase its customer counts. The burden of proof for model results rests with the Company.

Nonetheless, the Department concluded that if the Commission approves the continuation of the sales true-up proposal, then the Department would recommend that the Commission use

³⁸ Ex. Xcel-29 at 38-42. (Levine Direct)

³⁹ DOC-14 at 18-19. (Shah Direct)

⁴⁰ DOC-15 at 6. (Shah Surrebuttal)

Xcel's updated 2026 plan year sales forecast as the baseline for any future true-up. This change would mean that the sales true-up would depend on actual 2026 sales data rather than unreliable regression models.

G. Weather Normalization of Sales Forecast

1. Parties Arguments

a. Xcel Energy - Direct

For Residential without Space Heating, Residential with Space Heating, and Small Commercial and Industrial, sales were not weather adjusted prior to developing respective quantitative statistical models.⁴¹ Each sales-predictive regression model employed HDD and THI as weather-explanatory variables. The sales forecast projections during the forecast period were based on normalized weather conditions.

Xcel did not weather-normalize volumes for the Large Commercial and Industrial, Public Street Lighting, Public Authority, and Interdepartmental classes. These classes historically have consumed electricity based on factors internal to the company as well as external factors such as hours of daylight, but show little day-to-day variation based on weather.

Xcel calculated normal weather based on the average of historical HDD and THI for a 20-year period 2004 to 2023, a method the Commission has accepted over several previous rate cases.⁴²

Xcel collected weather measurements from its geographic territory. HDD and THI weather data was obtained from the NOAA Minneapolis-St. Paul weather station, which is within a 100-mile radius of more than 90 percent of Xcel's customers. HDD and THI coefficients accurately reflect the geographic distribution of Xcel's Minnesota customers. This geographic distribution is not expected to change in 2025 to 2026; therefore, it is reasonable to continue to use these historical coefficients and weather data.

In summary, Xcel's weather normalization methodology is the same as the final methodology used in its last electric rate case.

b. Department – Direct

In Information Request No. 501 the Department requested that Xcel update the prefiled Department Information Request Nos. 1 through 3 and 5 through 19 to reflect the time period for actual sales and customer counts through May 2025.⁴³ Xcel responded in the Information Request that all items have been updated. The Company has also updated any and all weather-

⁴¹ Ex. Xcel-29 at 38-45. (Levine Direct)

⁴² *Id.* 43-45.

⁴³ DOC-14, SS-D-2, page 1. (Shah Direct)

normalized sales and calculations through May 2025.

c. Xcel Energy - Rebuttal

Further, in Rebuttal Testimony Xcel concluded, based on its response to Department Information Request No. 501 (immediately above) that the Department supported the Company's proposal to update its 2025 sales forecast with 2025 weather normalized actuals.⁴⁴ Xcel Energy stated it would also provide 2025 actual and weather normalized sales and customer counts by February 1, 2026 for parties to use in calculating the final 2025 test year revenue deficiency.⁴⁵ On January 30, 2026 Xcel Energy, submitted actual electric sales and customer counts by major customer class for January through December 2025.⁴⁶

H. Data Preparation

1. Parties Arguments

a. Xcel Energy - Direct

Xcel obtained billing-month sales and customer count data for the 15 years covering June 2009 through May 2024.⁴⁷

Xcel's source of economic and demographic data was IHS Markit, a reputable and widely used data provider. Variables included were population, households, total employment, real personal income per capita, and the Minnesota Industrial Production Index, Total Manufacturing. IHS Markit provides forecast data, which is not available from public sources. Such a third-party vendor removes any appearance of bias in contrast to the Company gathering its own data from public sources.

Xcel validated IHS Markit data by documenting how historical data and variables are calculated and derived. Also, the Company provided a comparison of IHS Markit data and original historical data when possible. It also worked with IHS Markit to obtain satisfactory explanations for any differences between the two sources of information.

I. DSM and DG Treatments

1. Parties Arguments

a. Xcel Energy - Direct

Xcel removed the impact of actual DSM, CHP, customer-initiated generation, and DG solar achievements from historical sales to more accurately show total customer demand regardless

⁴⁴ Ex. Xcel-30 at 2. (Levine Rebuttal)

⁴⁵ *Id.* at 2.

⁴⁶ See Xcel Energy Compliance Filing, 2025 Actual Sales Data, January 30, 2026.

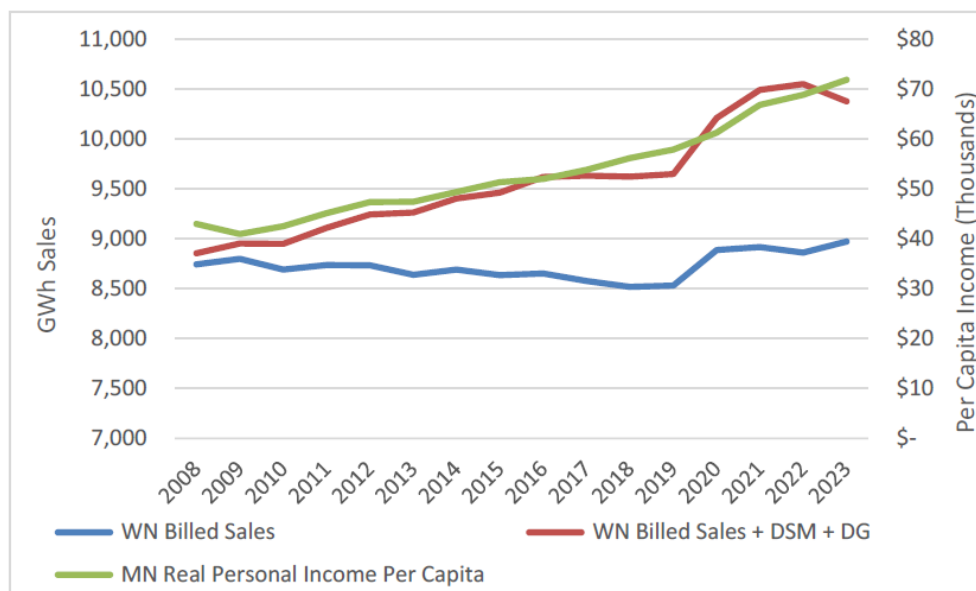
⁴⁷ Ex. Xcel-29 at 45-47. (Levine Direct)

of source.⁴⁸ These adjustments maintain the causal relationship between energy requirements and independent economic and demographic variables in the regression models. In addition, adding back these demand modifiers allows the Company to maintain the consistency of historical data series so that any post-regression adjustments may be confidently applied from a consistent baseline of actual historical data.

The electric utility industry may employ several methods to account for DSM and customer generation effects. In the first method, the net actual data series is adjusted for these usage reductions by adding additional representative independent variables to the regressions. The difficulty with applying this method comes from finding accurate and suitable independent variables that account for these effects.

A second common method, the “add-back” method, which Xcel employed, is to add back DSM achievements before running the regression models. Thus, the regression model results start from a historically common baseline from which any expected DSM and DG solar impacts may be applied. The value of the “add-back” method is that the cumulative effects of DSM and DG solar are removed and thus the historical relationship between historical sales growth and growth in the independent economic indicators is restored. Figure 11 below shows the disconnect between real personal income, billed electric sales, and billed electric sales plus DSM and DG achievements, which is total electric consumption. With the inclusion of DSM and DG, the figure shows the historical correlation between real personal income and electricity consumption.

Figure 11: Residential Without Space Heat Sales vs. MN Real Personal Income Per Capita⁴⁹



⁴⁸ Ex. Xcel-29 at 48-50. (Levine Direct)

⁴⁹ *Id.* at 50.

In Xcel’s sales forecast, the term “unbilled sales” arises due to the timing differences between meter-reading dates throughout the calendar month and financial reporting of calendar-month sales.⁵⁰ The unbilled sales adjustment matches projected revenues with relevant projects costs for the monthly financial reporting.

b. Department - Direct

The Department disagreed with Xcel’s decision to apply the “add back” method for DSM adjustments, although the issue is ultimately moot.⁵¹ While agreeing with Xcel on the goal of sales forecast accuracy, the Department argued that the “add back” method remains unreasonable because it would make the sales forecast less accurate. The Department noted that Xcel’s 2015 rate case estimated DSM savings for each subsequent year were much higher than anticipated DSM savings from subsequent rate cases, as Table 10 below shows.

Table 10: Comparison of Estimated and Anticipated DSM Savings (MWh)⁵²

Year	Estimated DSM Savings in Rate Case	Anticipated DSM Savings in Rate Case	Estimated DSM Savings	Anticipated DSM Savings from Most Recent Rate Case
2020	15-826	19-564	996,697	395,257
2022	15-826	20-723	855,643	609,720
2024	21-630	21-630	4,860,011	2,660,270
2024	21-630	24-320	4,095,170	375,276

Variations between Xcel’s earlier, estimated DSM and later, anticipated DSM savings raise concerns about the soundness of its DSM forecasting approach. Early DSM estimates could be revised downward, thus affecting the overall sales forecast and the validity of rates subsequently set. The risk in DSM estimates is due to difficulty in observing this unmeasurable factor. A utility can measure the amount of electricity consumed, but not the amount of electricity avoided or not consumed. Xcel’s method requires an additional DSM forecast in addition to the main sales forecast, thus introducing bias and variation in accuracy. Effectively, DSM estimates are adjustments which are combined with actual sales data, thus diminishing the accuracy of the main sales forecast regression.

Alternatively, the Department recommended that Xcel run its sales forecast regressions on billing-month data, which already includes embedded DSM adjustments, and thus minimizes forecast uncertainty. In past Xcel rate cases, the Department recommended this method, noting that the Company’s DSM savings had been diminishing. For example, in the 2016 test year of a prior Xcel rate case, actual sales turned out to be 1,000,000 MWh less than the forecast, adding about \$60,000,000 to the rate increase for 2016.

⁵⁰ Ex. Xcel-29 at 50-54. (Levine Direct)

⁵¹ DOC-14 at 10-16. (Shah Direct)

⁵² *Id.* at 12.

In summary, the Department noted that a sales true-up, if approved, would resolve any differences in DSM adjustments since Xcel would be allowed to recover the allowed revenue regardless of the reason for the variation in revenue. Furthermore, in response to a Department IR 1-19, the Company stated that in Docket No. E-002/GR-13-868 and subsequent rate cases, it agreed with the Department’s recommendation to use historical billing-month data, with no DSM adjustments, to develop its weather normalization coefficients.⁵³ Thus, the Department concluded that Xcel did not show the reasonableness of adjusting for DSM outside of the sales forecast model.

Similarly, the Department examined Xcel’s EV and BE outside adjustments to the sales forecast and concluded that they also are not reasonable.⁵⁴ Making such outside adjustments would also introduce the same type of uncertainty as in the case of DSM.

c. Department - Surrebuttal

In Surrebuttal Testimony, the Department observed that after Xcel Energy updated its 2025 and 2026 sales forecasts, the Company’s estimated DSM savings changed significantly, as shown in Table 11 below.

Table 11: Xcel Energy’s Various Adjustments to the Sales Forecast⁵⁵

Xcel Adj	2025 (MWh)		2026 (MWh)	
	Initial	Rebuttal	Initial	Rebuttal
DSM	(6,876,301)	(11,647,134)	(7,121,987)	(12,192,843)
Solar	(344,517)	(366,566)	(399,381)	(419,767)
EV	152,024	313,812	297,320	432,952

The Department interpreted the significant changes to mean that the reasonableness of the Company’s estimation approach is concerning. The degree of DSM estimation confidence should be higher to ensure accurate sales forecasts. Moreover, future DSM figures could be subject to change, which could undermine the validity of rates in the rate case.

As in the case of Xcel’s sales forecast accuracy discussed above,⁵⁶ the Department concluded that if the Commission approves the continuation of the sales true-up proposal, then the Department would recommend that the Commission use Xcel’s updated 2026 plan year sales forecast as the baseline for any future true-up. This change would mean that the sales true-up would depend on actual 2026 sales data rather than regressions combined with the inherent uncertainties of DSM adjustments. The DSM issue would then be moot.

⁵³ DOC-14 at 15-16. (Shah Direct)

⁵⁴ *Id.* at 16-17.

⁵⁵ DOC-15 at 5. (Shah Surrebuttal)

⁵⁶ See section F. 1. b. above

J. Forecast Adjustments

1. Parties Arguments

a. Xcel Energy - Direct

Xcel expected electric vehicle electricity consumption to continue to increase, following the trend of the last few years.⁵⁷ Accordingly, the Company has adjusted sales forecasts for the Residential without Space Heat, Small Commercial and Industrial, and Large Commercial and Industrial classes for additional EV charging based on the projection that EVs will represent 2.8 percent of registered vehicles and that related electricity sales will represent 1.7 percent of total Minnesota retail sales.

For the Large Commercial and Industrial class, Xcel projected nine new data centers or data center phases will continue construction or begin to ramp up by 2026. In addition, two large manufacturing and warehouse customers, large solar installations, and one site CHP generation are projected to come on-line. On the negative side, the Company has adjusted sales for additional losses of large customer loads. Xcel assumed in its modeling that 100,000 MWh of lost sales will be realized due to changes in customers' operations, facility relocation outside of the Company's service area, or the addition of CHP operations. These reductions underlie the continued sales trend over recent years based on an analysis of the Company's 50 largest customers.

Xcel also prepared forecasts at the rate schedule level, which for each class aggregate into the class-level forecasts discussed above. Rate schedule level forecasts are developed after the class level forecasts are completed. Forecasted monthly rate schedule sales and customer allocation factors are based on historical sales and customer data patterns.

K. Compliance Requirements

1. Parties Arguments

a. Xcel Energy - Direct

Xcel's September 27, 2024 pre-filing provided extensive data used for the test year sales forecast. The pre-filing also included the following items:⁵⁸

- 1) An explanation of the source and work papers supporting the derivation of each of the data series, and a description and justification for each binary variable used.
- 2) All regression models and results, and a description of regression and statistical methodologies used.

⁵⁷ Ex. Xcel-29 at 54-59. (Levine Direct)

⁵⁸ *Id.* at 59-61.

- 3) A comparison and reconciliation of the input data, forecast model variables, and the test year forecast results to the data, models and forecasts used in the prior rate case, the 2025 Annual Fuel Forecast, and the Upper Midwest Integrated Resource Plan.
- 4) An explanation of any exogenous adjustments made to the forecast.
- 5) An explanation of the unbilled sales estimation process for the test year.
- 6) All data necessary to weather normalize historical calendar-month sales.
- 7) A reconciliation between different sources for historical billing-month sales.

Regarding item 1 above, Xcel conducts an audit of the historical economic and demographic data provided by IHS Markit by comparing publicly available source data with IHS Markit data. The Company explained that differences in data are due to the timing of when the data is accessed, the methodology by which IHS Markit data converted nominal data to deflated data, and extrapolation of the 2020 Census data to more recent years at the metropolitan level. This relatively time-consuming audit process is only used for Minnesota rate case filings and Xcel emphasized that IHS Markit is a well-respected source of data, and it is in their interest to provide trustworthy data.

b. Department - Direct

The Department concluded that Xcel complied with the Commission's compliance requirements set forth in the 2009 and 2010 Rate Case Orders and the 2013 MYRP Order.⁵⁹ Specifically, the Department confirmed that Xcel complied with Commission orders to file its sales forecast 30 days in advance of its rate case filing and with other requirements related to MYRP rate cases.⁶⁰

2. Administrative Law Judge Report

The ALJ found that Xcel Energy's updated forecasts should be used for rate-setting purposes. Specifically, the ALJ stated.⁶¹

227. Test-year sales volumes impact a utility's likely revenue deficiency because sales levels affect both revenues and expenses.

228. Sales volume forecasts also impact the class cost of service study (CCOSS) and rate design. In designing rates, test-year sales volumes are used to allocate costs in the CCOSS, which is then used as guide to establish the revenue apportionment and other aspects of rate design. Moreover, when establishing final rates, the test-year sales volumes are used to determine the overall revenue requirements, as well as the individual tariff rates.

229. In its Initial Filing, Xcel originally forecasted total retail electric sales of 28,309,961

⁵⁹ Ex. DOC-14 at 21. (Shah Direct)

⁶⁰ *Id.* at 5.

⁶¹ ALJ Report - ¶¶ 227-231.

MWh in 2025 – about 1.4 percent lower than 2023 actual sales, followed by a 3.8 percent increase in 2026 to 29,397,905 MWh.²⁵⁵ Xcel attributed this forecasted growth to new large data center loads and increased electric vehicle (EV) adoption.

230. The Department questioned Xcel’s use of post-regression adjustments for Demand Side Management (DSM), EV adoption, and Beneficial Electrification (BE). The Department argued that these adjustments would introduce additional layers of estimation and uncertainty into the forecast. The Department also raised concerns regarding the statistical validity of Xcel’s customer count models.

231. In Rebuttal Testimony, Xcel updated its 2026 sales forecast using actual sales data through May 2025 and the latest IHS Markit economic outlook. The revised projection for 2026 total retail electric sales decreased by 1.4 percent compared to the forecast presented in Direct Testimony.

232. The Department supported Xcel’s proposal to update its 2025 test-year forecast using actual data without any DSM, EV, solar, or BE adjustments. The Department further acknowledged that its concerns with the reliability of Xcel’s 2026 forecast would be similarly resolved by continuation of the company’s sales true-up mechanism which would ensure that 2026 rates reflect actual 2026 sales data.

233. It is just and reasonable to set 2025 final rates using 2025 actual sales, as proposed by the Company, and the Commission should do so.⁶²

3. Staff Comments

Since the Sales Forecast is foundational for determining and allocating the revenue requirement, Class Cost of Service modeling, and Rate Design, accuracy is imperative for just and reasonable service to ratepayers. The market dynamics of Xcel’s territory show, however, opposing forces which make the Sales Forecast difficult to construct. On the one hand, ongoing achievements in DSM, DG, and customer-driving energy savings continue to slightly reduce energy Use Per Customer. Additionally, other factors such as state energy policy and general economic conditions affect the energy decisions of commercial and industrial customers. More recent effects such as EV power demand and emerging large load data customers have the potential to significantly offset the long-term declining trend in energy consumption since 2008. Efforts to improve the accuracy of the Sales Forecast can help the Company to tailor its generation portfolio to the evolving requirements of its customers.

4. Decision Options

3001. Approve Xcel Energy’s updated sales forecasts for 2025 and 2026. (Xcel Energy, Department, ALJ)

⁶² ALJ Report, ¶¶ 227-233.

3002. Require Xcel to file all the documentation to allow for verification of sales, weather normalization, and revenues, consistent with what Xcel has previously provided in its sales true-up compliance filings in the 2020 and 2021 stay out petitions, as well as in its Docket No. 24 E-002/GR-21-630 compliance filings; (Xcel, Department, ALJ)

II. Capacity Revenue Baseline and True-Up

A. Parties Arguments

1. Xcel Energy - Direct

Xcel Energy may dispose of excess electric generation capacity via bilateral contracts or Planning Resource Auctions (PRA) hosted by Midcontinent Independent Systems Operator (MISO).⁶³ The Company budgeted generation capacity revenues for the 2025 test year and the 2026 plan year.

2. Department - Direct

The Department recommended, and the Company agreed, that Xcel Energy should update its 2025 and 2026 forecasts based on MISO PRA results that were not available at the time the initial filing was made.⁶⁴ Xcel Energy only included bilateral and MISO PRA generation revenues for the 2025 test year in its initial filings. However, the Company has since obtained generation capacity revenues for both the 2025 and 2026 forecasts. The Department recommended using these actual generation capacity revenues to update bilateral capacity revenues for both years.

For the January 1, 2025 to May 31, 2025 period, Xcel Energy realized in the MISO PRA a Trade Secret amount of generation capacity revenues. The Department recommended, then, that Xcel Energy use the actual MISO PRA generation capacity revenues for June 1 2025 to December 31, 2025 period to complete both the 2025 estimated test year and the forecasted 2026 plan year budgets.

The Department expected additional revenues for the June 1 to December 31, 2026 update of the 2026 plan to continue into the future as increased power plant retirements and growing electric demand continue to restrict capacity margins in the wider utility industry. Thus, recent actuals serve as a reasonable basis for the 2026 plan year. All generation capacity revenues should be returned to ratepayers because they originally paid for the capacity in current rates and through the Fuel Clause Adjustment (FCA). The Department recommended Trade Secret amounts based on the actual June 1, 2025 to December 31, 2025 PRA update periods.

3. Xcel Energy - Rebuttal

Finally, Xcel noted that the decrease in MISO PRA generation capacity revenues would

⁶³ Ex. Xcel-17 at 12-13. (Halama Direct)

⁶⁴ Ex. DOC-5 at 9-14. (Golden Direct)

contribute to most of the expected \$108.5 million decrease in “Other revenue” compared to the 2024 plan year.⁶⁵ Generation capacity revenues received in the 2022 to 2023 MISO planning year, which served as the basis for the 2024 plan year, were extraordinarily different from historical trends. Thus, the MYRP Forecast shows a return to historical capacity revenues.

4. ALJ Report

The ALJ found that the Commission should approve the Company’s updated capacity revenue amounts to set rates for 2025-2026. Specifically, the ALJ stated:

238. In its Initial Filing, the Company included budgeted amounts for MISO capacity auction revenues and bilateral capacity contracts as a baseline for capacity revenues in the MYRP, together with a capacity revenue tracker so that these revenues can be trued-up to actuals, crediting all revenues to customers.

239. By the time of Intervenor Direct Testimony, the MISO PRA had occurred and additional bilateral contracts were available. The Department therefore recommended updating the baseline for capacity revenues reflecting these changes.

240. The Company agreed with the Department’s updated capacity revenue numbers in its Rebuttal Testimony, and lowered its proposed revenue requirement accordingly.

241. The Commission should approve the Company’s updated capacity revenue amounts for 2025 and 2026 to set rates, subject to true-up in the Company's annual capacity tracker filings, as agreed to by the Company and the Department.⁶⁶

5. Staff Comments

Staff notes that Xcel must balance its prudent interest in maintaining a sufficient reserve margin with opportunities to sell excess capacity to other utilities or MISO.

6. Decision Options

3003. Approve the Company’s updated capacity revenue amounts for 2025 and 2026 to set rates, subject to true-up in the Company's annual capacity tracker filings. (Xcel, Department, ALJ)

⁶⁵ Ex. Xcel-17 at 12-13. (Halama Direct)

⁶⁶ ALJ Report, ¶¶ 238-241.

III. Prairie Island Capacity Revenue

A. Parties Arguments

1. Department – Direct

The Department described the October 2023 Prairie Island outage and its effect on capacity accreditation.⁶⁷ The Commission found that Xcel Energy acted imprudently when excavators severed Prairie Island’s control cables, leading to a 103-day shutdown of the nuclear plant. The Commission asked Parties to investigate any cost effects of the outage in addition to recoveries through the fuel clause adjustment mechanism. The Department believed the outage would also affect the MISO PRA for future years to some unknown degree and asked the Company to comment on this possibility in Rebuttal Comments.

2. Xcel Energy – Rebuttal

Xcel Energy responded by describing the role of MISO in the wholesale energy market.⁶⁸ MISO conducts a resource or capacity accreditation process in which it assigns a capacity value to a resource based on its contribution to system reliability during peak periods of demand. MISO assigns accreditation values by seasons of the year, known as Seasonal Accreditation Capacity (SAC) values, for each generation resource. The Prairie Island resource SAC value varies by season due to temperature differences which affect nuclear generation. The SAC value determines the amount of capacity that Prairie Island may offer into MISO’s annual PRA.

In April of 2025, MISO ran its PRA for the 2025-2026 planning year. After generators submitted their bids and offers, a clearing price for seasonal capacity was established, as shown in Table 12 below:

Table 12: Clearing Prices for the MISO North and Central Regions⁶⁹

Season	(\$/MW-Day)
Summer (June-August)	\$459.10
Fall (September-November)	\$65.22
Winter (December-February)	\$26.20
Spring (March-May)	\$55.20

Extreme variation in clearing prices is due to seasonal differences between demand and capacity. Table 13 shows capacity values used in auctions from 2020-2026. Prior to the 2023-2024 Planning Year, MISO calculated an annual capacity value for Prairie Island. Thereafter, MISO calculated seasonal capacity accreditation values.

⁶⁷ Ex. DOC-1 at 50-51. (Johnson Direct)

⁶⁸ Ex. Xcel-82 . (Detmer Rebuttal)

⁶⁹ *Id.* at 8.

Table 13: Prairie Island Capacity Values Used in MISO Capacity Auctions 2020-2026 (MW)⁷⁰

Unit	PI Unit 1				PI Unit 2			
PY 2020/2021	529.4				524.6			
PY 2021/2022	526.4				527.8			
PY 2022/2023	526.5				526.5			
Season	Summer	Fall	Winter	Spring	Summer	Fall	Winter	Spring
PY 2023/2024	541.2	576.3	576.0	574.5	556.8	551.2	584.6	582.5
PY 2024/2025	551.0	570.8	648.2	618.2	541.3	569.1	647.4	579.0
PY 2025/2026	515.6	517.3	582.9	581.4	518.0	530.9	602.6	537.9

Seasonal variation is the major factor for the large differences in capacity values. MISO adjusts a resource's seasonal tested capacity with an average three-year seasonal adjustment based on the resource's performance during the hours of highest risk (peak hours) within an annual or, in recent years, seasonal period. Forced outages, such as the 2023 Prairie Island event, reduce a resource's accredited capacity value for the relevant time period only. Finally, MISO applies a small system-wide adjustment that may slightly change a resource's seasonal rated capacity.

In conclusion, the October 2023 Outage had minimal impact on Xcel's PRA revenues because October is not in the peak summer period where capacity prices may be 20 times greater than the rest of the year. Xcel estimated the impact on PRA revenues to be about \$171,076 for Planning Year 2025-2026.

3. Department – Surrebuttal

The Department noted that Xcel did not provide the impacts to the PRA revenues for the 2026-2027 Planning Year like it had done for the 2025-2026 Planning Year.⁷¹ Therefore, the Department recommended that the 2025 test year capacity revenues be increased by at least \$171,076 to reflect lost PRA revenues due to the Prairie Island outage. Likewise, the Department recommended that the Commission increase 2026 test year revenues by at least \$171,076 as a placeholder estimate until actual lost capacity revenues can be calculated in future capacity auctions. Further, the Department recommended that Xcel not be allowed to eliminate these lost PRA revenues in its future annual capacity tracker true-up calculations.

4. ALJ Report

The ALJ found that the Commission should approve the inclusion of \$171,000 in lost revenues. Specifically, the ALJ stated:

242. Following the Company's Initial Filing, the Commission determined the Company acted imprudently in causing an outage at the Prairie Island Nuclear Generating Plant (PINGP) and the Commission asked parties to discuss whether that outage should be

⁷⁰ Ex. DOC-1 at 9. (Johnson Direct)

⁷¹ Ex. DOC-2 at 23-25. (Johnson Surrebuttal)

reflected in this case, such as incorporating the impact of any derating by MISO on the Company's capacity revenues.

243. The Company provided Rebuttal Testimony, estimating lost capacity revenues for 2025 of approximately \$171,000 due to this outage.

244. The Department recommended an adjustment increasing revenues in both 2025 and 2026 by \$171,000 to reflect these lost revenues, and the Company agreed to this adjustment.

245. The Commission should adjust the Company's cost of service for both 2025 and 2026 to include \$171,000 in lost revenues due to the PINGP outage.⁷²

5. Staff Comments

In conclusion, Xcel Energy, the Department, and the ALJ agree to an adjustment increasing revenues in both 2025 and 2026 by \$171,076 to reflect these lost revenues.

Staff observes that seasonal variation combined with the timing of forced outages profoundly affects the capacity value of its offerings into the MISO market. This powerful combined effect should motivate the Company to operate Prairie Island in the utmost degree of prudence.

6. Decision Options

3004. Adjust the Company's cost of service for both 2025 and 2026 to include \$171,076 in lost revenues due to the PINGP outage. (Xcel, Department, ALJ)

IV. Generation Capacity Resources

A. Parties Arguments⁷³

1. Xcel Energy – Direct

Xcel described two types of transactions which can generate wholesale margins.⁷⁴ First, asset-based transactions are short-term sales of excess energy or capacity from Company-owned generation assets or power purchase agreements (PPAs) executed to serve Xcel's local load customers. These transactions may be bilateral or sold into the MISO energy market.

Second, non-asset-based transactions are wholesale trading transactions undertaken to obtain margins from purchases and sales of energy or capacity unrelated to Xcel's customer load requirements. These would be purchases and sales of third-party-supplied electricity or other financial transactions that are resold to other market participants.

⁷² ALJ Report, ¶¶ 242-245.

⁷³ See related testimony in Capacity Revenue Baseline and Sales True-up discussions above.

⁷⁴ Ex. Xcel-17 at 44-45. (Halama Direct)

The sales margins of asset-based transactions are passed on to Xcel's customers via the FCA.

In contrast, in recent rate cases all non-asset-based trading margins are retained by Xcel and all fully allocated O&M and IT system-related costs associated with non-asset-based trading margins were excluded from the MYRP, thus resulting in a decrease in MYRP operating expenses.

2. Administrative Law Judge Report

The ALJ found that it is reasonable and appropriate to update the baseline capacity revenues. Specifically, the ALJ stated:

124. Utilities can earn capacity revenues by selling excess generation capacity not needed to serve their own load to other utilities through bilateral contracts or through the Midcontinent Independent System Operator (MISO) capacity auction, also known as the Planning Resource Auction (PRA).

125. The Company's Initial Filing included baseline capacity revenues based on historic revenues. These included capacity revenues obtained from bilateral contracts for 2025 but did not include any capacity revenues from bilateral contracts for 2026. The Company also included capacity revenues obtained from the MISO PRA for 2025 but did not include any amount for 2026.

126. After Xcel's Initial Filing, it obtained additional revenues from bilateral contracts for both 2025 and 2026. The Department recommended Xcel's capacity revenue be updated to reflect these contracts.

127. Xcel also obtained additional revenues from the PRA after its initial filing from the 2025-2026 PRA. Because the 2025-2026 PRA only ran through May 31, 2026, it was reasonable to expect that Xcel would get additional PRA revenue for June 1 through December 31 of that year. The Department recommended using the 2025 PRA capacity revenue figure to estimate the total for the 2026 plan year because recent actual figures provide a reasonable estimate of future expenses, and because this amount is subject to a true-up in Xcel's annual capacity tracker filings.

128. The Company and the Department agreed it is reasonable to update the capacity revenue baseline amounts included in 2025 and 2026 based on the MISO PRA results.

129. It is reasonable and appropriate to update the baseline capacity revenues, subject to true-up in the Company's annual capacity tracker filings, as agreed to by the Company and the Department.⁷⁵

⁷⁵ ALJ Report, ¶¶ 124-129.

3. Decision Options

3005. Update the baseline capacity revenues, subject to true-up in the Company's annual capacity tracker filings. (Xcel, Department, ALJ)

DECISION OPTIONS

Sales Forecast

3001. Approve Xcel Energy's updated sales forecasts for 2025 and 2026. (Xcel Energy, Department, ALJ)
3002. Require Xcel to file all the documentation to allow for verification of sales, weather normalization, and revenues, consistent with what Xcel has previously provided in its sales true-up compliance filings in the 2020 and 2021 stay out petitions, as well as in its Docket No. 24 E002/GR-21-630 compliance filings; (Xcel, DOC, ALJ)

Capacity Revenue Baseline and True-Up

3003. Approve the Company's updated capacity revenue amounts for 2025 and 2026 to set rates, subject to true-up in the Company's annual capacity tracker filings. (Xcel, DOC, ALJ)

Prairie Island Capacity Revenue

3004. Adjust the Company's cost of service for both 2025 and 2026 to include \$171,076 in lost revenues due to the PINGP outage. (Xcel, DOC, ALJ)

Generation Capacity Resources

3005. Update the baseline capacity revenues, subject to true-up in the Company's annual capacity tracker filings. (Xcel, DOC, ALJ)

V. References to the Record**A. Sales Forecast**

Ex. Xcel-29 at 2-61. (Levine Direct)
Ex. Xcel-30 at 2, 2-5. (Levine Rebuttal)
Ex. Xcel-19 at 24-25. (Halama Rebuttal)
Ex. DOC-14 at 5-19, 21. (Shah Direct)
Ex. DOC-15 at 2, 5-7. (Shah Surrebuttal)
ALJ Report Findings of Fact 227-231

B. Capacity Revenue Baseline and True Up

Ex. Xcel-17 at 12-13. (Halama Direct)
Ex. DOC-5 at 9-14. (Golden Direct)
ALJ Report Findings of Fact 238-241.

C. Prairie Island Capacity Revenue

Ex. DOC-1 at 9, 50-51. (Johnson Direct)
Ex. DOC-2 at 23-25. (Johnson Surrebuttal)
Ex. Xcel-17 at 44-45. (Halama Direct)
Ex. Xcel-82 at 8. (Detmer Rebuttal)
ALJ Report Findings of Fact 242-245.

D. Generation Capacity Resources

Ex. Xcel-17 at 44-45. (Halama Direct)
ALJ Report Findings of Fact 124-129.