

January 2, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Comments of the Minnesota Department of Commerce
Docket No. G002/M-24-369

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

Gas Utility Infrastructure Cost Rider True-Up Report for 2023, Updated Costs for 2024, Revenue Requirements for 2025, and Revised Adjustment Factors.

The Petition was filed by Northern States Power Company, doing business as Xcel Energy on October 31, 2024

The Department recommends **approve the current petition, including the 2023 true-up factor, updated costs for 2024, revenue requirements for 2025, revised adjustment factors, and require certain compliance filings updates for 2025 GUIC Rider factors from the Company after approval of the G002/GR-23-413 gas rate case.** The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Peter Wyckoff, Ph.D.
Deputy Commissioner, Division of Energy Resources

MNZ/ar
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. G002/M-24-369

I. INTRODUCTION

The Gas Utility Infrastructure Costs (GUIC) Recovery Rider was established under [Minn. Stat. § 216B.1635](#). It allows natural gas utilities to commence recovery of certain qualifying projects between general rate cases. Eligible projects can constitute either replacement or modification of existing natural gas facilities and can include non-capital expenses such as surveys and assessments. Project expenses must meet the following requirements to be eligible for recovery through the GUIC Rider:

- Project costs must be incremental to costs already recovered in base rates;
- Projects cannot serve to increase revenues by connecting new customers to the system; and
- Projects cannot constitute a “betterment” to the system unless the betterment is required by a political subdivision or federal or state agency.

Xcel Energy (Xcel or the Company) filed its current GUIC Rider on October 31, 2024 requesting approval from the Minnesota Public Utilities Commission (Commission) for the 2025 GUIC revenue requirement of approximately \$27.2 million.¹ This request amounts to an impact of about \$3.21 per month for the average residential natural gas customer’s bill. Xcel Energy’s request includes integrity management project costs, which the Company incurred to continue promoting the safety of its natural gas system.²

II. PROCEDURAL BACKGROUND

August 1, 2014 Xcel filed its inaugural GUIC recovery petition requesting approval to establish a rider.³

January 27, 2015 The Commission approved Xcel’s proposal to establish a GUIC rider.⁴

¹ *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider True-up for 2023, Updated Costs for 2024, Revenue Requirements for 2025, and Revised Adjustment Factors*, Xcel Energy, 2025, Gas Utility Infrastructure Cost Rider Petition, October 31, 2024, Docket No. G-002/M-24-369, (eDockets) [202410-211494-01](#), (hereinafter “Petition”).

² Petition, at 1.

³ *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider*, Xcel Energy, 2014, Gas Utility Infrastructure Cost Rider Petition, August 1, 2014, Docket No. G-002/M-14-336, (eDockets) [20148-101970-01](#), (hereinafter “2014 Order”).

⁴ *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider*, Xcel Energy, 2014, Order Approving Rider with Modifications, January 27, 2015, Docket No. G-002/M-14-336, (eDockets) [20151-106689-01](#).

November 1, 2023	Xcel filed a rate case with the Commission which included rolling GUIC rider costs into base rates at the time final rates are implemented. ⁵
October 31, 2024	The Company filed its Petition with the Commission for approval of its 2023 true-up report, updated costs for 2024, revenue requirements for 2025, and revised adjustment factors.

III. DEPARTMENT ANALYSIS

In this section, the Department provides an overview discussion of the following topics:

- A. Company Filing Summary and Proposals
- B. Statutory Background and Filing Requirements
- C. Project Eligibility
- D. Commission Filing Requirements
- E. Timing of 2024 GUIC Rider Recovery
- F. Revenue Apportionment and Bill Impacts
- G. Results of Most Recent Rate Case
- H. Risk Assessment and Performance Metrics

A. COMPANY FILING SUMMARY AND PROPOSALS

Xcel Energy requested to recover \$27.2 million⁶ through the GUIC Rider as the 2025 revenue requirement.⁷ This request is a 73.2% increase when compared to the Company's requested 2024 revenue requirement of \$15.7 million.

Xcel Energy's request includes integrity management project costs, which the Company incurred to continue promoting the safety of its natural gas system.⁸

A.1. Proposed Rate Factors

Xcel Energy proposed to assign the 2025 GUIC Rider total revenue requirements to its various customer classes in the same manner as revenue responsibilities were apportioned in the Company's 2021 natural gas rate case,⁹ and consistent with the last three GUIC Rider Orders.¹⁰

⁵ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy's Petition for Authority to Increase Natural Gas Rates in Minnesota*, Xcel Energy, 2023, Application for Authority to Increase Gas Rates in Minnesota, November 1, 2023, Docket No. G-002/M-23-413, (eDockets) [202311-200097-01](#) (hereinafter "Current Rate Case").

⁶ Should the Commission grant the Company's request in the Current Rate Case to roll-in certain approved projects into base rates with final rates, the 2025 GUIC revenue requirement would be reduced to about \$15.0 million.

⁷ Petition, at 1.

⁸ Petition, at 1

⁹ Docket No. G002/GR-21-678.

¹⁰ Petition, at 31.

The Company proposed an apportionment combining transportation customers with those customers' respective firm or interruptible sales classes, aligning the Company's rate design goal to remain indifferent to a customer's choice of sales or transportation services.¹¹ The Company first made this request in its 2022 GUIC Petition.¹²

The 2024 GUIC Rider's approximate bill impact for the average residential customer is \$3.21 per month for an average residential natural gas customer's bill.¹³

Table 1 and Chart 1 compare Xcel Energy's proposed billing factors for each customer class for 2022 and 2023 and the proposed classes for 2024 and 2025.

Table 1: Xcel Energy's Prior, 2024, and proposed for 2025 GUIC Rate Factors¹⁴

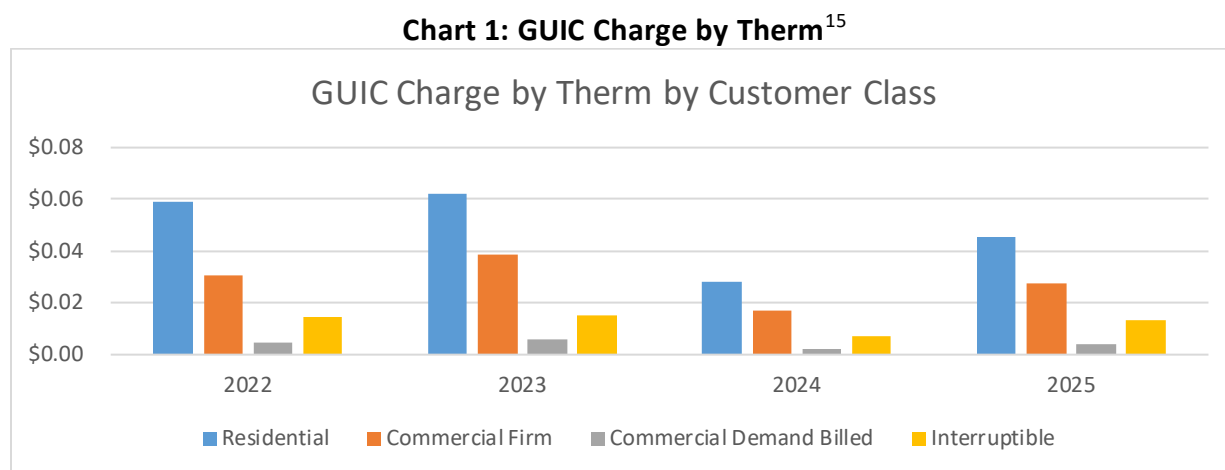
	GUIC Factor (\$/therm)			
Docket No.	21-765	22-578	23-457	24-369
GUIC Year	2022	2023	2024	2025
Residential	\$0.058886	\$0.062247	\$0.027955	\$0.045267
Commercial Firm	\$0.030854	\$0.038502	\$0.016760	\$0.027222
Commercial Demand Billed	\$0.004626	\$0.005892	\$0.002401	\$0.003815
Interruptible	\$0.014235	\$0.015029	\$0.006854	\$0.013254
Transportation	---	---	---	---
Revenue Requirement	\$33,800,000	\$37,500,000	\$15,700,000	\$27,200,000
Approval date	May 5, 2023	May 30, 2023	Sept. 19, 2024	pending
Effective Date or Proposed Effective Date	Mar. 1, 2023 – Feb. 29, 2024	Mar. 1, 2024 – Feb. 28, 2025	Mar. 1 2025 – Feb 28, 2026	Mar. 1 2026 – Feb 28, 2027

¹¹ Ibid.

¹² Docket No. G002/M-21-765; Petition, at 31.

¹³ Petition, at 31.

¹⁴ 2024 and 2025 data taken from Petition, Table 10, at 32; 2022 – 2023 data taken from *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider True-up for 2022, Updated Costs for 2023, Revenue Requirements for 2024, and Revised Adjustment Factors*, Department Comments, April 22, 2024, Docket No. G-002/M-23-457, (eDockets) [20244-20582902](#).



A.2. Proposed Revenue Requirements

The Company requested recovery of its \$27.2 million proposed 2025 GUIC revenue requirement¹⁶ over a 12-month period through a rider rate effective from March 1, 2026 to February 28, 2027.¹⁷ The proposed 2025 GUIC Rider revenue requirement equates to approximately 11.2 percent of the settled base retail revenues of \$242.82 million.¹⁸ By 2027, the GUIC Rider revenue requirement is projected to be \$31.7 million, or an 13.1% increase over the same pending base rate revenues.¹⁹

- The Company's requested GUIC revenue requirement reflects cost recovery of its ongoing Transmission Management Program (TIMP), Distribution Integrity Management Program (DIMP) project initiatives and mandated pipeline relocations required by public works activity. The proposed revenue requirement can be broken down into three broad components: a capital-related revenue requirement; an operations & maintenance (O&M) expenses; and adjustments (or offsets).
- The Company's proposed capital-related revenue requirement includes depreciation, taxes, and a return on the Company's GUIC-specific rate base.²⁰ The Company proposed to use the return on equity, capital structure, and rate of return agreed to and [Ordered](#) by the Commission on July 12, 2023 in its G002/GR-21-678 natural gas general rate case.²¹ The Company filed a separate rate case on November 1, 2023, which is currently pending before the Commission.²²

¹⁵ Data from Instant Comments, Table 1.

¹⁶ Petition, Table 7, at 28.

¹⁷ Petition, at 30.

¹⁸ Petition, at 30; $(\$27.2/\$242.82) = 11.2\%$.

¹⁹ Petition, Attachment O; $\$31.7 \text{ million} / \$242.82 \text{ million} = 13.1\%$.

²⁰ The GUIC-specific rate base is a representation of the Company's GUIC-specific capital expenditures. It includes GUIC-specific plant-in-service adjusted for accumulated depreciation and accumulated deferred taxes.

²¹ Petition, at 3; and *In the Matter of Northern States Power d/b/a Xcel Energy's Petition to Authority to Increase Natural Gas Rates in Minnesota*, Commission, 2023, Order, July 12, 2023, Docket No. G002/GR-21-678, (eDockets) [20237-197411-01](#).

²² Current Rate Case.

- The Company's proposed O&M-related revenue requirement constitutes GUIC-specific transmission and distribution annual operations and maintenance expenses. The revenue requirement includes both transmission (TIMP) and distribution (DIMP) programs, which are discussed in further detail below.

The following table provides a high-level composition of the Company's proposed 2025 GUIC Rider revenue requirement compared to 2023 actuals and 2024 current forecast.

Table 2: 2023-2025 GUIC Rider Revenue Requirement (\$ Millions)²³

	2023 Actuals	2024 Current Forecast	2025 Forecast
Capital-Related Revenue Requirement			
TIMP	\$8.83	\$2.50	\$3.38
DIMP	\$18.87	\$11.25	\$15.00
Mandated Relocations	<u>\$4.09</u>	<u>\$6.27</u>	<u>\$9.42</u>
Total	\$31.80	\$20.02	\$27.80
O&M Expenses			
TIMP	\$0.46	\$1.04	\$0.53
DIMP	<u>\$0.25</u>	<u>\$0.41</u>	<u>\$1.53</u>
Total	\$0.70	\$1.45	\$2.06
Adjustments (Offsets)			
Annual Internal Capitalized Costs	(\$0.70)	(\$0.70)	(\$0.70)
MAOP Projects ²⁴	(\$1.36)	(\$0.45)	(\$0.54)
Low-Risk Infrastructure	(\$0.26)	(\$0.65)	(\$1.05)
Prior-Year Disallowances	<u>(\$3.99)</u>	<u>(\$3.30)</u>	<u>(\$4.84)</u>
Subtotal	(\$6.31)	(\$5.10)	(\$7.13)
True-Up Carryover			
	<u>\$2.97</u>	<u>\$4.75</u>	<u>\$4.46</u>
Total GUIC Rider Revenue Requirement	\$29.16	\$21.12	\$27.19

In the following sections, the Department discusses these revenue requirement categories in the Company's 2025 GUIC recovery request:

- TIMP, including casing renewals.
- DIMP, including casing renewals.
- Mandated pipeline relocations.
- Adjustments/Offsets to revenue requirements.

²³ Petition, at 28.

²⁴ At long-term debt rate of return.

Transmission Integrity Management Program (TIMP)

In 2022, the U.S. Congress passed the Pipeline Safety Improvement Act, which directed the U.S. Department of Transportation (USDOT) to promulgate rules to address gas transmission pipeline integrity management.²⁵ The Company established its TIMP to comply with Federal regulations.²⁶ The Company's TIMP projects identify risks, systematically perform health and condition assessments, and evaluate and prioritize preventative or corrective actions to mitigate identified risks and threats.²⁷

The Company's TIMP project activity includes assessing and improving the safety of its gas transmission system, which consists of approximately 65 miles of transmission pipeline in Minnesota.²⁸ Xcel Energy's TIMP project initiatives include:

- **Transmission Pipeline Assessments**, an ongoing program to assess the health and condition of gas transmission lines, including in-line inspection (ILI), pressure tests, and direct assessments. The Company expects to complete three ILI reassessment projects and no direct assessment projects in 2025. The Company has prepared 13.8 miles of transmission pipeline for an ILI tool assessment out of 65.4 miles of transmission pipeline in Minnesota.²⁹
- **Programmatic Replacement and Maximum Allowable Operating Pressure (MAOP) Remediation Program**, the initiative strives to meet the requirements to have traceable, verifiable, and complete (TVC) records of a pipeline's MAOP. The Company validates existing MAOP records and remediates gaps in records.³⁰ The Company has five MAOP replacement projects scheduled for completion in 2025.
- **Casing Renewals**, a multi-year program started in 2021 to mitigate risks by renewing pipeline or installing equipment allowing testing to ensure isolation of pipelines from casings.³¹

²⁵ [49 C.F.R § 192](#), Subpart O.

²⁶ Ibid.

²⁷ Petition, at 6.

²⁸ Ibid.

²⁹ Petition, at 9-10.

³⁰ Ibid.

³¹ Petition, at 10-11.

The following table provides the Company's requested 2025 capital expenditures and O&M expenses, and overall revenue requirements for its TIMP projects.

Table 3: Estimated TIMP Project Costs 2025³² (\$ Millions)

Program	2025 Capital	2025 O&M
Transmission Pipeline Assessments	\$0.94	\$0.55
Transmission Pipeline Assessment Sleeve Repair	\$0.10	\$0.00
Programmatic Replacement / MAOP Remediation	\$3.88	\$0.00
Transmission Rule	\$0.00	0.05
Casing Renewal	\$11.12	\$0.00
Total 2025 TIMP Expenditures	\$16.04	\$0.60
Total 2025 MN TIMP Revenue Requirement	\$3.38³³	\$0.53

Distribution Integrity Management Program (DIMP)

The Pipeline and Hazardous Materials Safety Administration (PHMSA) published DIMP rules establishing integrity management requirements for gas distribution pipeline systems in 2009.³⁴ The Company established its DIMP to comply with Federal regulations. The project is intended to help gas utilities identify, prioritize, and evaluate risks, implement measures to address risk, and validate the integrity of their gas distribution system.³⁵

The Company's DIMP project activity includes assessing and improving the safety of its distribution system located in Minnesota. The Company's current designated DIMP project initiatives include:

- **Poor Performing Main and Service Replacement**, an ongoing program to identify high- and medium-risk pipeline segments and prioritize replacement. The Company uses subject matter expertise, historical leak data, and industry information to identify risk factors that may lead to gas pipeline leaks or failures.³⁶
- **Distribution Pipeline Inspection and Replacement**, an ongoing program to conduct regular inspection of high- and medium-risk segments of pipeline to satisfy federal pipelines safety regulations.³⁷ The asset health assessments are used to develop plans for safety mitigation.³⁸

³² *Id.*, Attachment C at 4.

³³ Capital costs represent the eligible calculated revenue requirements, which include debt and equity return on rate base, property taxes, current and deferred taxes, and book depreciation.

³⁴ [49 C.F.R. § 192, Subpart P.](#)

³⁵ Petition, at 11.

³⁶ *Id.* at 12.

³⁷ *Id.* at 14-15.

³⁸ *Id.* at 15.

- **Sewer and Gas Line Conflict Inspection**, and ongoing program to identify potential new sewer and gas line conflict locations. The Company expects to complete inspection of 3,500 services for conflicts in 2025. There are no expected expenditures beyond 2025.³⁹
- **Distribution Valve Replacement Project**, a program to maintain the Company's ability to isolate sections of the system in case of emergency. This project includes adding, replacing, or otherwise rehabilitating existing distribution valves. A second aspect of the project is the installation of new valves, which began in 2021.⁴⁰
- **Casing Renewal**, a multi-year program, started in 2021, to mitigate risks by renewing pipeline or installing equipment that allows ongoing testing to ensure isolation of pipelines from casings.⁴¹

The following table provides the Company's requested 2025 capital expenditures and O&M costs, and overall revenue requirements for its DIMP projects.

Table 4: Estimated DIMP Project Costs 2025⁴² (\$ Millions)

Program	2025 Capital	2025 O&M
Poor Performing Main Replacements	\$19.53	\$0.00
Poor Performing Service Replacements	\$6.50	\$0.53
Intermediate Pressure (IP) Line Assessments/Replacements	\$0.00	\$0.28
Sewer and Gas Line Conflict Investigation	\$0.00	\$1.25
Distribution Valve Replacement Project	\$0.47	\$0.00
Casing Renewal	\$3.20	\$0.00
Total 2025 TIMP Expenditures	\$29.70	\$2.06
Total 2025 MN TIMP Revenue Requirement	\$15.00	\$1.53

Mandated Relocations

The Company's mandated relocation program is dedicated to moving existing infrastructure to meet federal, state, or local requirements. The Company began including mandated relocations as a GUIC project in 2021. [Minn. Stat. § 216B.1635, subd. 1\(c\)\(1\)](#), provides one (of two) definition of a gas utility project which may be included as a GUIC project:

Replacement of natural gas facilities located in the public right-of-way required by the construction or improvement of a highway, road, street,

³⁹ *Id.* at 15-16.

⁴⁰ *Id.* at 16.

⁴¹ *Id.* at 17.

⁴² Petition, Attachment D, at 4.

public building, or other public work by or on behalf of the United States, the state of Minnesota, or a political subdivision.⁴³

The Company's estimated mandated relocation project costs include two new projects in White Bear Lake and Inver Grove Heights for 2025. The Company also budgeted for several other mandated relocation projects in 2025, with each project typically having a cost less than \$0.3 million, but no indication of the number of additional projects.⁴⁴

The following table lists the expected capital expenditures, O&M expenses, and revenue requirement for mandated relocation project costs in 2025.

Table 5: 2025 Estimated Mandated Relocation Project Costs (\$ Millions)⁴⁵

Mandated Relocation Program	2025 Capital	2025 O&M
Total 2025 Capital Expenditures and O&M	\$17.2	\$0.00
Total 2025 MN Revenue Requirement	\$9.4	\$0.00

The Company stated the estimated costs are based on historical data and anticipated costs, with estimated capital expenditures for mandated relocations to be \$18.1 to \$18.9 million annually from 2026 through 2029.⁴⁶

Adjustments/Offsets to GUIC Rider Revenue Requirements

Minn. Stat. § 216B.1635 limits GUIC Rider recovery to only allow recovery for costs incremental to those already reflected in base rates. The Company offsets base rate revenue requirements to account for costs already being recovered through existing rates. As noted in previous GUIC Rider filings, given the approved rate case (Docket No. G002/GR-21-678), the Company no longer needs to make an adjustment for GUIC Retirement Revenue Credits or Revenue Requirement in Base Rates.⁴⁷ Additionally, the Company's current rate case filing includes a proposal to roll all GUIC costs incurred between January 1, 2022 and December 31, 2023 into base rates at the time final rates are implemented. Parties have agreed to a settlement in the current rate case which includes this provision, but the settlement has not yet been approved by the Commission.⁴⁸ **The Department notes that in order to avoid double recovery, the Company proposes to adjust GUIC Rider revenue requirements to remove any costs rolled into base rates if the Commission approves the proposed settlement.**⁴⁹

⁴³ Minn. Stat. § 216B.1635, subd. 1(c) provides two definitions for gas utility projects. (1), listed here, is 1 of the two definitions.

⁴⁴ Petition, at 17-18.

⁴⁵ Attachment D, at 34.

⁴⁶ *Id.* at 18.

⁴⁷ *Id.* at 26-28.

⁴⁸ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy's Petition for Authority to Increase Natural Gas Rates in Minnesota*, Xcel Energy, 2023, Application for Authority to Increase Gas Rates in Minnesota, November 1, 2023, Docket No. G-002/M-23-413, (eDockets) [202311-200097-01](#)

⁴⁹ Petition, at 27.

The Company reduces its 2025 GUIC Rider revenue requirement by \$7.13 million for the following adjustments/offsets:⁵⁰

- \$4.84 million of prior year disallowances.
- \$0.70 million for annual internalized capital costs⁵¹
- \$0.54 million for MAOP Projects at long-term debt rate of return, to limit return on capital costs to long-term debt rate.
- \$1.05 million for low-risk infrastructure to remove costs related to low-risk infrastructure.⁵²

B. STATUTORY BACKGROUND AND FILING REQUIREMENTS

Generally, a public utility may not change its rates without undergoing a general rate case in which the Commission comprehensively reviews the utility's costs and revenues. State law contains certain exceptions to this general policy, allowing a utility to implement specific riders with rate-adjustment mechanisms to expedite recovery of certain costs not reflected in the utility's current base rates.

Minn. Stat. § 216B.1635 allows utilities to seek rider recovery of gas utility infrastructure costs, which are costs *not* included in the gas utility's rate base in its most recent general rate case, which the utility incurred from gas infrastructure projects involving:

- (1) The replacement of natural gas facilities required by road construction or other public work by or on behalf of a government agency, and
- (2) The replacement or modification of existing facilities required by federal or state agency, including incremental costs of surveys, assessments, reassessments, and other work necessary to determine the need for replacement or modification of existing infrastructure.⁵³

The Department notes the Commission interpreted the GUIC statute in its 2014 Order. The Commission determined gas infrastructure projects as eligible for recovery under Minn. Stat. § 216B.1635 if *either* subpart (1) or (2) are satisfied. Projects constituting a "betterment" do not qualify for rider recovery unless the betterment is "based on" requirements by a political subdivision or a federal or state agency.⁵⁴

A utility seeking approval of a GUIC Rider must file a petition with the Commission detailing the projects and costs proposed for recovery and rate recovery must be for incremental costs only.⁵⁵ The utility must

⁵⁰ *Id.* at 28, Table 7, 2025 Forecast.

⁵¹ Prior year disallowances and internalized capital costs primarily consist of Overhead, Transportation, and Other costs. These costs have totaled \$8,157,695 from 2018 through 2025 as detailed in Petition Attachment A, Page 8.

⁵² Petition p. 28.

⁵³ [Minn. Stat. § 216B.1635](#), subd. 1(b), (c).

⁵⁴ Minn. Stat. § 216B.1635, subd. 1(b)(3).

⁵⁵ Minn. Stat. § 216B.1635, subd. 2.

file sufficient information to satisfy the Commission regarding the reasonableness of the proposed gas utility infrastructure costs, including, but not limited to:

- Project description, scope, estimated costs, and in-service date;⁵⁶
- The government entity ordering or requiring the project and the purpose of the project;⁵⁷
- A description of the estimated costs and salvage value, if any, associated with the existing infrastructure replaced or modified as a result of the project;⁵⁸
- A comparison of the utility's estimated costs and the actual costs incurred, including a description of the utility's efforts to ensure the costs of the facilities are reasonable and prudently incurred;⁵⁹
- Calculations to establish the rate adjustment is consistent with the terms of the rate schedule, including the proposed rate design and an explanation of why the proposed rate design is in the public interest;⁶⁰
- The magnitude and timing of any known future projects the utility may seek to recover under the GUIC statute;⁶¹
- The magnitude of the costs in relation to the utility's base revenue as approved by the Commission in the utility's most recent general rate case, exclusive of gas-purchase costs and transportation charges;⁶²
- The magnitude of the costs in relation to the utility's capital expenditures since its most recent general rate case;⁶³ and
- The amount of time since the utility last filed a general rate case and the utility's reason for seeking recovery outside a general rate case.⁶⁴

The Commission may approve a GUIC Rider if the costs proposed for recovery through the rider are prudently incurred and achieve gas facility improvements at the lowest reasonable and prudent costs to ratepayers.⁶⁵ Costs eligible for rider recovery include a rate of return, income taxes on the rate of return, incremental property taxes, incremental depreciation expense, and incremental operation and maintenance costs.⁶⁶

Xcel included a compliance matrix in Attachment A of the Petition, which lists the filing requirements specified in Minn. Stat. § 216B.1635 and in prior Commission orders. The compliance matrix identifies specific projects in the Petition attachments.

⁵⁶ Petition Attachment C and C1 (TIMP), Attachments D and D1 (DIMP), and Attachments D and E for mandated relocations.

⁵⁷ Petition Attachment C1 (TIMP), D1 (DIMP), and E (mandated relocations).

⁵⁸ Petition Attachment J and Petition Table 8, p. 29.

⁵⁹ Petition Attachments C (TIMP) and D (DIMP).

⁶⁰ Petition, at 18, 34; Petition Attachments F, G, H, K, O, P, Q, and R.

⁶¹ Petition Attachment C1 (TIMP higher-level summary of magnitude), Attachment C and F for TIMP timing of costs through 2028; Attachment D1 (DIMP higher-level summary of magnitude), Attachment D and F for DIMP timing of costs; Attachment F for higher-level information of magnitude and timing of mandated relocations, Attachments D and E for magnitude and timing for mandated relocations.

⁶² Petition, p. 3 and Attachment M.

⁶³ Ibid.

⁶⁴ Petition, at 2-3, 21-29, 30.

⁶⁵ Minn. Stat. § 216B.1635, subd. 5.

⁶⁶ Minn. Stat. § 216B.1635, subds. 2, 4.

The Department concludes the Company's filing reasonably complies with the statutory filing requirements.

C. PROJECT ELIGIBILITY

Gas utility infrastructure projects required by road construction or other public works, by or on behalf of, a government agency, or that are required by a federal or state agency are eligible for GUIC Rider recovery.⁶⁷ The Company is required to disclose the agency, regulation, or order that requires the Company's proposed projects in its petitions.⁶⁸ The Company provided the required disclosures in Attachments C and C1 for TIMP program; Attachments D and D1 for DIMP program; and Attachments D and E for mandated relocations. The Petition includes projects previously approved for recovery in earlier GUIC filings.

The Company's existing and ongoing GUIC initiatives include the following:

Table 6: Xcel Energy's Existing and Ongoing GUIC Initiatives

TIMP
Transmission Pipeline Assessments
Programmatic Replacement / MAOP Remediation
Casing Renewal
DIMP
Poor Performing Main and Service Replacement
Distribution Pipeline Inspection and Replacement
Sewer and Gas Line Conflict Inspection
Distribution Valve Replacement Project
Casing Renewal
Mandated Relocations

The Company first requested recovery through the GUIC Rider for its casing renewals project and mandated pipeline relocations in its 2021 revenue requirement request (Docket No. G002/M-20-799). The Commission approved these projects in May 2023.⁶⁹ The Company previously included sewer and gas line conflict investigation work that was completed in 2019; however, the Company identified further areas where additional inspections are necessary for 2025.⁷⁰ The Commission previously reviewed and approved the continuing initiatives included in the instant Petition. Absent new

⁶⁷ Minn. Stat. § 216B.1635, subd. 5.

⁶⁸ *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-Up Report for 2016, Forecasted 2017 Revenue Requirement, and Revised Adjustment Factor*, Commission, 2018, Order Approving Rider with Modifications, February 8, 2018, Docket No. G002/M-16-891, (eDockets) [20182-139891-01](#).

⁶⁹ *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy for Approval of a Gas Utility Infrastructure Cost Rider True-Up Report for 2021, Updated Costs for 2022, Revenue Requirements for 2023, and Revised Adjustment Factor*, Commission, 2023, Order, May 30, 2023, Docket No. G002/M-22-578, (eDockets) [20235-196199-01](#).

⁷⁰ Petition, at 11.

information, the Department generally concludes the existing initiatives remain eligible for GUIC recovery.

The Company confirmed it removed costs related to low-risk infrastructure replacement not mandated by government regulations or public work requirements.⁷¹

The Company proposed to include the two new relocation projects in White Bear Lake and Inver Grove Heights, as follows:

- **Hugo Line:** This project is the planned relocation of 2,000 feet of 12-inch/16-inch steel per request of Ramsey County in White Bear Lake.⁷²
- **Inver Grove Heights 117th St. Reconstruction:** This project is the planned relocation of 5,300 feet of 3-inch PEA/6-inch steel per request of the city of Inver Grove Heights.

Based on the Department's review, we find the two new relocation projects to be reasonable and consistent and eligible for recovery with the GUIC statutory requirements.

D. COMMISSION FILING REQUIREMENTS

As stated above, Xcel summarized cumulative petitions' requirements in a compliance matrix⁷³ from various prior GUIC filings which the Commission directed the Company to include or refine certain information in subsequent filings. The Department agrees the Company appears to have met the requirements listed in the compliance matrix.⁷⁴

E. TIMING OF 2025 GUIC RIDER RECOVERY

The Company proposed to implement the 2025 GUIC Rider factors effective March 1, 2026.⁷⁵ The proposed implementation date and recovery period is consistent with the timing of the approved 2024 GUIC rate, which was approved to go into effect March 1, 2025. The implementation of a March 1, 2026 date may allow for more stable factors by collection 12 months of the GUIC Rider costs over 12 months of bills, and eliminate the need for the proration of accumulated deferred income tax (ADIT). The Department supports the Company's proposed timing.

F. REVENUE APPORTIONMENT

Beginning on March 1, 2025, Xcel's GUIC Rider adjustment factor will be allocated in the same manner as the Company's most recent approved natural gas rate case, Docket No. G002/GR-21-678. For the 2025 GUIC rider, the percentage of revenue apportionment, for each customer class, will also be apportioned based on the most recent approved natural gas rate case.⁷⁶

⁷¹ Petition, Attachment A.

⁷² Petition, Attachment D, p. 34.

⁷³ Petition, Attachment A.

⁷⁴ Ibid.

⁷⁵ Petition, at 32.

⁷⁶ *Id.*, at 31.

The Company proposed apportionment includes combining transportation customers with their respective firm or interruptible sales class. The Company stated, “This aligns with our rate design goal to remain indifferent to customer’s choice of sales or transportation service.”⁷⁷

The following table provides the current and proposed percentages for the revenue apportionment. The Department has concerns with continuing to use the revenue apportionment allocators from the GR-21-678 rate case, if the settlement in GR-23-413 is approved prior to implementation of 2025 GUIC Rider rates proposed to be implemented on March 1, 2026, which will likely occur. As a result, the Department recommends Xcel update their proposed revenue apportionment allocators after the approval of the GR-23-413 current rate case settlement, but prior to implement the 2025 GUIC Rider rates on March 1, 2026.

Table 7: 2025 Approved vs. Proposed Revenue Apportionment⁷⁸

Class	Current Allocator	Proposed Allocator
Residential	64.1618%	64.1618%
Commercial Firm	24.1303%	24.1303%
Commercial Demand-Billed	6.6297%	6.6297%
Interruptible	5.0782%	5.0782%
Transport	NA	N/A
Total	100%	100 %

The Company uses actual sales data in its 2025 GUIC factor calculation.⁷⁹ The Department continues to support using actual sales data, which aligns with previous Commission decisions.

Table 8 below shows the revenue apportionment based on the allocation factors for both 2024 and 2025. Table 9 below shows the Department’s estimated monthly residential bill impacts for both 2024 and 2025, as the Department noted issues with Table 11 of Xcel’s filing, which the Department discusses below.

Table 8: 2024 Approved and 2025 Proposed GUIC Rider Adjustment Factors⁸⁰

Classes	2024 Approved Factors	2025 Proposed Factors
Residential	\$0.027955	\$0.045267
Commercial Firm	\$0.016760	\$0.027222
Demand	\$0.002401	\$0.003815
Interruptible	\$0.006854	\$0.013254

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ Petition, at, Table 10.

Table 9: Department Estimated Monthly Residential Bill Impacts⁸¹

	Impact of Current Factors	Impact of 2024 Approved Factors	Impact of 2025 Proposed Factors
Monthly Bill Impact	\$2.88	\$1.98	\$3.21
Percent change		-31.25%	62.12%

When comparing Xcel's Table 11 to the Department's Table 9 above, the Department notes that in previous years the Company provided the impact of the current bill factors, the impact of the approved factors being implemented in the current year, and the impact of the proposed factors for the next year. This year the Company only provided the impact of the current factors and the impact of the 2025 proposed factors. The Department was unable to determine how the Company calculated the impact of the current factors, as they did not appear to be directly determined from either the current implemented factors or the 2024 approved factors. The Company suggests that the current factors represent a higher monthly bill impact than the proposed 2025 factors, despite the 2025 proposed factors being higher than the either the current or 2024 factors. As such the Department estimated the monthly residential bill impacts using the information that was available at this time.

Based on the Department's review, we find the monthly bill impacts to be reasonable.

Based on the Department's review, the Department recommends Xcel update its proposed revenue apportionment allocators after the approval of the GR-23-413 current rate case settlement, but prior to implement the 2025 GUIC Rider factors on March 1, 2026.

G. RESULTS OF MOST RECENT RATE CASE

As part of the settlement agreement for Xcel's most recent natural gas general rate case, Docket No. G002/GR-21-678, all GUIC capital projects in-service prior to December 31, 2021 have been moved into base rates as of August 1, 2023.⁸² In addition, the Company filed a rate case on November 1, 2023 and intends to roll-into base rates the GUIC projects for January 1, 2022 through December 31, 2023 at the time final rates are implemented. There is currently a pending settlement in this case that has not yet been approved by the Commission. The Company estimates this revenue requirement will be reduced from \$27.2 million to about \$15.0 million, or a reduction of 12.2 million.⁸³

The revenue collection estimates using the sales information based on a proposed 2025 GUIC Rider rate generates \$27.2 million of GUIC Rider-related revenues from March 1, 2026 to February 28, 2027.⁸⁴

⁸¹ Petition, at 32. Table 11 data did not indicate current factors vs 2024 factors, and the Department was not able to recreate the current monthly bill impact for residential customers using the Company's data. The Department calculated these estimated bill impacts based on the rate factors in Table 10 of the Petition and an estimated monthly gas usage of 70.9125 therms per month for residential customers.

⁸² Petition, at 2.

⁸³ *Id.* at 3.

⁸⁴ *Id.*, at 30.

The Department notes that to correctly roll rider costs into base rates, a utility can either perform a reconciliation of accounts on the front end or on the back end of the rate case analysis. In Xcel's petition, the Company states it did not include the GUIC costs in its interim rates in the current pending rate case, Docket No. G002/GR-23-413.⁸⁵ This is to ensure no double recovery of the GUIC costs will occur. The Department recommends that the Commission require the Company to provide a compliance filing following the implementation of final rates in its current rate case detailing the impacts on its GUIC Rider in this docket.

H. RISK ASSESSMENT AND PERFORMANCE METRICS

The risk assessment and performance metrics tools help determine the reasonableness of GUIC investments. Risk assessment is prospective, and these tools help the Commission evaluate specific projects utilities expect to undertake in the upcoming year. Performance metrics are retrospective evaluations and help the Commission determine the reasonableness of Xcel Energy's achievements once projects are completed.

H.1. Risk Assessment

In the Company's instant filing, the Company applies risk assessment tools to projected 2025 projects.⁸⁶ Xcel's risk assessment tools, in the instant petition, are similar to those in the Company's previous GUIC rider in Docket No. G002/M-23-457.

H.2. Performance Metrics

In the Company's instant filing, the Company's recommended performance metrics are similar to those in the petition for Docket No. G002/M-23-457.⁸⁷

Based on the Department's review, we find the risk assessment and performance metrics to be reasonable.

⁸⁵ *Id.*, at 27.

⁸⁶ Petition, Attachments C2, D2(a), and D2(b).

⁸⁷ Petition, Attachment U.

IV. DEPARTMENT RECOMMENDATIONS

The Department appreciates the opportunity to comment on the Company's GUIC Rider Petition. Based on our review, the Department concludes the Company's petition is generally reasonable.

The Department recommends the Commission take the following actions:

- Approve the Company's proposed 2025 GUIC Rider factor.
- Require the Company to provide true-up information for 2024 and 2025 in the next GUIC rider filing.
- Require the Company to report reimbursements as adjustments/offsets in future true-up filings.
- Require the Company to provide a compliance filing, based on Commission decisions, within 10 days of Commission Order, including electronic files with formulae intact of the revenue requirement and corresponding rate factor schedules.
- Require the Company to file a compliance filing upon the implementation of final rates in its current rate case (23-413) detailing the impacts on the Company's GUIC Rider for GUIC projects rolled into base rates and update their revenue apportionment allocators, prior to implementation of the 2025 GUIC Rider factors on March 1, 2026

The Department is available for any questions the Commission may have.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G002/M-24-369

Dated this **2nd** day of **January 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Kristine	Anderson	kanderson@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Lane PO Box 798 Faribault MN, 55021 United States	Electronic Service		Yes	24-369M-24-369
2	Katherine	Arnold	katherine.arnold@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		No	24-369M-24-369
3	Mara	Ascheman	mara.k.ascheman@xcelenergy.com	Xcel Energy		414 Nicollet Mall Fl 5 Minneapolis MN, 55401 United States	Electronic Service		No	24-369M-24-369
4	Gail	Baranko	gail.baranko@xcelenergy.com	Xcel Energy		414 Nicollet Mall 7th Floor Minneapolis MN, 55401 United States	Electronic Service		No	24-369M-24-369
5	Elizabeth	Brama	ebrama@taftlaw.com	Taft Stettinius & Hollister LLP		2200 IDS Center 80 South 8th Street Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
6	Matthew	Brodin	mbrodin@allte.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	24-369M-24-369
7	Robert S.	Carney, Jr.				4232 Colfax Ave. S. Minneapolis MN, 55409 United States	Paper Service		No	24-369M-24-369
8	Olivia	Carroll	oliviac@cubminnesota.org	Citizens Utility Board of Minnesota		332 Minnesota St W1360 St. Paul MN, 55101 United States	Electronic Service		No	24-369M-24-369
9	Joey	Cherney	joey.cherney@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	445 Minnesota Street STE 1800 Saint Paul MN, 55101 United States	Electronic Service		No	24-369M-24-369
10	John	Coffman	john@johncoffman.net	AARP		871 Tuxedo Blvd. St. Louis MO, 63119-2044 United States	Electronic Service		No	24-369M-24-369
11	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	24-369M-24-369
12	Riley	Conlin	riley.conlin@xcelenergy.com	Northern States Power Company dba Xcel Energy-Elec		414 Nicollet Mall, 401 8th Floor Minneapolis MN, 55401 United States	Electronic Service		No	24-369M-24-369
13	Brandon	Crawford	brandonc@cubminnesota.org	Citizens Utility Board of		332 Minnesota St	Electronic Service		No	24-369M-24-369

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
37	Joseph	Meyer	joseph.meyer@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	Bremer Tower, Suite 1400 445 Minnesota Street St Paul MN, 55101-2131 United States	Electronic Service		No	24-369M-24-369
38	Kimberly	Middendorf	kimberly.middendorf@state.mn.us		Office of Administrative Hearings	PO Box 64620 600 Robert St N Saint Paul MN, 55164-0620 United States	Electronic Service		No	24-369M-24-369
39	David	Moeller	dmoeller@allete.com	Minnesota Power			Electronic Service		No	24-369M-24-369
40	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
41	Travis	Murray	travis.murray@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	445 Minnesota St Ste 1400 Saint Paul MN, 55101 United States	Electronic Service		No	24-369M-24-369
42	David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency		220 South Sixth Street Suite 1300 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
43	Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company		200 1st Street SE PO Box 351 Cedar Rapids IA, 52406-0351 United States	Electronic Service		No	24-369M-24-369
44	Greg	Palmer	gpalmer@greatermngas.com	Greater Minnesota Gas, Inc.		1900 Cardinal Ln PO Box 798 Faribault MN, 55021 United States	Electronic Service		No	24-369M-24-369
45	Kevin	Pranis	kpranis@liunagroc.com	Laborers' District Council of MN and ND		81 E Little Canada Road St. Paul MN, 55117 United States	Electronic Service		No	24-369M-24-369
46	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	24-369M-24-369
47	Joseph L	Sathe	jsathe@kennedy-graven.com	Kennedy & Graven, Chartered		150 S 5th St Ste 700 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
48	Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.		225 South Sixth Street Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
49	Peter	Scholtz	peter.scholtz@ag.state.mn.us		Office of the Attorney General - Residential	Suite 1400 445 Minnesota Street	Electronic Service		No	24-369M-24-369

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
					Utilities Division	St. Paul MN, 55101-2131 United States				
50	Christine	Schwartz	regulatory.records@xcelenergy.com	Xcel Energy		414 Nicollet Mall FL 7 Minneapolis MN, 55401-1993 United States	Electronic Service		Yes	24-369M-24-369
51	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	24-369M-24-369
52	Janet	Shaddix Eling	jshaddix@janetshaddix.com	Shaddix And Associates		7400 Lyndale Ave S Ste 190 Richfield MN, 55423 United States	Electronic Service		No	24-369M-24-369
53	James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered		150 S 5th St Ste 700 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369
54	Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine		225 S 6th St Ste 3500 Capella Tower Minneapolis MN, 55402-4629 United States	Electronic Service		No	24-369M-24-369
55	Suzanne	Todnem	suzanne.todnem@state.mn.us		Office of Administrative Hearings	600 Robert St N PO Box 64620 St. Paul MN, 55164 United States	Electronic Service		Yes	24-369M-24-369
56	Amelia	Vohs	avohs@mncenter.org	Minnesota Center for Environmental Advocacy		1919 University Avenue West Suite 515 St. Paul MN, 55104 United States	Electronic Service		No	24-369M-24-369
57	Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine		225 South Sixth Street, Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	24-369M-24-369