BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS

600 North Robert Street

St. Paul, Minnesota 55101

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East Suite 350

St. Paul, Minnesota 55101-2147

MPUC Docket No. E002/GR-24-320

OAH Docket No. 28-2500-40515

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER COMPANY

D/B/A XCEL ENERGY

FOR AUTHORITY TO INCREASE RATES

FOR ELECTRIC SERVICE IN MINNESOTA

PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS

OF THE CITIZENS UTILITY BOARD OF MINNESOTA

FEBRUARY 25, 2026

STATE OF MINNESOTA
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE PUBLIC UTILITIES COMMISSION

In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota	MPUC Docket No. E002/GR-24-320 OAH Docket No. 28-2500-40515

PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS OF THE CITIZENS UTILITY BOARD OF MINNESOTA

The Minnesota Public Utilities Commission referred this matter to the Court of Administrative Hearings (CAH) on December 30, 2024.[1] Administrative Law Judge Joseph Meyer (Judge Meyer) was assigned to the matter and held a prehearing conference on January 22, 2025. A First Prehearing Order was issued on January 31, 2025 establishing a procedural schedule and detailing the rules governing the proceeding.[2] Pursuant to that schedule, parties submitted direct, rebuttal, and surrebuttal testimony prior to Judge Meyer conducting evidentiary hearings on December 17 and 18, 2025. Initial briefs were thereafter filed by the Applicant, Northern States Power Company d/b/a Xcel Energy, and intervening parties on January 28, 2026. Reply briefs were filed concurrently with Proposed Findings of Fact, Conclusions of Law, and Recommendations on February 25, 2026.

Pursuant to Judge Meyer's First Prehearing Order of January 31, 2025, the Citizens Utility Board of Minnesota (CUB) respectfully files its Proposed Findings of Fact and Conclusions of Law. CUB's proposed findings are limited to those issues addressed by the organization throughout the course of this proceeding. CUB's silence on topics or issues for which the organization has not taken a position does not reflect support of the Company's proposal or the positions of any other party.

APPEARANCES

The following appearances were made by the Applicant and intervening parties:

Ian M. Dobson, Northern States Power Company, Eric F. Swanson, Winthrop and Weinstein, Elizabeth M. Brama and Valerie T. Herring, Taft Stettinius & Hollister LLP, and Ryan P. Barlow and Patrick T. Zomer, Moss & Barnett, P.A., appeared on behalf of the Applicant Northern States Power Company, doing business as Xcel Energy (NSPM, the Applicant, or the Company).

[1] Notice of and Order for Hearing (Dec. 30, 2024) (eDockets No. 202412-213391-01).
[2] First Prehearing Order (Jan. 31, 2025) (eDockets No. 20251-214744-01).

Katherine Arnold, Amrit Hundal, Richard Dornfeld, and Stephen Melchionne, Assistant Attorneys General, appeared on behalf of the Minnesota Department of Commerce, Division of Energy Resources (the Department).

Peter G. Scholtz, Joey Cherney, and Wendy Raymond, Assistant Attorneys General, appeared on behalf of the Office of the Attorney General Residential Utilities Division (OAG).

Brian Edstrom, Senior Regulatory Advocate, Brandon Crawford and Olivia J. Carroll, Regulatory Advocates, appeared on behalf of the Citizens Utility Board of Minnesota (CUB).

Andrew P. Moratzka, Amber Lee, and Eden A. Fauré, Stoel Rives, LLP, appeared on behalf of the Xcel Large Industrials (XLI).

Erica S. McConnell and Bradley Klein, Environmental Law & Policy Center, appeared on behalf of the Environmental Law & Policy Center (ELPC).

George Shardlow, Executive Director, and Marta Monti, Policy Operations Director, appeared on behalf of the Energy CENTS Coalition (ECC).

Joseph L. Sathe and Samuel B. Ketchum, Kennedy & Graven, appeared on behalf of the Suburban Rate Authority (SRA).

Colette N. Brashears and Todd J. Guerrero, Kutak Rock LLP, appeared on behalf of Walmart, Inc. (Walmart).

Robert Manning, Ashley Marcus, Justin Andringa, and Hirsi Mohamed appeared for the Staff of the Public Utilities Commission (Commission).

STATEMENT OF THE ISSUES

In its December 30, 2024 Notice of and Order for Hearing, the Commission tasked the Court of Administrative Hearings, the Applicant, and intervening parties with developing a full record addressing, at minimum, the following issues:[3]

A. The standard rate case issues,[4] including the impacts of data centers.

B. Whether it is appropriate to use the proposed hypothetical capital structure or whether an alternate capital structure should be adopted.

C. Reasons for the significant changes of the following costs since the last rate case:

    1. Customer Accounting – $16.5 million.

[3] Notice of and Order for Hearing at 2-4 (Dec. 30, 2024) (eDockets No. 202412-213391-01).
[4] *See* Notice of and Order for Hearing at 2 (Dec. 30, 2024) (eDockets No. 202412-213391-01) (describing the standard rate case issues as "1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company? 2) Is the rate design proposed by the Company reasonable? and 3) Are the Company's proposed capital structure and return on equity reasonable?").

2. Customer Service and Information – $34.0 million increase.
3. Administrative and General – $67.8 million increase.
4. Depreciation – $112.9 million increase.

D. The increase in the distribution budget with a focus on how the increased spending will impact reliability.

E. How much Top 10 executive compensation costs should be recovered in rates?

F. What grid reinforcement program and associated costs should be approved.

G. What wildfire mitigation costs should be approved, and the impact these measures will have on other areas of Company operations, including FLISR, ADMS, vegetation management, and pole replacements.

H. Develop a full record that ensures decisions made in Docket E-002/CI-24-318 are properly reflected in the 2026 Test Year.

I. Future ADMS functionalities, lifespan, and costs.

J. The program, to be submitted in supplemental direct testimony, where interest payments and fees from late bill payments are donated to low-income customer assistance programs or are eliminated.

K. Should Xcel's proposed 2025 and 2026 sales true-ups be approved.

L. Develop a record for prepaid pension asset that, at a minimums addresses the following:

1. The contribution amounts to pension funds required by federal law for each year of the cumulative years for which the Company claims a prepaid pension asset.
2. The actual contribution amounts made by the Company for each of the years.
3. The amount of pension expense recovered from ratepayers as an O&M expense each year.
4. The amount of each of the five components of pension expense (ACM or FAS 87) for each year of the claimed asset and determine the extent to which the component:
    i. increases or decreases the claimed prepaid pension asset for that year relative to the previous year;
    ii. whether any of the increase or decrease in the year is attributable to shareholder funding and by how much.
5. Whether the method of calculating pension expense (ACM or FAS 87) affects the extent to which the asset is shareholder funded and, if so, how.
6. Determine the overall extent to which the Company has established by a preponderance of evidence that the claimed amount of the prepaid pension asset is attributable to shareholder contributions (i.e. is shareholder funded), and not the result of market returns or other attributes of pension expense under ACM and FAS 87.

M. Develop a record addressing whether the fuel to steel transition will result in inter-generational cost shifting and, if so, make recommendations addressing this issue.

N. Develop a record for insurance premium expense that, at a minimum, addresses the following:

1. Provide the forecasted and actual annual expenses for each subcategory of expenses and credits since 2017.
2. A detailed description of each subcategory and their business purpose.
3. The extent to which the Marshall Wildfire in Colorado and the 2024 Smokehouse Creek Fire Complex in Texas affect the insurance premium, rate of return, or borrowing costs for the [Minnesota] jurisdiction.
4. A thorough description of each annual refund or credit the company has received for insurance premiums since 2017 and any supporting documentation explaining the source and reason for each refund or credit, including distributions from captive insurance and mutual insurance pools.
5. For all past refund and credit subcategories received between 2017 and 2024 provide a thorough description of the company's prediction for refunds or credits in their 2025 and 2026 budget including all subcategories that they may have predicted no budgeted refund or credit.
6. If refunds and credits lack sufficient predictability to ensure fair and just rates, provide proposed mechanisms by which rate payers [sic] can be appropriately reimbursed for insurance expenses[,] refunds[,] and credits they have paid for in base rates.

FINDINGS OF FACT

I. SUMMARY OF THE APPLICATION

1. The Company's Application proposed to increase electric rates in Minnesota through a two-year Multi-Year Rate Plan (MYRP) to provide a net increase in gross revenues of $353.3 million, or 9.6 percent, in the 2025 test year, and an incremental $137.5 million, or 3.6 percent, in the 2026 plan year, based on present revenues. As proposed, the Application would result in an aggregate increase in gross revenues of $844.1 million across the test and plan years.[5]

2. Over the course of the proceeding, several financial issues were either introduced or resolved among the parties. Through supplemental direct and rebuttal testimony, the Company modified its original Application to instead seek an increase in electric base rate revenues of $208.4 million, or 5.8 percent, in the 2025 test year and an incremental

[5] *See* Initial Comments of the Citizens Utility Board of Minnesota and Xcel Large Industrials at 1, n. 2 (Oct. 31, 2025) (eDockets No. 202510-224520-02) (explaining the "incremental" nature of the requested 2026 plan year revenue increase); *see also* CUB Initial Brief at 2-3.

$156.9 million, or 4.2 percent, in the 2026 plan year, based on present revenues. Pursuant to these revisions, the Application would result in an aggregate increase in gross revenues of $573.7 million over the two-year MYRP period.[6]

3. After the submission of rebuttal testimony, the Company agreed to several additional adjustments to its Application, including (1) accepting the costs of wildfire mitigation programs as recommended by the Department; (2) reducing its revenue requirement to reflect lower capacity auction revenues due to an outage at the Prairie Island nuclear plant; and (3) applying the Company's cost of long-term debt to its prepaid pension asset and associated liabilities.[7]

II. THE COMPANY AND PARTIES

4. Northern States Power Company, the Applicant in this proceeding, is a regulated utility based in Minneapolis, Minnesota and a subsidiary of Xcel Energy, Inc (XEL), a public utility holding company.

5. The Minnesota Department of Commerce, Division of Energy Resources, is a government agency that represents the interests of the State's residents and businesses in rate proceedings before the Commission.[8]

6. The Minnesota Office of the Attorney General, Residential Utilities Division, is a government agency charged with representing the interests of residential and small business utility consumers in matters before the Commission concerning rates and the adequacy of utility services.[9]

7. The Citizens Utility Board of Minnesota (CUB) is a 501(c)(3) non-profit organization that advocates on behalf of residential utility customers for consumer protections and clean, affordable, reliable, and equitable energy service.[10]

8. Xcel Large Industrials (XLI) represents the collective interests of Flint Hills Resources Pine Bend LLC, Marathon Petroleum Corporation, and USG Interiors, Inc. as commercial and industrial demand customers.[11]

[6] *See* Initial Comments of the Citizens Utility Board of Minnesota and Xcel Large Industrials at 1, n. 2 (Oct. 31, 2025) (eDockets No. 202510-224520-02) (explaining the "incremental" nature of the requested 2026 plan year revenue increase); *see also* CUB Initial Brief at 2-3.
[7] Xcel Initial Brief at 12.
[8] Minn. Stat. § 216A.07, subd. 3 (2025); Minn. R. 7829.0800, subp. 3 (2025).
[9] Minn. Stat. § 8.33, subd. 2.
[10] Ex. CUB-3 at 3 (Levenson-Falk Direct); *see also* Citizens Utility Board of Minnesota Initial Comments and Petition to Intervene at 3 (Nov. 12, 2024) (eDockets No. 202411-211851-02).
[11] XLI Petition to Intervene at 1 (Jan. 24, 2025) (eDockets No. 20251-214380-02).

9. The Joint Intervenors is a coalition comprised of Cooperative Energy Futures, Environmental Law & Policy Center, Minnesota Interfaith Power & Light, and Vote Solar, which collectively advocate for a "clean, equitable, and resilient power grid."[12]

10. Energy CENTS Coalition ("Energy CENTS" or "ECC") is a statewide 501(c)(3) nonprofit advocate and service provider promoting affordable utility services for low- and fixed-income households.[13]

11. The Suburban Rate Authority ("SRA") is a municipal joint powers association representing the interests of Twin Cities metropolitan area municipalities and the residents and businesses residing in those cities.[14]

12. Walmart is an American multinational corporation that operates a chain of supercenters, retail department stores, and grocery stores, including 79 retail units and one distribution center in Minnesota.[15]

III. PROCEDURAL BACKGROUND

13. On November 1, 2024, the Company filed this general rate case by submitting to the Commission an Application for Authority to Increase Rates for Electric Service in Minnesota (the Application). Through its proposed two-year MYRP, the Company sought a net increase in electric base rate revenues of $353.3 million, or 9.6 percent, for the 2025 test year, and an incremental $137.5 million, or 3.6 percent, for the 2026 plan year.[16]

14. On November 5, 2024, the Commission issued a notice to interested parties requesting comments on (1) whether the Company's application was substantially complete and in compliance with Minnesota statutes, rules, and Commission Orders; (2) whether the Company's Application should be referred to the Minnesota Court of Administrative Hearings; and (3) whether there were any other issues or concerns related to the matter.[17]

15. On November 12, 2024, the Department, OAG, and CUB filed comments in response to the Commission's Notice of Comment Period on Completeness and Procedures. The Department recommended that the Commission accept the Application as substantially complete as of the November 1, 2024 filing date and refer the matter to the CAH for contested case proceedings.[18]

[12] Petition to Intervene of Cooperative Energy Futures, Minnesota Interfaith Power & Light, Environmental Law & Policy Center, and Vote Solar at 4 (Apr. 30, 2025) (eDockets No. 20254-218395-01).
[13] Energy CENTS Coalition Petition to Intervene at 1 (Jan. 22, 2025) (eDockets No. 20251-214232-01).
[14] Suburban Rate Authority Petition to Intervene at 1 (Mar. 31, 2025) (eDockets No. 20253-217053-01).
[15] Walmart Inc. Petition to Intervene at 1 (Apr. 29, 2025) (eDockets No. 20254-218272-02).
[16] Ex. Xcel-3 (Application Vol. 1).
[17] Notice of Comment Period on Completeness and Procedures (Nov. 5, 2024) (eDockets No. 202411-211632-01).
[18] Comments of the Minnesota Department of Commerce on Completeness and Procedures (Nov. 12, 2024) (eDockets No. 202411-211839-01).

16. On December 30, 2024, the Commission issued an Order accepting the Company's Application as substantially complete, suspending the proposed rates, and extending the timeline for issuing a final determination in the proceeding.[19]

17. In a separate Order, the Commission approved the Company's interim rate request, but disallowed certain wildfire mitigation capital expenses and operations and maintenance (O&M) costs because they were of a different nature and kind as those allowed in the utility's most recent rate case.[20] The Commission deferred its decision on the Company's interim rate request for the 2026 plan year.

18. In a third Order, the Commission referred the matter to the Court of Administrative Hearings for contested case proceedings.[21]

19. The initial parties to the contested case proceeding were the Company, the Department, OAG, and CUB.[22]

20. On January 22, 2025, the Judge held a prehearing conference by videoconference.[23]

21. Also on January 22, 2025, the Energy CENTS Coalition filed a petition to intervene.[24]

22. On January 24, 2025, the Xcel Large Industrials filed a petition to intervene.[25]

23. On January 27, 2025, the Judge issued a Protective Order to regulate the disclosure and use of nonpublic data in this proceeding.[26]

[19] Order Accepting Filing and Suspending Rates (Dec. 30, 2024) (eDockets No. 202412-213389-01).
[20] Order Setting Interim Rates at 5-7 (Dec. 30, 2024) (eDockets No. 202412-213390-01); *see also* Minn. Stat. § 216B.16, subd. 3(b) (requiring that interim rates be calculated using "rate base or expense items the same in nature and kind as those allowed by a currently effective order of the commission in the utility's most recent rate proceeding").
[21] Notice of and Order for Hearing (Dec. 30, 2024) (eDockets No. 202412-213391-01).
[22] First Prehearing Order at 2 (Jan. 31, 2025) (eDockets No. 20251-214744-01).
[23] First Prehearing Order at 1 (Jan. 31, 2025) (eDockets No. 20251-214744-01).
[24] Energy CENTS Coalition Petition to Intervene (Jan. 22, 2025) (eDockets No. 20251-214232-01).
[25] XLI Petition to Intervene (Jan. 24, 2025) (eDockets No. 20251-214380-02).
[26] Protective Order and Protective Order for Highly Confidential Trade Secret Data (Jan. 27, 2025) (eDockets No. 20251-214424-01).

24. On January 31, 2025, the Judge issued a Prehearing Order establishing the following procedural schedule.[27]

Deadline for Intervention	April 30, 2025
Supplemental Direct Testimony, Company	March 17, 2025
Direct Testimony, Intervenors	August 22, 2025
Initial Settlement Discussions	Week of September 2 or September 8, 2025
Rebuttal Testimony, All Parties	October 10, 2025
Completion of Discovery on Direct and Rebuttal Testimonies	November 21, 2025
Deadline for Objections to Admissibility of Pre-Filed Direct and Rebuttal Testimonies	November 21, 2025
Deadline for Challenges to Witness Qualifications	November 21, 2025
Surrebuttal Testimony, All Parties	November 25, 2025
Deadline for Completion of Surrebuttal Discovery	December 12, 2025
Corrections to Pre-Filed Testimonies	December 4, 2025
Deadline for Objections to Admissibility of Surrebuttal Testimonies	December 5, 2025
Service and Filing of Proposed Witness Lists, Proposed Exhibit Lists, and Proposed Exhibits	December 8, 2025
Settlement/ Prehearing Status Conference	December 15, 2025
Evidentiary Hearings	December 17-19, 2025
Deadline for Filing Public Comments	December 30, 2025
Draft Issues Matrix	January 23, 2026
Initial Briefs	January 28, 2026
Response to Issues Matrix	February 18, 2026
Reply Briefs and Proposed Findings of Fact, Conclusions of Law, and Recommendations	February 25, 2026
Administrative Law Judge Report	April 30, 2026
Administrative Law Judge Report Exceptions[28]	May 15, 2026
Commission Order	July 31, 2026

[27] First Prehearing Order at 3-6 (Jan. 31, 2025) (eDockets No. 20251-214744-01).
[28] *See* First Prehearing Order at 6, n. 4 (Jan. 31, 2025) (eDockets No. 20251-214744-01) (explaining that jurisdiction transfers from the Court of Administrative Hearings to the Commission upon issuance of the Administrative Law Judge's Report, and that the dates for filing exceptions will be governed by Commission policies and procedures).

25. No parties filed an objection to XLI's petition within the required time for a response. On February 10, 2025, the Judge issued an Order granting the unopposed intervention petition of XLI.[29]

26. No parties filed an objection to ECC's petition within the required time for a response. On February 14, 2025, the Judge issued an Order granting the unopposed intervention petition of ECC.[30]

27. On March 17, 2025, the Company filed Supplemental Direct Testimony.

28. On March 31, 2025, SRA filed a petition to intervene.[31]

29. No parties filed an objection to SRA's petition within the required time for a response. On April 15, 2025, the Judge issued an Order granting the unopposed intervention petition of SRA.[32]

30. On April 29, 2025, Walmart Inc. filed a petition to intervene.[33]

31. On April 30, 2025, the Joint Intervenors filed a petition to intervene.[34]

32. No parties filed objections to the petitions of Walmart or the Joint Intervenors within the required time for a response. On May 19, 2025, the Judge issued an Order granting the unopposed intervention petitions of Walmart and the Joint Intervenors.[35]

33. On July 25, 2025, OAG and the Department filed a joint Motion to Compel Discovery. The motion sought for the Company to produce copies of calendar entries, performance evaluations, and incentive compensation documents for the Company's ten highest-paid executive employees in response to information requests submitted by the respective agencies.[36]

34. On August 11, 2025, the Judge set a motion hearing for August 19, 2025.[37]

[29] Order Granting Unopposed Intervention Petition of XLI (Feb. 10, 2025) (eDockets No. 20252-215166-01).
[30] Order Granting Unopposed Intervention Petition of ECC (Feb. 14, 2025) (eDockets No. 20252-215402-01).
[31] Suburban Rate Authority Petition to Intervene (Mar. 31, 2025) (eDockets No. 20253-217053-01).
[32] Order Granting Unopposed Intervention Petition of SRA (Apr. 15, 2025) (eDockets No. 20254-217644-01).
[33] Walmart Inc. Petition to Intervene (Apr. 29, 2025) (eDockets No. 20254-218272-02).
[34] Petition to Intervene of Cooperative Energy Futures, Minnesota Interfaith Power & Light, Environmental Law & Policy Center, and Vote Solar (Apr. 30, 2025) (eDockets No. 20254-218395-01).
[35] Order Granting Unopposed Intervention Petitions of Walmart and Joint Intervenors and Applications to Appear Pro Hac Vice (May 19, 2025) (eDockets No. 20255-219070-01).
[36] Office of the Attorney General – Residential Utilities Division and Department of Commerce's Notice of Motion and Motion to Compel Discovery (Jul. 25, 2025) (eDockets No. 20257-221445-01).
[37] Order for Motion Hearing at 1 (Aug. 11, 2025) (eDockets No. 20258-221943-01).

35. On August 19, 2025, the Judge held a hearing via videoconference concerning the OAG and Deparment's joint Motion to Compel Discovery. The Company, OAG, and Department all participated in the hearing, after which the motion record was closed.[38]

36. On August 22, 2025, the Department, OAG, CUB, XLI, Joint Intervenors, ECC, SRA, and Walmart filed Direct Testimony.

37. On August 29, 2025, the Judge issued an Order granting in part and denying in part the Joint Motion to Compel Discovery filed by the Department and OAG. The Judge found that the request for calendars and performance reviews was relevant, and balanced the need for such information against the privacy interests of the top ten highest-paid executives and the burden of production borne by the Company. The Judge narrowed the timeframe for which the Company was required to produce calendars for its top ten highest-paid executives from four years to two years and ordered that such calendars be produced for 2023 and 2024, exclusive of calendars for employees holding the role of general counsel.[39] The Judge further limited the production of performance reviews to the year 2024 and permitted the Company to redact certain sensitive information unrelated to executives' performance.[40] The Judge denied such other requests asking for any and all documentation related to incentive compensation as being overbroad, and for the failure to identify deficiencies in the Company's response.[41]

38. On October 1, 2025, the Company filed a request seeking to obviate the need for a 2026 interim rate increase. Instead, the Company proposed to aggregate interim rate revenues collected in 2025 and 2026 and compare those values to the final revenues approved by the Commission when calculating the interim refund or surcharge to be owed or collected from customers at the conclusion of this proceeding.[42]

39. On October 10, 2025, the Company, the Department, OAG, XLI, Joint Intervenors, and SRA filed Rebuttal Testimony.

40. On October 21, 2025, the OAG filed an Objection to and Motion to Strike Portions of the Rebuttal Testimony of Benjamin Halama and an associated Memorandum of Law, claiming that such testimony reflected new costs and revenue adjustments related to electric vehicles, production tax credits, and time-of-use rate software that was not responsive to intervenor direct testimony.[43]

[38] Order Granting in Part and Denying in Part Motion to Compel at 1 (Aug. 29, 2025) (eDockets No. 20258-222555-01).
[39] Order Granting in Part and Denying in Part Motion to Compel at 7 (Aug. 29, 2025) (eDockets No. 20258-222555-01).
[40] Order Granting in Part and Denying in Part Motion to Compel at 9 (Aug. 29, 2025) (eDockets No. 20258-222555-01).
[41] Order Granting in Part and Denying in Part Motion to Compel at 10 (Aug. 29, 2025) (eDockets No. 20258-222555-01).
[42] 2026 Interim Rate Letter (Oct. 1, 2025) (eDockets No. 202510-223492-01).
[43] Objection to and Motion to Strike Portions of the Rebuttal Testimony of Benjamin Halama (Oct. 21, 2025) (eDockets No. 202510-224157-02); Memorandum of Law in Support of Objection to and Motion to Strike Portions of the Rebuttal Testimony of Benjamin Halama (Oct. 21, 2025) (eDockets No. 202510-224157-03).

41. On October 27, 2025, the Judge set a motion hearing for November 5, 2025.[44]

42. On October 31, 2025, the Department, OAG, CUB, XLI, and ECC filed comments opposing the Company's proposed treatment of interim rates for the 2026 plan year.

43. The Company and Department filed responses opposing and supporting the OAG's motion, respectively, on November 4, 2025.[45]

44. On November 5, 2025, a hearing was held on the OAG's Motion to Strike, after which the motion record was closed.[46]

45. On November 10, 2025, the Company filed a response to parties' opposition to its proposed treatment of interim rates for the 2026 plan year.[47]

46. On November 12, 2025, the Judge issued an Order denying the OAG's Motion to Strike. The Judge determined that the testimony on solar production tax credits and the Company's Transportation Electrification Plan was not "new" except to the extent that it corrected an earlier error identified in direct testimony.[48] The Judge also determined testimony on time-of-use outreach expenses was materially distinct, as such costs arose from a Commission order that was issued after supplemental direct testimony was filed.[49] In denying the Motion to Strike, the Judge clarified that arguments regarding the insufficiency of record development on the challenged costs would be preserved.[50]

47. On November 25, 2025, the Company, Department, OAG, CUB, XLI, Joint Intervenors, ECC, and SRA filed Surrebuttal Testimony.

48. On December 5, 2025, the Company filed a Motion to Strike portions of the surrebuttal testimony of XLI witness Jonathan Ly related to the development of very large customer tariffs.[51]

49. On December 8, 2025, the Company and intervening parties filed witness lists, proposed exhibit lists, and witness summaries.[52]

[44] Order for Motion Hearing at 1 (Aug. 11, 2025) (eDockets No. 202510-224308-01).
[45] Comments in Opposition to OAG Objection and Motion to Strike (Nov. 4, 2025) (eDockets No. 202511-224660-01); Minnesota Department of Commerce's Response Supporting OAG-RUD's Objection and Motion to Strike (Nov. 4, 2025) (eDockets No. 202511-224653-01).
[46] Order Denying Motion to Strike at 1 (Nov. 12, 2025) (eDockets No. 202511-224861-01).
[47] Reply Letter – 2026 Interim Rates (Nov. 10, 2025) (eDockets No. 202511-224825-02).
[48] Order Denying Motion to Strike at 6 (Nov. 12, 2025) (eDockets No. 202511-224861-01).
[49] Order Denying Motion to Strike at 6-7 (Nov. 12, 2025) (eDockets No. 202511-224861-01).
[50] Order Denying Motion to Strike at 7 (Nov. 12, 2025) (eDockets No. 202511-224861-01).
[51] Notice of Motion and Motion to Strike (Dec. 5, 2025) (eDockets No. 202512-225566-01).
[52] Walmart filed its witness list, proposed exhibit list, and witness summary on December 9, 2025.

50. Also on December 8, 2025, the Judge issued an Order scheduling a status conference and hearing on Xcel's Motion to Strike for December 15, 2025.[53]

51. On December 11, 2025, the Company filed a Motion for Relief and associated Memorandum of Law. The Motion for Relief argued due process concerns associated with Department including the pre-filed direct testimony of Witness Terry S. Myers as an attachment to the Surrebuttal Testimony of Witness Steven D. Hunt, despite Witness Hunt not adopting that testimony and Witness Myers not being made available for cross-examination.[54]

52. Also on December 11, 2025, the Judge issued an Order indicating the Company's Motion for Relief would be heard at the status conference on December 15 and directing interested parties to file written responses to the Motion in advance of the hearing date.[55]

53. On December 15, 2025, the Judge conducted a status conference and heard oral argument from interested parties on the Company's Motion to Strike and its Motion for Relief.

54. The evidentiary hearing for this proceeding was held on December 17 and 18, 2025 in the Small Hearing Room at the Commission's offices in Saint Paul, Minnesota.

55. On January 28, 2026, the Company, Department, OAG, CUB, XLI, Joint Intervenors, SRA, and Walmart filed Initial Briefs.

56. The Company and intervening parties filed Reply Briefs and Proposed Findings of Fact on February 25, 2026.

IV. Comments from the Public

57. Over 8,600 written public comments were filed in eDockets by the December 30, 2025 deadline.[56] The vast majority of comments were submitted by residential customers of the Company in opposition to the proposed rate increase.[57] Oral comments were also provided at nine public hearings conducted both via videoconference and at in-person at locations throughout the Company's service territory.

58. The public predominantly focused on the size of the proposed rate increase and how it would negatively affect their ability to pay utility bills. These comments were not limited to low- and fixed-income ratepayers; moderate income households likewise

[53] Order on Status Conference (Dec. 8, 2025) (eDockets No. 202512-225611-01).
[54] Notice of Motion and Motion for Relief (Dec. 11, 2025) (eDockets No. 202512-225738-02); Memorandum of Law in Support of Motion for Relief (Dec. 11, 2025) (eDockets No. 202512-225738-03).
[55] Order for Procedure on Motion Relief (Dec. 11, 2025) (eDockets No. 202512-225750-01).
[56] An additional ten comments were received by the Commission prior to the end of December 30, 2025 but uploaded to eDockets the following day. A minimum of seven more comments were filed after the deadline.
[57] *See*, *e.g.*, CUB-8 at 10 (finding that out of 4,008 comments reviewed, 3,892, or 97 percent, opposed the rate increase, 8 supported it, and the remaining 106 took a neutral position).

voiced concerns about their ability to afford rising utility expenses amidst broader inflation, economic stagnation, and static incomes. Numerous commenters expressed frustration with the profits earned by the Company and its shareholders. Other commenters objected to the compensation amounts paid to the Company's executives.[58] Still other customers raised unresolved issues with the Company's quality of service.

V. JURISDICTION, LEGAL STANDARDS, AND BURDEN OF PROOF

59. Minnesota Statutes §§ 216B.01, 216B.02, and 216B.08 provide the Commission with general jurisdiction to regulate public utilities in the State of Minnesota. Minnesota Statute § 216B.16 grants the Commission specific jurisdiction to regulate the service rates public utilities charge to their customers.

60. Rates are defined by statute as "every compensation, charge, fare, toll, tariff, rental, and classification, or any of them, demanded, observed, charged or collected by any public utility for any service and any rules, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification."[59]

61. Minnesota Statute § 216B.03 requires that "every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable."

62. The public utility seeking to amend its rates bears the burden of proving by a preponderance of the evidence that its proposed assets and revenue requirement are accurate and that the resulting rates charged are just and reasonable.[60] A "preponderance of evidence" is defined as "whether the evidence submitted, even if true, justifies the conclusion sought by the petitioning utility when considered together with the Commission's statutory duty to enforce the state's public policy that retail consumers of utility services shall be furnished such services at reasonable rates."[61]

63. As part of this burden, the Company is required to "prove not only that the facts they present are accurate, but that the costs they seek to recover are rate-recoverable, that

[58] *See*, *e.g.*, CUB-8 at 10 (finding more than half of the 4,008 comments reviewed referenced utility profits or return on equity, while another 20 percent expressed negative opinions on the Company's executive pay).
[59] Minn. Stat. § 216B.02, subd. 5.
[60] Minn. Stat. § 216B.16, subs. 4, 19; Minn. Rule 1400.7300, subp. 5 (providing that when no standard of proof is established by substantive law for a contested case proceeding, the party proposing the action bears the burden of proving the facts at issue by a preponderance of the evidence); *see also In re Application of Interstate Power Co.*, 500 N.W.2d 501, 504 (Minn. Ct. App. 1993).
[61] *In re Northern States Power Co.*, 416 N.W.2d 719, 722 (Minn. 1987).

the rate recovery mechanisms they propose are permissible, and that the rate design they advocate is equitable."[62]

64. The Commission is tasked with ensuring that rates charged by public utilities meet the just and reasonable standard.[63] Setting rates involves both quasi-judicial and quasi-legislative action.[64] When the Commission acts as a factfinder, receives evidence, and weighs the evidence before it, it acts in a quasi-judicial capacity.[65] When the Commission balances cost and non-cost factors or makes public policy decisions, it acts in a quasi-legislative capacity.[66]

65. Determining whether rates are just and reasonable requires "balancing the interests of the utility companies, their shareholders, and their customers,"[67] with "any doubt as to reasonableness . . . resolved in favor of the consumer."[68]

66. When balancing utility and ratepayer interests, the Commission must give due consideration to the "public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property."[69] The Commission must also consider customers' ability to pay as a factor when setting utility rates.[70]

67. Likewise, the Commission cannot confine its inquiries either to the computation of costs of service or to conjectures about the prospective responses of the capital market; it is instead obliged at each step of its regulatory process to assess the requirements of the broad public interests entrusted to its protection. Accordingly, the "end result" of the Commission's orders must be measured as much by the success with which they protect those interests as by the effectiveness with which they maintain credit and attract capital."[71]

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[62] *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E002/GR-10-971, Findings of Fact, Conclusions, and Order, at 5 (May 14, 2012)
[63] Minn. Stat. § 216B.03.
[64] Minn. Stat. § 216A.05, subd. 1 (providing that the Commission's functions shall be "legislative and quasi-judicial in nature"); *see also In re Petition of Northern States Power Co.*, 416 N.W. 2d 719, 723 (Minn. 1987).
[65] *Hibbing Taconite Co. v. Minn. Pub. Serv. Comm'n*, 302 N.W.2d 5, 10 (Minn. 1980).
[66] *Hibbing Taconite Co. v. Minn. Pub. Serv. Comm'n*, 302 N.W.2d 5, 10 (Minn. 1980).
[67] *In the Matter of Interstate Power Rates Change Request*, 574 N.W.2d 408, 411 (Minn. 1998); *see also Federal Power Comm. v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944) (stating that the rate-making process "involves a balancing of the investor and the consumer interests").
[68] Minn. Stat. § 216B.03.
[69] Minn. Stat. § 216B.16, subd. 6.
[70] Minn. Stat. § 216B.16, subd. 15.
[71] *Id.* at 791.

68. The Commission has also found that Energy Justice tenets are relevant to setting utility rates.[72] Those tenets include Recognition Justice,[73] Procedural Justice,[74] Distributional Justice,[75] and Restorative Justice.[76]

69. Both the Company and the Department have further employed a "working definition" of equity to guide decisions in this proceeding:

> Equity refers to a fair and just, but not necessarily equal, allocation intended to mitigate disparities in benefits and burdens. Equity in a regulatory framework means providing inclusive and equitable service to all customers, so that all customers have equitable opportunities, access, and results, and both benefits and burdens of the provision of energy are fairly distributed across all community groups. Some individuals or communities may need different levels of support to gain equitable service.[77]

70. From the shareholder or Company perspective, a reasonable rate provides "enough revenue . . . for operating expenses . . . [and] the capital costs of the business," as well as a return that is "commensurate with returns on investments in other enterprises having corresponding risks," and which "assure[s] confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."[78]

71. The Commission must also "assess the requirements of the broad public interests entrusted to its protection" at each step of the balancing process.[79] This requires considering both cost and noncost factors and "giv[ing] continu[ed] attention to values that may be reflected only imperfectly by [utilities'] costs; a regulatory method that exclude[s] as immaterial all but current or projected costs could not properly serve the consumer interests placed under the Commission's protection."[80]

72. A successful end result of this balancing process both protects consumer interests and effectively allows the utility to maintain credit and attract capital.[81] To achieve this

[72] *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, FINDINGS OF FACT, CONCLUSIONS, AND ORDER at 164, Order Point 121 (July 17, 2023).
[73] *Id.* at 137 (defining "Recognition Justice" as "understanding the history and context of energy decisions that have created inequitable benefits and burdens in the past and in the present").
[74] *Id.* at 138 (defining "Procedural Justice" as "meaningful and equitable participation and representation in energy decision making").
[75] *Id.* at 138 (defining "Distributional Justice" as "ensuring benefits and burdens are equitably distributed").
[76] *Id.* at 138 (defining "Restorative Justice" as "facilitating healing and harmony by improving conditions within communities and providing for remediation of legacy harms").
[77] Ex. Xcel-71 at 7 (Martin Rebuttal); Ex. DOC-21 at 6 (Hirasuna Direct) (internal citations omitted).
[78] *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).
[79] *Permian Basin Area Rate Cases*, 390 U.S. 747, 791 (1968).
[80] *Permian Basin Area Rate Cases*, 390 U.S. 747, 815 (1968).
[81] *Permian Basin Area Rate Cases*, 390 U.S. 747, 791 (1968).

outcome, the Commission "must be free within the limitations imposed by pertinent constitutional and statutory commands, to devise methods of regulation capable of equitably reconciling diverse and conflicting interests."[82]

73. The Commission is "not bound to the service of any single regulatory formula," and is permitted to "make the pragmatic adjustments which may be called for by particular circumstances."[83]

74. If the Commission finds that the rates to be charged are unjust, unreasonable, or discriminatory, it shall fix the rates to be charged by order.[84] If the utility proposing a rate change has failed to meet its burden of proof, the Commission must deny the rate increase or "make 'appropriate adjustment' to the utility's proposal.[85]

UNDISPUTED OR RESOLVED ISSUES

75. Several issues were undisputed or resolved during the proceeding. A summary of such issues and the basis for their resolution is provided below.

VI. PowerOn Automatic Enrollment

76. PowerOn is an income-limited affordability program offered by the Company to its electric service customers consistent with the requirements of Minn. Stat. § 216B.16, subds. 14 and 15.

77. Although the Company is considering alternative eligibility options for enrolling customers in PowerOn,[86] the program is currently tailored to households that have received federal Low-Income Home Energy Assistance Program (LIHEAP) funding but are still paying more than three percent of income towards electricity bills.[87]

78. In his Direct Testimony, ECC Witness Shardlow recommends automatically enrolling in PowerOn all electric customers who have received LIHEAP or are otherwise deemed eligible for program participation.[88]

79. The Company estimated that automatically enrolling LIHEAP recipients into PowerOn could increase program participation by up to 14,000 electric-only customers, for a total potential incremental spend of $10 to $11 million annually.[89] Recovery of these costs was not requested in this proceeding, as the Company indicated it would make a formal

[82] *St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm.*, 312 Minn. 250, 262 (1977) (quoting and adopting the standard set in *Permian Basin Area Rate Cases*, 390 U.S. 747, 767 (1968)).
[83] *Permian Basin Area Rate Cases*, 390 U.S. 747, 777 (1968) (quoting *FPC v. Natural Gas Pipeline Co.*, 315 U.S. 575, 586 (1942)).
[84] Minn. Stat. § 216B.15, subd. 5.
[85] *In re Application of Interstate Power Co.*, 500 N.W.2d 501, 504 (Mn. Ct. App. 1993).
[86] Ex. Xcel-81 at 17-19 (Howard Rebuttal); Ex. Xcel-71 at 4, 20, 41-43 (Martin Rebuttal).
[87] Ex. ECC-01 at 9 (Shardlow Direct).
[88] Ex. ECC-01 at 11 (Shardlow Direct).
[89] Ex. Xcel-81 at 16 (Howard Rebuttal).

request and recommendation on funding only after automatic enrollment approval had been received and actual enrollment information was available for calculating program needs.[90]

80. Both the Company and CUB supported PowerOn automatic enrollment. No other party provided testimony on the issue.

81. The parties' agreement is reasonable. As extensively discussed by the Company and intervening parties, the affordability of utility service is paramount to a decision that justly and reasonably balances the interests of ratepayers and the utility. Expanding the PowerOn program to include automatic enrollment of electric-only customers[91] will streamline access to assistance resources 84.and help mitigate cost impacts for income-limited households. This is consistent with the premise that "[s]ome individuals or communities may need different levels of support to gain equitable service."[92]

82. The Judge recommends that the Commission approve automatic enrollment of LIHEAP customers into the Company's PowerOn program.

DISPUTED ISSUES

83. The following issues were disputed by one or more parties.

VII. Revenue Requirements

A. Cost of Capital

a. Return on Equity

i. Introduction and Legal Standard

84. The legal standard applicable to a Return on Equity decision is informed by Minnesota statutes, as well as U.S. Supreme Court and Minnesota Supreme Court case law.

85. Acknowledging the necessity of a commensurate return, Minn. Stat. § 216B.16, subd. 6, states:

> The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its

[90] Ex. Xcel-81 at 16 (Howard Rebuttal).
[91] As articulated in the testimony of CUB Witness Levenson-Falk, this automatic enrollment proposal may also capture combined gas and electric service customers who receive LIHEAP, but whose gas bills are too low to qualify for the Company's Gas Affordability Program. *See* Ex. CUB-8 at 15 (Levenson-Falk Surrebuttal).
[92] Ex. Xcel-71 at 7 (Martin Rebuttal); Ex. DOC-21 at 6 (Hirasuna Direct).

> utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property.

86. Acknowledging the necessity of protecting consumers from paying unaffordable rates, Minn. Stat. § 216B.03 states that "every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable" with "any doubt as to reasonableness . . . resolved in favor of the consumer."

87. The United States Supreme Court established the hallmarks of a reasonable return on capital, including a reasonable rate of return on common equity, in the landmark cases of *Bluefield Water Works & Improvement Co. v. Public Service Commission*[93] and *Federal Power Commission v. Hope Natural Gas Co*.[94]

88. In *Bluefield,* the Court held that a return should be: (1) "reasonably sufficient to assure confidence in the financial soundness of the utility;" and (2) "adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties."[95] In reaching this holding the Court also clarified that an investor-owned utility "has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures."[96]

89. In *Hope,* the Court stated:

> From the investor or company point of view, it is important that there be enough revenue not only for operating expenses, but also for the capital costs of the business. These include service on the debt and dividends on the stock. By this standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.[97]

90. The Court also reiterated that "[t]he rate-making process [...] i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests" and that "'regulation does not insure that the business shall produce net revenues."[98] The primary purpose of requiring just and reasonable rates is to "protect consumers against exploitation" at the hands of utilities.[99] The Court also clarified that "under the statutory

[93] *Bluefield Water Works & Improvement Co. v. Public Service Comm'n*, 262 U.S. 679 (1923)
[94] *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944).
[95] *Hope*, 320 U.S. at 693.
[96] *Hope*, 320 U.S. at 692-93.
[97] *Hope*, 320 U.S. at 603.
[98] *Hope*, 320 U.S. at 603 (citing *FPC v. Nat. Gas Pipeline*, 315 U.S. at 590).
[99] *Hope*, 320 U.S. at 610.

standard of just and reasonable it is the result reached not the method employed which is controlling."[100]

91. In its *Federal Power Commission v. Natural Gas Pipeline Co*. decision, the Court said "[t]he requirements of 'just and reasonable' embrace, among other factors, two phases of the public interest: (1) the investor interest; [and] (2) the consumer interest"[101] and that "[t]he consumer interest cannot be disregarded[.]"[102] Of the investor interest, the Court stated that "[b]y long standing usage in the field of rate regulation, the 'lowest reasonable rate' is one which is not confiscatory in the constitutional sense"[103] and "[i]f the rate permits the company to operate successfully and to attract capital all questions as to 'just and reasonable' are at an end so far as the investor interest is concerned."[104] The Court also clarified that regulators should use their judgment, not just formulas, to set a reasonable return.[105]

92. In its *Permian Basin Area Rate Cases* decision, the Court reviewed several related challenges to the Federal Power Commission's (FPC) regulation of independent natural gas producers, including the FPC's ability to set maximum prices for producers in a region rather than individually.[106] The Court specified:

> The Commission cannot confine its inquiries either to the computation of costs of service or to conjectures about the prospective responses of the capital market; it is instead obliged at each step of its regulatory process to assess the requirements of the broad public interests entrusted to its protection by Congress. Accordingly, the "end result" of the Commission's orders must be measured as much by the success with which they protect those interests as by the effectiveness with which they "maintain . . . credit and . . . attract capital."[107]

93. Expounding on the importance of considering the "end result" of the Commission's decision, the Court noted: "Cost and noncost factors do not, as the Court of Appeals supposed, race one against the other; they must be, as they are here, harnessed side by side. The Commission's responsibilities necessarily oblige it to give continuing attention to values that may be reflected only imperfectly by producers' costs; a regulatory method that excluded as immaterial all but current or projected costs could not properly serve the consumer interests placed under the Commission's protection."[108]

[100] *Hope*, 320 U.S. at 602.
[101] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. 575, 606-607 (1942).
[102] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 608.
[103] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 607, 585.
[104] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 607.
[105] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 585-86.
[106] *Permian Basin Area Rate Cases*, 390 U.S. 747 (1968).
[107] *Permian Basin Area Rate Cases*, 390 U.S. at 791.
[108] *Permian Basin Area Rate Cases*, 390 U.S. at 815.

94. The Minnesota Supreme Court adopted the *Bluefield* and *Hope* requirements in its *Hibbing Taconite Co. v. Minnesota Public Service Commission* decision.[109] The *Hibbing* Court further described the establishment of a rate of return as a quasi-judicial function which involves a factual determination of "a fair rate of return which will provide earnings to investors comparable to those realized in other businesses which are attended by similar risk," and stated that "[t]o peg an established rate to a rate advocated by any one of several expert witnesses is an arbitrary delegation of that duty."[110] The Court noted that the Commission is "bound to follow certain legal criteria" when establishing an authorized return, including compliance with Minn. Stat 216B.03 (requiring that rates be "just and reasonable") and Minn. Stat. 216B.16, subd. 6 (establishing that utilities have the right to "earn a fair and reasonable return"). The Court also noted that, when establishing a fair return, the Commission "must balance the interests of the utility against the interests of the utility's customers."[111]

ii. Summary of Party Recommendations

95. The parties' recommended ROEs are summarized as follows:

Xcel: 10.30%

Department: 9.25%

CUB: 9.0%

XLI: 8.96%

96. In Direct Testimony, NSPM Witness Nowak recommended an ROE of 10.30 percent, based on an estimated cost of equity range of 10.00 to 11.00 percent.[112] In Rebuttal Testimony, Witness Nowak continued to recommend an ROE of 10.3 percent.[113] He based this recommendation on an analysis of a Two-Growth DCF model, two Capital Asset Pricing Models (CAPM), and the Bond Yield Plus Risk Premium Model.[114]

97. Department Witness Addonizio recommended an ROE of 9.25 percent, based on an estimated cost of equity of 8.82 percent.[115] He primarily based his recommendation on his analysis of a DCF model, but also used a CAPM to provide a "sanity check" on the DCF

[109] *Hibbing Taconite Co. v. Minn. Pub. Serv. Comm'n*, 302 N.W.2d 5, 10 (Minn. 1980) (citing *Bluefield*, 262 U.S. at 690, 43 S. Ct. at 678).
[110] *Hibbing*, 302 N.W.2d at 11.
[111] *Hibbing*, 302 N.W.2d at 11 (citing *Minneapolis Street Railway Co. v. City of Minneapolis*, 251 Minn. 43, 72-73, 86 N.W.2d 657, 676 (1957)).
[112] Ex. Xcel-24 at 4 (Nowak Direct).
[113] Ex. Xcel-25 at 84 (Nowak Rebuttal).
[114] Ex. Xcel-24 at 3 (Nowak Direct).
[115] Ex. DOC-12 at 57 (Addonizio Direct).

results.[116] As discussed below, Witness Addonizio urged the Commission to distinguish Xcel's cost of equity from its authorized return on equity as part of its analysis.[117]

98. In Direct Testimony, CUB Witness Dr. Kihm recommended an ROE of 9.0 percent, based on an estimated cost of equity of 7.7 percent.[118] Dr. Kihm based his recommendation on an analysis of DCF and CAPM model results, which he used to estimate the Company's cost of equity.[119] He compared his cost of equity estimate to that of a trusted independent analyst, *Morningstar*, and found his and *Morningstar's* estimates to be similar.[120] Like Witness Addonizio, Dr. Kihm urged the Commission to distinguish Xcel's cost of equity from its authorized return on equity as part of its analysis.[121] After estimating the Company's cost of equity, Dr. Kihm encouraged the Commission to weigh other record evidence—including evidence of ratepayers' growing affordability challenges—and make pragmatic adjustments to arrive at a rate of return that appropriately balances the competing interests of ratepayers and shareholders.[122]

99. In Direct Testimony, XLI Witness Billie LaConte recommended an ROE of 8.96 percent, based on an estimated cost of equity range of 8.29 percent to 11.84 percent.[123] Witness LaConte based her recommendation on an analysis of three variations of the DCF model and a historical and projected CAPM analysis.[124] She then recommended adjustments accounting for reduced financial risk applicable to NSPM relative to other companies in her proxy group and the Company's "failure to provide customer service as required by Minnesota Rules.[125]

iii. Proxy Groups

100. Witness Nowak argues "since the ROE is a market-based concept and NSPM is not publicly traded, it is necessary to establish a group of companies that is both publicly traded and comparable to NSPM as a proxy."[126] However, "[n]o proxy group will be identical in risk to the Company."[127] Witness Nowak creates a proxy group of comparable companies by beginning with the 36 investor-owned electric utility companies coved by *Value Line* and

[116] Ex. DOC-12 at 57 (Addonizio Direct).
[117] Ex. DOC-12 at 70 (Addonizio Direct).
[118] Ex. CUB-1 at 4 (Kihm Direct).
[119] Ex. CUB-1 at 21 (Kihm Direct).
[120] Ex. CUB-1 at 26 (Kihm Direct).
[121] Ex. CUB-1 at 20 (Kihm Direct)
[122] Ex. CUB-1 at 43-44 (Kihm Direct); *see also FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 586 (stating utility regulators should "make the pragmatic adjustments which may be called for by particular circumstances" when establishing an authorized return.)
[123] Ex. XLI-1 at 28, 30 (LaConte Direct).
[124] Ex. XLI-1 at 23-27 (LaConte Direct).
[125] Ex. XLI-1 at 19, 28 (LaConte Direct).
[126] Ex. Xcel-24 at 30 (Nowak Direct).
[127] Ex. Xcel-24 at 32 (Nowak Direct).

then screening them according to certain criteria.[128] Based on that screening process, Witness Nowak produces the following proxy group:[129]

Proxy Group

Company	Ticker
Alliant Energy Corporation	LNT
Ameren Corporation	AEE
American Electric Power Company, Inc.	AEP
Duke Energy Corporation	DUK
Entergy Corporation	ETR
Evergy, Inc.	EVRG
IDACORP, Inc.	IDA
NextEra Energy, Inc.	NEE
NorthWestern Corporation	NWE
OGE Energy Corporation	OGE
Pinnacle West Capital Corporation	PNW
Portland General Electric Company	POR
PPL Corporation	PPL
Southern Company	SO
TXNM Energy, Inc.	TXNM

101. In his Rebuttal Testimony, Witness Nowak revised this proxy group to remove Northwestern Corporation and TXNM Energy, Inc. and add Dominion Resources.[130]

102. In his DCF and CAPM analyses, Witness Kihm used the same Proxy Group that Witness Nowak used in his Direct Testimony.[131]

iv. Financial Models

103. The Commission has "historically placed its heaviest reliance" on the Discounted Cash Flow (DCF) analytical model.[132] However, the Commission also recognizes "that relying too heavily on a single set of results from one model could inadvertently narrow the range of reasonable returns considered, needlessly eliminating relevant data from close examination."[133]

104. CUB argues that finance models can be useful tools to estimate a utility's cost of equity, but they cannot, alone, produce an "end result" that fairly balances the interest of a utility's shareholders and ratepayers because they contain no variable for fairness or the

[128] Ex. Xcel-24 at 30 (Nowak Direct).
[129] Ex. Xcel-24 at 33 (Nowak Direct).
[130] Ex. Xcel-24 at 12 (Nowak Direct).
[131] Ex. CUB-1 at 26 (Kihm Direct).
[132] *In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, Findings of Fact, Conclusions, and Order at 80; 88-90 (July 17, 2023) (hereinafter "E-002/GR-21-630 Findings of Fact, Conclusions, and Order").
[133] E-002/GR-21-630 Findings of Fact, Conclusions, and Order at 89.

ratepayer interest.[134] CUB recommends the Commission "need not "jettison the models completely," but should "adjust the role they play, moving them from center stage to the sidelines."[135]

105. The Department argues that Mr. Nowak's model results "are not the product of reasoned judgment, but outcome determinative exercise, using unrealistic inputs, to produce a desired result – consistent with the client's preference."[136] In support of this argument, the Department provides evidence showing Witness Nowak (along with his colleagues at Concentric) consistently recommend ROEs above 10 percent, that such recommendations do not appear to change regardless of the then-applicable inflation rate, and that the Commission has never adopted any ROE recommendation made by Witness Nowak or his Concentric colleagues in more than two decades.[137]

106. The Administrative Law Judge is persuaded that Dr. Kihm's process for determining a reasonable ROE in this case fairly balances the competing interests of NSPM's shareholders and its ratepayers. Specifically, the Judge agrees that finance models are useful in estimating the Company's cost of equity, but that they cannot, alone, produce an end result that fairly balances the interests of a utility's shareholders and ratepayers.[138]

107. The Administrative Law Judge is also persuaded that the consistently high, relatively static recommendations Witness Nowak makes in every rate case undermine the purported validity of his modeling results in this case. If modeling inputs and proxy groups can be manipulated to consistently produce nearly the same figures regardless of the underlying facts and economic conditions, it is all the more important that the Commission exercise its judgment to make pragmatic adjustments accounting for cost and non-cost factors applicable to its ROE decision.

v. CUB's Proposed ROE

108. Dr. Kihm utilized CAPM and DCF models to analyze NSPM's risk relative to comparable companies and evaluate the Company's financial integrity and ability to attract investors and estimate the Company's cost of equity.[139]

109. Dr. Kihm uses the same comparable-risk portfolio that Witness Nowak uses in his DCF analysis.

[134] Ex. CUB-1 at 43 (Kihm Direct)
[135] Ex. CUB-1 at 38 (Kihm Direct).
[136] Dep't initial Brief at 35.
[137] Dep't Initial Brief at 35.
[138] Ex. CUB-1 at 20 (Kihm Direct); Ex. DOC-12 at 70 (Addonizio Direct).
[139] Ex. CUB-1 at 21-36 (Kihm Direct).

110. Dr. Kihm uses as a stock price the average price from the recent, short period of July 1, 2025 to August 1, 2025. This differs from Witness Nowak, who uses an average stock price derived from a longer time period further back in time.[140] Dr. Kihm chose this shorter period because "the most accurate predictor of future stock prices is the current price"—or at least an average derived from a relatively short timeline.[141]

111. Further, Dr. Kihm uses *Value Line's* 10-year dividend-per-share projections for a growth rate. This differs from Witness Nowak, who relied on stock analysist growth rate projections.[142] Dr. Kihm chose to use *Value Line's* projections because stock analysists (particularly sell-side analysts) notoriously overestimate their projections.[143]

112. The results of Dr. Kihm's DCF and CAPM analyses suggest that NSPM's cost of equity is 7.7 percent.[144] This estimate closely matches—but is higher—than trusted independent finance analyst, *Morning Star*'s cost of equity estimate for the Company.[145]

113. After using models to estimate the Company's cost of equity, Dr. Kihm encouraged the Commission to weigh other record evidence and public policy factors to make pragmatic adjustments to arrive at a rate of return that appropriately balances the competing interests of ratepayers and shareholders.[146] In particular, Dr. Kihm recommended that the Commission consider CUB Witness Levenson-Falk's analysis of affordability-related issues to inform its ROE decision.[147]

114. Ultimately, Dr. Kihm recommended an ROE of 9.0 percent. This figure is comfortably above NSPM's cost of equity but lowered (as compared to NSPM's current ROE) to better account for and balance the interests of NSPM's ratepayers.[148]

vi. Analysis

115. The current national average authorized ROE for vertically integrated utilities is approximately 9.77 percent.[149] The current average authorized ROE for vertically

[140] Ex. Xcel-24 at 36 (Nowak Direct) (showing Witness Nowak used average stock prices for the historical period over 30, 90, and 180 trading days through Sept. 30, 2024).
[141] Ex. CUB-1 at 31 (Kihm Direct).
[142] Ex. CUB-1 at 33-34 (Kihm Direct).
[143] Ex. CUB-1 at 37 (Kihm Direct).
[144] Ex. CUB-1 at 37 (Kihm Direct).
[145] Ex. CUB-1 at 37 (Kihm Direct).
[146] Ex. CUB-1 at 42-45 (Kihm Direct); *see also FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 586 (stating utility regulators should "make the pragmatic adjustments which may be called for by particular circumstances" when establishing an authorized return).
[147] Ex. CUB-1 at 43 (Kihm Direct).
[148] Ex. CUB-1 at 47 (Kihm Direct).
[149] *See* Ex. CUB-6 at 9 (Kihm Surrebuttal) (Dr. Kihm views the national average ROE to be between 9.7% and 9.8%); *see also* Exhibit WAL-1 at Exhibit 4 (Austin Direct) (Walmart witness Austin views the national average ROE to be 9.77%); Ex. XLI-1 at 28 (LaConte Direct) (explaining the national average ROE for vertically integrated utilities has ranged from 9.74% to 9.84% over the past three years).

integrated electric utilities operating in Minnesota is 9.46 percent.[150] The 10.3 percent ROE NSPM requests would be unusually high relative to these national and state averages.

116. As the party with the burden of proof, the Company must prove, by a preponderance of the evidence, that increasing its authorized ROE from 9.25 percent to 10.3 percent results in just and reasonable rates.

a. Application of the Applicable Legal Standard

117. The Company argues that "Dr. Kihm's approach to determining ROE, if followed, would not only overturn the Commission's long-standing precedent, but it would ignore over a century of Court guidance[.]"[151]

118. CUB argues that, though the Company cites "the same isolated paragraphs of *Hope, Bluefield, and Hibbing* utilities cite in every rate case," it ignores aspects of those, and other, Court decisions that "undermine or raise questions" about the Company's analysis.[152] For example, CUB argues that the Company ignores the Court's repeated call for regulators to consider ratepayers' interests when establishing a fair authorized return and the Court's repeated warnings against overreliance on "legalistic formulas" to produce a fair return.[153]

119. The Judge finds helpful CUB's analysis of the applicable legal standard. Though the Commission has long relied on the *Hope, Bluefield* and *Hibbing* decisions as establishing the legal standard applicable to ROE determinations, CUB's analysis reveals the Company focuses too narrowly on specific language within those cases without also considering other important Court findings and holdings that should inform the Commission's analysis when establishing an authorized return.

120. The U.S. Supreme Court and Minnesota Supreme Court have clearly established that, when establishing a fair return, the Commission must: (1) balance the interests of a utility and its ratepayers;[154] (2) use its judgment to consider cost and non-cost factors, not all of

[150] *See In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-017/GR-20-719, Findings of Fact, Conclusions and Order at 68 (Feb. 1, 2022) (establishing a 9.48 percent ROE for Otter Tail); *see also In the Matter of the Petition of Minnesota Power for Acquisition of ALLETE by Canada Pension Plan Investment Board and Global Infrastructure Partners,* Docket No. E-015/PA-24-198, Order Approving Petition for Acquisition with Conditions and Establishing Other Requirements at 4, 25 (Dec. 10, 2025) (establishing a 9.65 percent ROE for Minnesota Power); *See also In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, Findings of Fact, Conclusions and Order at 159 (July 17, 2023) (establishing a 9.25 percent ROE for NSPM).
[151] NSPM Initial Brief at 47.
[152] CUB Reply Brief at 13.
[153] CUB Reply Brief at 13.
[154] *See also Hibbing* 302 N.W.2d at 11.

which are reflected in finance models;[155] and (3) focus on the "end result" of its decision, rather than the methods employed to get there, to determine whether an authorized return is fair and results in just and reasonable rates.[156]

b. The *Hope* Standard

121. The Company suggests a 10.3 percent ROE is needed for it to attract capital at reasonable terms. However, it also acknowledges "NSPM has not experienced difficulties accessing capital markets since its last litigated base rate case."[157] From January 1, 2023 through July 9, 2025, Xcel Energy, Inc. raised $1.48 billion in public securities issuances and $64.18 million in nonpublic securities issuances.[158] NSPM, itself, successfully issued $700 million in bonds in February of 2024[159] and another $1.1 billion in long-term debt in April of 2025.[160]

122. The Company was also able to attract debt investment at reasonable terms due to its strong credit rating.[161] Fitch Ratings assigned an A+ rating to NSPM's $700 million debt issuance in 2024.[162] Fitch Ratings concluded NSPM's long-term issuer rating remains stable at an A- Rating.[163] And in October 2025, Fitch adjusted Xcel Energy, Inc.'s credit outlook from negative to stable.[164]

123. The Company suggests a 10.3 percent ROE is needed for it to maintain financial integrity. However, record evidence shows neither NSPM nor Xcel Energy, Inc. has had difficulty maintaining financial integrity while NSPM has operated at a much lower ROE. In its 2024 Form 10-K, Xcel Energy, Inc. reported $1.94 billion in net earnings, which is $170 million more than the net earnings it reported in 2023[165] and $190 million more than the net earnings it reported in 2022.[166] Xcel Energy, Inc. also reports it has been able to meet or

[155] *Fed. Power Comm'n v. Natural Gas Pipeline Co.*, 315 U.S. at 607 ("The decision in each case must turn on considerations of justness and fairness which cannot be cast into a legalistic formula. The rate of return to be allowed in any given case calls for a highly expert judgment. That judgment has been entrusted to the Commission.")
[156] *Permian Basin Area Rate Cases*, 390 U.S. at 791 ("The Commission cannot confine its inquiries either to the computation of costs of service or to conjectures about the prospective responses of the capital market; it is instead obliged at each step of its regulatory process to assess the requirements of the broad public interests entrusted to its protection by Congress. Accordingly, the 'end result' of the Commission's orders must be measured as much by the success with which they protect those interests as by the effectiveness with which they 'maintain . . . credit and . . . attract capital.'")
[157] Ex. XLI-7 at 9-10 (LaConte Surrebuttal) (citing NSPM Response to XLI-40).
[158] Ex. CUB-2 at SK-D-25 (Kihm Direct Schedules).
[159] Tr. Vol. 1 at 42 (Wehner).
[160] Tr. Vol. 1 at 44 (Wehner).
[161] Tr. Vol. 1 at 44 (Wehner); *see also* Ex. XLI-2 at 8 (LaConte Direct) ("the Company's "credit metrics exceed, or are well within the range, required by S&P to maintain an A/A- credit rating which is the rating that NSPM wishes to continue to support and maintain.")
[162] Dep't Initial Brief at 8 (citing Tr. Vol. 1 at 43 (Wehner)).
[163] Dep't Initial Brief at 8 (citing Tr. Vol. 1 at 43 (Wehner)).
[164] Dep't Initial Brief at 8 (citing Tr. Vol. 1 at 43 (Wehner)).
[165] Ex. DOC-26 at 25 (2024 Form 10-K) (showing that Xcel's net income was $1.94 billion in 2024 compared with $1.77 billion in 2023).
[166] Ex. DOC-25 at 26 (2023 Form 10-K) (showing that Xcel's net income was $1.77 billion in 2023 compared with $1.74 billion in 2023).

exceed its earnings per share (EPS) guidance every year for the past 22 years, supporting uninterrupted quarterly dividend payments over that time period.[167] Meanwhile, Xcel Energy, Inc.'s EPS attributable to NSPM has increased 135% from 2010 to 2024.[168] Finally, despite NSPM contending that the Commission's last rate case decision caused XEI's stock price to go down, XEI's stock price later rose to an all-time record high in October 2024.[169]

124. The Company suggests a 10.3 percent ROE is needed for it to earn a return comparable to returns required on investments of similar risks. However, the Company's use of interim rates, multi-year rate plans, cost-recovery riders, and revenue decoupling mechanisms all permit the Company to consistently recover costs outside the rate case context, thereby reducing cash flow risks.[170] The availability of these risk mitigation mechanisms—not all of which are equally available to similarly-situated companies—undermine the Company's argument that it needs to significantly increase its ROE to earn a return comparable to its peers.

125. The Administrative Law Judge finds that, since the Commission issued a final order in NSPM's last electric rate case, NSPM has been able to attract capital at reasonable terms, maintain financial integrity, and earn a return comparable to returns required on investments of similar risk. "If the rate permits the company to operate successfully and to attract capital all questions as to 'just and reasonable' are at an end so far as the investor interest is concerned."[171] The Company has not met its burden to prove that a 105 basis point increase to its ROE is necessary in order to continue to meet the *Hope* standard, or that this action would otherwise result in just and reasonable rates.

c. Use of models to estimate cost of equity vs. return on equity

126. The Commission has previously relied most heavily on the DCF Model (as compared to other finance models) to inform its ROE decisions.[172]

127. The DCF model postulates that the current price of a stock is equal to the present value of all expected future dividends, discounted by the appropriate rate of return.[173] The DCF model has three components: current stock price, a stream of future dividend payments, and the required rate of return on equity. [174] With estimates of any two of the inputs, the third can calculated.[175]

[167] Ex. DOC-26 at 7 (2024 Form 10-K).
[168] Ex. DOC-1 at 25 (Johnson Direct).
[169] Ex. CUB-6 at SK-SR-26 (Kihm Surrebuttal Schedules)
[170] Ex. XLI-1 at 12-13 (LaConte Direct).
[171] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 607.
[172] *See* E-002/GR-21-630 Findings of Fact, Conclusions, and Order at 80; 88-90.
[173] Ex. DOC-12 at 40 (Addonizio Direct).
[174] Ex. DOC-12 at 40 (Addonizio Direct).
[175] Ex. DOC-12 at 40 (Addonizio Direct).

128. Witnesses Nowak, Addonizio, Kihm, and LaConte (collectively, the "ROE Witnesses") each utilize the Discounted Cash Flow ("DCF") model to estimate NSPM's cost of equity.[176]

129. However, the ROE Witnesses disagree on how their *cost* of equity estimates should inform the Commission's ROE determination. Witness Nowak based his analysis on the presumption that the Company's allowed ROE should be set equal to its cost of equity, as determined through his models-based analysis.[177]

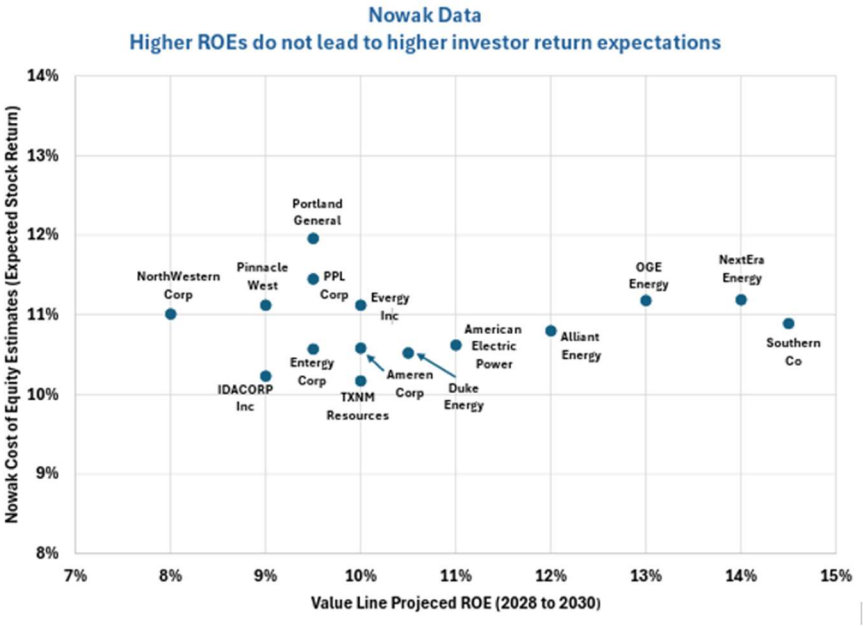
130. On the other hand, Witnesses Addonizio and Kihm testify that a utility's cost of equity and its authorized return on equity are two different variables.[178] Though models can help estimate a utility's cost of equity, authorized ROEs are typically higher than the cost of equity.[179]

131. The difference between cost of equity and return on equity is apparent when comparing the book value and market value of the Company's equity. If investors expect a company's return on equity to be roughly equal to its cost of equity, the market and book values of its equity will be roughly equal.[180] However, utility stock often trades at about twice book value.[181] This shows that investors are willing to pay a substantial premium to acquire the stock of utilities that produce high returns.[182]

132. On August 12, 2025, the market value of Xcel Energy's, Inc.'s equity was $42.5 billion, but the book value of its equity as recorded on its balance sheet was only $19.5 billion.[183]

[176] *See* Ex. DOC-12 at 40 (Addonizio Direct); Ex. CUB-1 at 21 (Kihm Direct); Ex. XLI- at 15 (LaConte Direct);
[177] *See e.g.* Xcel-24 at 5 (Nowak Direct) (stating of his analysis of financial models: the "resulting cost of equity serves as the recommended ROE for ratemaking purposes.")
[178] Ex. DOC-12 at 70 (Addonizio Direct) ("the cost of equity is not synonymous with ROE").
[179] Ex. DOC-12 at 44 (Addonizio Direct).
[180] Ex. DOC-12 at 44 (Addonizio Direct).
[181] Ex. CUB-1 at 37 (Kihm Direct).
[182] Ex. CUB-1 at 9 (Kihm Direct).
[183] Ex. DOC-12 at 8 (Addonizio Direct).

133. Dr. Kihm also shows there is no correlation between Witness Nowak's cost of equity estimates and independent analyst *Value Line's* projected market returns for companies in his proxy group:[184]



134. Independent economic scholars cited by Witnesses Addonizio and Kihm also distinguish a utility's cost of equity from its authorized return on equity.[185]

135. The Public Service Commission of Utah recently recognized that "utility authorized ROEs between 1980 and 2022 consistently overstated the actual cost of equity capital."[186]

136. The Wisconsin Public Service Commission recently recognized:

> The cost of equity, which is the minimum acceptable return, is a starting point. It would drive utility market values to book value, which eliminates the economic incentive for utilities to expand their systems. Under normal economic conditions, the fair return on equity lies above that minimum rate.[187]

137. The Administrative Law Judge is persuaded by Witness Addonizio's and Witness Kihm's arguments and finds that "NSPM's cost of equity is a reasonable starting point in

[184] Ex. CUB-1 at 11 (Kihm Direct).
[185] *See* Ex. DOC-12 at 78 (Addonizio Direct) (citing 1) THE ECONOMICS OF REGULATION, by Alfred Kahn; 2) THE REGULATION OF PUBLIC UTILITIES, by Charles F. Phillips, Jr.; and 3) PRINCIPLES OF PUBLIC UTILITY RATES, by James C. Bonbright).
[186] Ex. DOC-12 at 77-80 (Addonizio Direct) (citing *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,* PSCU Docket No . 24-035-04, ORDER at 28 (Apr. 25, 2025)).
[187] Ex. CUB-1 at 20 (Kihm Direct) (citing In re Madison Gas and Elec. Co., 2007 WL 4632120 (2007)).

determining a fair allowed ROE for NSPM, but it does not necessarily follow that the allowed ROE should be set equal to estimates of the cost of equity."[188]

d. Accounting for ratepayer interests

138. The Commission must also "assess the requirements of the broad public interests entrusted to its protection" at each step of the ratemaking process.[189] This includes considering ratepayers' ability to pay the rate increase needed to support an increase to NSPM's authorized ROE.[190]

139. NSPM estimates the "impact on the 2025 test year revenue requirement of utilizing a 10.30 percent return on equity (ROE) relative to the last authorized 9.25 percent ROE is $102.2 million" and that "[t]he 2026 plan year includes an additional $6.1 million related to the ROE change, when compared to the 2025 test year."[191]

140. Accounting for adjustments the Company made to its overall revenue requirement after its initial filings, CUB estimates that increasing NSPM's authorized ROE to 10.3 percent would require a $100 million increase to the Company's annual revenue requirement.[192]

141. As discussed elsewhere in these findings, several parties and thousands of public commenters have introduced evidence demonstrating that many ratepayers are experiencing increasing difficulty affording their NSPM electric bills. The Administrative Law Judge is persuaded that applicable statutory and case law requires the Commission to consider this evidence as part of determining a fair ROE that balances the competing interests of NSPM's investors and its ratepayers.

142. None of the models Witness Nowak relies upon to support the Company's ROE recommendation include a variable accounting for ratepayers' interests.[193] The Judge finds that NSPM does not otherwise meaningfully address whether or how it considered the ratepayer impact of adding $100 million to its annual revenue requirement in order to support a 10.3 percent ROE.

143. Though the Company disregards the ratepayer interest when recommending an ROE increase, the Commission cannot.[194] Given this lack of evidentiary support, the Administrative Law Judge finds that the Company has not met its burden to prove that

[188] Ex. DOC-12 at 71 (Addonizio Direct).
[189] *Permian Basin Area Rate Cases*, 390 U.S. at 791.
[190] Minn. Stat § 216B.16, Subd. 15
[191] JIN-1 at Att. 4 (Chan Direct); *see also* Ex. CUB-1 at (Kihm Direct) (After NSPM made some adjustments in subsequent filings, Dr. Kihm estimates that approving a 10.30 percent ROE require approximate $100 million annual increase to the Company's annual revenue requirement).
[192] CUB-6 at 9 (Kihm Surrebuttal).
[193] Ex. CUB-1 at 43 (Kihm Direct).
[194] *FPC v. Natural Gas Pipeline Co.*, 315 U.S. at 607 (stating that the "consumer interest cannot be disregarded in determining what is a 'just and reasonable' rate").

increasing its ROE—let alone to 10.3 percent—fairly accounts for ratepayers' ability to afford the rate increase necessary to support that ROE.

144. Consistent with Supreme Court precedent, it is the "result reached, not the method employed, which is controlling" when determining the justness and reasonableness of rates to be charged.[195] In this instance, the Company has failed to show that its proposed 10.3 percent ROE would result in a reasonable outcome.

ii. ROE: Summary Conclusion and Recommendation

145. The Administrative Law Judge finds the Company has failed to meet its burden to prove that increasing its ROE at all—let alone to 10.3 percent—would result in just and reasonable rates.

146. Instead, substantial evidence on the record introduced by the Department, CUB, XLI, and thousands of public commenters demonstrate that decreasing NSPM's ROE is necessary to appropriately protect the ratepayer interest entrusted to the Commission's protection.

147. The Administrative Law Judge recommends that the Commission authorize a 9.0 percent ROE for NSPM based on the record evidence and analysis produced by CUB.

B. Late Payment Fees and the Residential Arrears Management Program (RAMP)

148. The Company assesses customers a monthly late payment charge of 1.5 percent or $1.00, whichever is greater, two working days after the bill due date or as allowed by law.[196] The fee of 1.5 percent monthly or 18 percent annually is the maximum allowable finance fee under Minnesota Rule 7820.5500.[197]

149. The Company claims late payment fees serve as an incentive for customers to pay their bills on time.[198]

150. The Company has historically used late payment fees as an offset to its revenue requirement.[199] The Company's original Application included $6.1 million in late payment fee offsets for the 2025 test year and $5.8 million in offsets for the 2026 plan year.[200]

151. On January 13, 2025, the Commission directed the Company to file Supplemental Direct Testimony in the instant case proposing the "elimination of late fees and interest" or a

[195] *Hope*, 320 U.S. 591 at 602.
[196] Ex. CUB-3 at 18 (Levenson-Falk Direct) (citing XCEL ENERGY, MINNESOTA ELECTRIC RATE BOOK: GENERAL RULES AND REGULATIONS, SECTION 3.6, Sheet 6-16 (effective Aug. 14, 2024).
[197] Ex. CUB-3 at 18 (Levenson-Falk Direct); Minn. R. 7820.5500, Subp. 3.
[198] Ex. Xcel-81 at 13-14 (Howard Rebuttal); Ex. Xcel-71 at 30 (Martin Rebuttal); Xcel Initial Brief at 293.
[199] Ex. Xcel-7, IV. R1. Revenue Summary at 3 (MYRP Workpapers) (classifying late payment fees as "other electric operating revenues"); Ex. Xcel-39 at 3-4 (Lindgren Supplemental Direct); Ex. DOC-19 at 66 (Bahn Direct); Ex. Xcel-81 at 13 (Howard Rebuttal); NSPM Initial Brief at 290.
[200] Ex. Xcel-7, IV. R1. Revenue Summary at 3 (MYRP Workpapers).

"program . . . where interest payments and fees from late bill payments are donated to low-income customer assistance programs."[201] The Company proposed using late payment charges to fund a new Residential Arrears Management Program (RAMP), whereby a pre-determined benefit would be applied to the accounts of eligible customers with past-due balances to mitigate credit activity and reduce the possibility of disconnection.[202]

152. Proposed eligibility parameters for the RAMP program include the following:

    a. Have an active Xcel Energy account in the State of Minnesota;

    b. Self-attest that household income is at or below 80 percent of the established Area Median Income (AMI) in the county of residence;

    c. Have not qualified for or received Energy Assistance Program benefits; and

    d. Have a past due balance of $300 or more.[203]

154. The Department generally supported RAMP but recommended several modifications, including requiring participants to enter into payment arrangements, eliminating all previous late fees applied to participants' accounts, and reporting annually on program status. The Department's recommendation to eliminate late payment fees from customers' accounts would replace the "arrearage forgiveness" emphasis of the program.[204] The Department also raised concerns that employing a requirement that participants have $300 in arrears could incentivize customers to not pay their bills so they exceed that threshold.[205]

155. Because RAMP will not become operational until late 2026 if approved, the Department also recommended that all late payment charges in 2025 and 50 percent of those charges in 2026 be used to offset the Company's revenue requirement, instead of being put towards RAMP.[206]

156. Both the Company and ECC supported the Department's proposed reporting requirements.[207] ECC recommended that if RAMP is approved, the Commission also require reporting on the income levels of participants, impacts of the program on disconnections and arrears, RAMP's effect on encouraging enrollment in other

[201] *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13, Order Point 33 (Jan. 13, 2025).
[202] Ex. Xcel-39 at 3 (Lindgren Supplemental Direct).
[203] Ex. Xcel-39 at 3 (Lindgren Supplemental Direct); Ex. CUB-3 at 19 (Levenson-Falk Direct).
[204] *See generally* DOC-20 at 24-25 (Bahn Surrebuttal).
[205] Ex. DOC-19 at 67-68 (Bahn Direct); DOC-20 at 24-25 (Bahn Surrebuttal).
[206] Ex. DOC-19 at 70 (Bahn Direct); Ex. DOC-20 at 23-26 (Bahn Surrebuttal); DOC Initial Brief at 92.
[207] Ex. Xcel-81 at 11-12 (Howard Rebuttal); Ex. ECC-02 at 4-5 (Shardlow Surrebuttal) (also recommending several additional reporting requirements).

affordability and weatherization programs, and overall program success.[208] ECC also proposed that efforts should be made to find "supplemental, equitable funding streams for the program" to expand benefits without further burdening customers.[209]

157. The Company agreed to the Department's recommendation to use 2025 late payment charges to offset revenue requirements, but noted that mid-year implementation would not alter the ability to use those funds for RAMP in 2026.[210] The Company also agreed to the Department's recommendation regarding payment arrangements and indicated it would remove participants' existing late payment charges in addition to providing arrearage forgiveness.[211]

158. CUB opposed the RAMP program and instead recommended that late payment charges be eliminated in their entirety for the residential rate class.[212] CUB argued the Company's late payment charges were prohibitively high when aggregated over any length of time and contributed to residential arrears, making it more difficult for customers to pay their bills.[213] CUB also argued the Company had not provided any information that late payment charges were effective in encouraging on-time bill payment.[214]

159. As an alternative to fully eliminating late payment charges, CUB recommended such charges be waived for low-income customers and lowered to the actual cost of interest paid by the Company for all other customers.[215] CUB noted that the Company pays an interest rate of 5.3935 percent annually—or approximately 0.45 percent monthly—on residential past-due balances.[216] ECC supported CUB's alternative recommendation.[217]

160. For the following reasons, the Judge finds CUB's proposal to eliminate late payment fees for residential customers to be the most reasonable of parties' recommendations.

161. Late payment charges are a "charge . . . demanded, observed, charged, or collected" by a public utility, and therefore are considered "rates" pursuant to Minn. Stat. § 216B.02.[218] Because they are "rates," late payment charges must be "just and reasonable," and "shall

[208] Ex. ECC-02 at 4-5 (Shardlow Surrebuttal).
[209] Ex. ECC-02 at 5 (Shardlow Surrebuttal).
[210] Ex. Xcel-81 at 10 (Howard Rebuttal).
[211] Ex. Xcel-81 at 11 (Howard Rebuttal).
[212] Ex. CUB-3 at 20 (Levenson-Falk Direct); CUB-8 at 18, 22 (Levenson-Falk Surrebuttal); CUB Initial Brief at 24-33.
[213] Ex. CUB-3 at 20 (Levenson-Falk Direct).
[214] Ex. CUB-3 at 21 (Levenson-Falk Direct); Ex. CUB-5 at ALF-D-19, ALF-D-20 (Levenson-Falk Direct Schedules); Ex. CUB-8 at 19 (Levenson-Falk Surrebuttal).
[215] Ex. CUB-3 at 23 (Levenson-Falk Direct); Ex. CUB-8 at 21-22 (Levenson-Falk Surrebuttal).
[216] Ex. CUB-3 at 20-21 (Levenson-Falk Direct); Ex. CUB-5 at ALF-D-21, ALF-D-22 (Levenson-Falk Direct Schedules); Ex. CUB-8 at 20 (Levenson-Falk Surrebuttal).
[217] ECC-02 at 3, 5 (Shardlow Surrebuttal).
[218] Minn. Stat. § 216B.02, subd. 5.

not be unreasonably preferential, unreasonably prejudicial, or discriminatory."[219] Any doubt as to that reasonableness should be resolved in favor of the consumer.[220]

162. Before assessing whether the RAMP program is appropriate, it is therefore essential to determine whether the assessment of late payment fees and the charges themselves are reasonable.

163. Minnesota Rules 7820.5100 – 7820.5600 establish requirements for imposing late payment charges. These rules suggest the act of charging late payment fees is not, in and of itself, an unreasonable practice, so long as the amount being charged remains below identified thresholds and is supported by substantiating documents and exhibits.[221]

164. Approximately 750,000 residential customers were assessed multiple late payment charges between 2022 and 2024, which reinforces how such fees do not effectively motivate customers to pay their bills on time.[222] The Company has also not provided any testimony, studies, information, or substantiating documents and exhibits to support its claim that late payment charges lead to the timely payment of utility bills.[223]

165. Numerous other states and jurisdictions have reduced or eliminated late payment charges for residential customers.[224] CUB also identified several instances where the Kentucky Public Service Commission (KPSC) evaluated the assessment of late payment charges and found they had "little discernible effect on the timeliness of residential customer payments for utility service."[225] KPSC further determined that the addition of late payment charges to utility bills "makes it less likely customers who have already failed to timely pay will be able to do so at all," potentially increasing bad debt expense and the cost of service for the remainder of the utility's customers.[226] KPSC's analysis of late payment charges is neither precedential nor dispositive, but is relevant and persuasive in the context of assessing the reasonableness of the Company's fees.

[219] Minn. Stat. § 216B.03.
[220] Minn. Stat. § 216B.03.
[221] *See*, *e.g.*, Minn. R. 7820.5400 (requiring any late payment charge tariffs to be supported by "substantiating documents and exhibits"); Minn. R. 7820.5500 (capping late payment charges at 1.5 percent).
[222] *See* Corrected Citizens Utility Board of Minnesota Information Request No. 16 (Feb. 4, 2026); *see also* Ex. CUB-5 at ALF-D-18 (Levenson-Falk Direct Schedules) (providing Company's original response to CUB Information Request No. 16); CUB Reply Brief at 5.
[223] Ex. CUB-3 at 21 (Levenson-Falk Direct); Ex. CUB-5 at ALF-D-19, ALF-D-20 (Levenson-Falk Direct Schedules); Ex. CUB-8 at 19 (Levenson-Falk Surrebuttal).
[224] Ex. CUB-3 at 21-22 (Levenson-Falk Direct) (noting that Massachusetts and New Jersey prohibit late payment charges for all residential customers, while Illinois, Montana, Maine, Michigan, and Ohio provide late payment protections for low-income households or those enrolled in utility assistance offerings).
[225] Ex. CUB-3 at 22 (Levenson-Falk Direct) (quoting Ex. CUB-5, ALF-D-12 at 3 (Levenson-Falk Direct Schedules); CUB Initial Brief at 29; *see also* Ex. CUB-5 at ALF-D-11, ALF-D-12, ALF-D-13 (Levenson-Falk Direct Schedules).
[226] Ex. CUB-3 at 23 (quoting Ex. CUB-5, ALF-D-11 at 7); CUB Initial Brief at 30.

166. The Company provided no testimony or substantiating exhibits addressing why it would be reasonable for ratepayers to pay late payment charges of 1.5 per month when the Company pays a much lower interest rate of approximately 0.45 percent.[227]

167. The Company argues eliminating late payment charges would result in customers who are current on their bills bearing costs they have not caused.[228] Because late payment charges are currently used as an offset to the Company's revenue requirement, any modification to how those funds are collected and allocated—whether that be through RAMP or full elimination of such fees—would result in the same impact to customers making timely payments.[229] Furthermore, customers who have late payment fees assessed against them are currently paying more than the interest costs incurred by the Company, and are therefore offsetting elements of the revenue requirement that are caused, and would otherwise be borne, by all customers.[230]

168. CUB and ECC have both provided testimony on the Company's rising arrears and involuntary disconnections.[231] The Company indicates it shares intervening parties' concerns and that reversing these trends is in the public interest.[232]

169. If customers are unable to pay their entire bill, including any late payment charges, those fees are added to customers' arrearage balances.[233] The presence of at least $300 in arrears is a prerequisite for utility disconnection.[234] Late payment charges therefore negatively contribute to both residential arrears and disconnections.

170. Eliminating late payment charges solely for low-income households would be under-inclusive and administratively complex.[235] Not only does the Company not have income data on all customers, but households marginally above the income threshold would be excluded from fee waivers despite exhibiting an inability to pay.[236] This includes multiple public commenters that voiced concerns about "struggl[ing] to get by," having "trouble

[227] *See*, *e.g.*, Ex. CUB-8 at 21 (Levenson-Falk Surrebuttal); CUB Initial Brief at 34 (noting the absence of Company testimony).
[228] Ex. Xcel-81 at 13 (Howard Rebuttal); Xcel Initial Brief at 292-293.
[229] CUB Initial Brief at 34; Xcel Initial Brief at 293.
[230] Ex. CUB-8 at 20 (Levenson-Falk Surrebuttal); CUB Initial Brief at 34.
[231] *See generally* Ex. CUB-3 at 7-14 (Levenson-Falk Direct); Ex. CUB-8 at 5-9 (Levenson-Falk Surrebuttal); Ex. ECC-01 at 3-6 (Shardlow Direct).
[232] Ex. Xcel-71 at 4, 18, 21, 35 (Martin Rebuttal).
[233] Ex. CUB-3 at 20-21 (Levenson-Falk Direct).
[234] Ex. CUB-3 at 13 (Levenson-Falk Direct) (citing *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 5-7 (Jan. 13, 2025)).
[235] Ex. CUB-3 at 23 (Levenson-Falk Direct); Ex. CUB-8 at 17-19 (Levenson-Falk Surrebuttal); Ex. Xcel-71 at 30 (Martin Rebuttal) (stating there would be "practical challenges" with implementing fee waivers based on income).
[236] Ex. CUB-3 at 23 (Levenson-Falk Direct); Ex. CUB-8 at 17-19 (Levenson-Falk Surrebuttal); CUB Initial Brief at 31-33; Ex. Xcel 71 at 12 (Martin Rebuttal) (explaining that the Company "do[es] not even know the income of most of [its] customers, save those who enroll in federal LIHEAP energy assistance and/or the Company's own affordability programs. Even for those programs, income data is used only at the eligibility determination stage and is not retained by the Company").

affording the [utility] prices," and needing to choose between paying for electricity and medical bills.[237]

171. The elimination of late payment charges will be prospective and will not retroactively remove fees assessed during the pendency of this proceeding. The Department's proposed treatment of revenues already collected is reasonable. Those funds can be used to offset $6.1 million in 2025 test year revenue requirements and $2.9 million for the 2026 plan year.[238]

172. If the Commission nonetheless retains late payment charges, the Judge finds CUB's alternative recommendation to be the most reasonable of those offered by parties for the following reasons.

173. CUB's alternative recommendation follows the Commission's directive in Docket No. E-002/M-24-27 by both eliminating late payment charges for low-income households and donating "interest payments and fees from late bill payments . . . to low-income customer assistance programs.[239]

174. Waiving late payment charges for low-income customers is supported by CUB, the Company, and ECC.[240] It is also a practice employed across multiple states and jurisdictions as a means of lessening energy burdens.[241]

175. Setting the late payment charge at 0.45 percent per month would align the fees assessed against customers with the costs incurred by the Company. Except for the expenses associated with waiving fees for low-income households, interest costs paid on past-due balances would not be passed onto customers who remain current on their bills, thereby mitigating concerns about cross-subsidization.

176. The reduction in fees and waiver of charges for low-income households will be prospective in nature and result in less revenues being collected from customers. It will not remove fees assessed during the pendency of this proceeding. The Department's

[237] CUB Initial Brief at 32 (quoting Public Comments of Mindy Otis (Jan. 21, 2025) (eDockets No. 20251-214186-04); Brandon Powers (Jan. 23, 2025) (eDockets No. 20251-214316-01); Mercedes Martin (Jan. 29, 2025) (eDockets No. 20251-214604-02); and Ann K. Brady (Feb. 19, 2025) (eDockets No. 20252-215533-01)).
[238] Ex. DOC-19 at 67-68 (Bahn Direct); Ex. DOC-20 at 21-22 (Bahn Surrebuttal); *see also* Ex. Xcel-81 at 10 (Howard Rebuttal) (agreeing to use late payment charges collected in 2025 to offset revenue requirements for the test year).
[239] *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13, Order Point 33 (Jan. 13, 2025).
[240] *See* Ex. CUB-8 at 19, 21 (Levenson-Falk Surrebuttal) (noting that waiving late payment charges for low-income customers is not CUB's primary recommendation, but is part of an alternative to fully eliminating such fees); CUB Initial Brief at 34; Ex. Xcel-71 at 27 (Martin Rebuttal); Ex. ECC-02 at 3, 5 (Shardlow Surrebuttal).
[241] *See generally* Ex. CUB-3 at 21-22 (Levenson-Falk Direct).

proposed treatment of revenues already collected for the 2025 test year is reasonable, and would result in a revenue requirement offset of $6.1 million for the 2025 test year.[242]

177. An estimated $2.9 million will be collected from customers in 2026 prior to the issuance of any Order in this proceeding.[243] The record does not contain evidence of estimated late payment revenue for the second half of 2026 if fees are set at 0.45 percent.

178. It is reasonable to use late payment revenues for the 2026 plan year to fund the RAMP program. The Department argues the Commission's Order in Docket No. E-002/M-24-27 does not allow late payment charges to be used for "the elimination or minimization of past due accounts" through RAMP.[244] This incomplete reading is dependent on removing contextual information necessary to understanding the Commission's Order. For ease of reference, that Order Point is recreated below:

> Xcel must file in supplemental direct testimony to its rate case filed November 1, 2024 in Docket E002/GR-24-320 a program similar to its offering in Colorado where interest payments and fees from late bill payments are donated to low-income customer assistance programs or the elimination of late fees and interest.[245]

179. This Order Point articulates two separate options for the treatment of late payment charge revenues. Either the interest payments and fees collected from customers can be "donated to low-income customer assistance programs," or they can be eliminated entirely. A third option would be to both eliminate late payment charges for some customers and donate the remaining funds to assistance programs, as contemplated by CUB's alternative. The Order Point does not require that donations to low-income assistance programs be primarily or solely focused on removing late payment charges from customers' accounts. Arrearage forgiveness is an equally reasonable purpose to which the funds can be put.

180. Furthermore, the Commission's Order Point sets out general parameters for the development of a program similar to the Company's offering in Colorado. It does not dictate the specific customer program to which funds can be put, or how those funds should be used.

181. The Department's objection to the $300 minimum arrearage balance for RAMP eligibility is equally uncompelling. The Department argues that establishing such a threshold creates "an incentive to reach the $300 past due balance to be eligible for RAMP and not

[242] Ex. DOC-19 at 66-67 (Bahn Direct); Ex. DOC-20 at 23 (Bahn Surrebuttal); Ex. Xcel-81 at 9-10 (Howard Rebuttal); Ex. Xcel-19 at 14-15 (Halama Rebuttal).
[243] *See*, *e.g.*, Ex. DOC-19 at 67 (Bahn Direct).
[244] Ex. DOC-20 at 24 (Bahn Surrebuttal).
[245] *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13, Order Point 33 (Jan. 13, 2025).

to be caught on the wrong side of a subsidy."[246] The $300 arrearage requirement reflects the threshold at which customers are potentially subject to disconnection.[247] The threat of disconnection therefore serves as a counterbalance to any potential incentive associated with increasing arrears to enroll in RAMP.

182. RAMP benefits are calculated based on actual late payment charges collected in a given calendar year.[248] A minimum of $2.9 million in arrearage forgiveness could be made available through RAMP to customers with incomes up to 80 percent of area median income and not already receiving energy assistance.[249]

183. Funding RAMP at a minimum of $2.9 million for 2026 will provide meaningful benefits to customers. The Commission has approved similar methods for distributing Company underperformance payments ranging from $500,000 to $2,000,000, whereby arrearage forgiveness credits were applied to customers' accounts.[250]

184. Beyond 2026, it is unclear whether the amount of revenue collected under a 0.45 percent late payment fee will be sufficient, by itself, to maintain the effectiveness of the RAMP program. Although the Judge recommends approval of RAMP as an alternative to full elimination of late payment fees in 2026, it finds the reporting requirements recommended by the Company, the Department, and ECC as relevant to understanding program results and informing future decisions about program funding.

185. The Judge recommends the reporting requirements articulated by the Company, the Department, and ECC be adopted by the Commission if RAMP is approved.[251] Such approval should include ECC's recommendation to consider supplemental funding streams for the program and the Company's proposal to map participant data in its interactive electric service quality map.[252]

C. Reconnection Fees

186. Minnesota Rule 7820.2600 governs the reconnection of service. When service is disconnected for valid cause, utilities are permitted to charge a reconnect fee based on the actual cost of reconnection as reflected in the utility's tariffs on file with the

[246] Ex. DOC-20 at 24 (Bahn Surrebuttal).
[247] Ex. Xcel-39 at 3 (Lindgren Supplemental Direct); Ex. CUB-3 at 13 (Levenson-Falk Direct); Ex. CUB-8 at 16 (Levenson-Falk Surrebuttal).
[248] Ex. Xcel-39 at 3-5 (Lindgren Supplemental Direct); Ex. Xcel-81 at 10 (Howard Rebuttal).
[249] Ex. DOC-19 at 67 (Bahn Direct); Ex. Xcel-39 at 3 (Lindgren Supplemental Direct).
[250] *In the Matter of the Petition of Northern States Power Co. d/b/a Xcel Energy for Approval of Amendments to its Natural Gas and Electric Service Quality Tariffs*, Docket No. E,G-002/M-12-383, Order on Distribution of Underperformance Penalty at 5-6 (Oct. 9, 2024); Notice Granting Revised Distribution of Underperformance Penalty Bill Credits at 1-2 (Dec. 13, 2024); Order Distributing Underperformance Payments and Opening New Docket at 10 (Jan. 9, 2026).
[251] Ex. DOC-19 at 68-69 (Bahn Direct); Ex. DOC-20 at 22-23, 28-30 (Bahn Surrebuttal); Ex. ECC-02 at 4-5 (Shardlow Surrebuttal).
[252] Ex. ECC-02 at 5 (Shardlow Surrebuttal); Ex. Xcel-81 (Howard Rebuttal).

Commission.[253] No fees may be assessed when a disconnection is carried out due to conditions that are hazardous to the customer, other customers of the utility, the utility's equipment, or the general public.[254]

187. The Company currently assesses reconnection fees as a condition of resuming service for residential households.[255]

188. Reconnection fees differ depending on whether the household has advanced metering infrastructure (AMI) technology installed or has opted out of AMI implementation. Reconnection fees for customers with AMI are set at $13.50 per reconnection event. Customers without AMI must pay $95.00 as of January 1, 2026.[256]

189. In its January 13, 2025 Order in Docket No. E-002/M-24-27, the Commission directed the Company to evaluate setting its reconnection fee at $0, including an analysis of costs and a proposal for how those expenses should be recovered.[257]

190. In its annual report on safety, reliability, and service quality, the Company filed its evaluation and estimated that waiving reconnection fees for customers with AMI meters would "remove $485,000 per year from its rate case."[258] The Company indicated that it would need to raise base rates by the same amount to cover reconnection costs, which would equate to an annual bill impact of approximately $0.40 for the typical residential customer.[259]

191. CUB recommended in this proceeding that reconnection fees be eliminated for residential customers with AMI.[260] CUB argued such fees "make it harder for customers to regain access to electricity service and prolong the negative effects of disconnection."[261] Eliminating reconnection fees, CUB argued, would reduce barriers to the restoration of service and make it easier for customers to enter into arrangements for the payment of arrears.[262] Because the cost impact to other customers would be minimal, CUB suggested waiving reconnection fees would balance benefits and burdens among customers and create a more equitable rate structure.[263]

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[253] Minn. R. 7820.2600.
[254] Minn. R. 7820.2600; Minn. R. 7820.1100(B).
[255] Ex. CUB-3 at 14 (Levenson-Falk Direct).
[256] Ex. CUB-3 at 14 (Levenson-Falk Direct) (citing NORTHERN STATES POWER MINNESOTA ELECTRIC RATE BOOK, SECTION 6, 5TH REVISED SHEET NO. 3); Ex. Xcel-71 at 25 (Martin Rebuttal); NSPM Initial Brief at 59.
[257] *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13, Order Point 31(a) (Jan. 13, 2025).
[258] *In the Matter of Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, Annual Report and Petition, Part III at 107 (Apr. 1, 2025).
[259] *In the Matter of Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, Annual Report and Petition, Part III at 107 (Apr. 1, 2025).
[260] Ex. CUB-3 at 14-17 (Levenson-Falk Direct); Ex. CUB-8 at 15-18 (Levenson-Falk Surrebuttal); CUB Initial Brief at 35-38.
[261] Ex. CUB-3 at 15 (Levenson-Falk Direct).
[262] Ex. CUB-3 at 15 (Levenson-Falk Direct).
[263] Ex. CUB-8 at 16-17 (Levenson-Falk Surrebuttal); CUB Initial Brief at 36.

192. ECC supported eliminating reconnection fees and argued that both the Company and intervening parties "want people to seek out reconnection, ideally after conversations . . . about available affordability programs if needed, [and] as soon as possible."[264]

193. The Company opposed eliminating reconnection fees and argued that doing so would "shift a cost cause by customers who have not paid their bills onto other customers . . . who have remained current on bills."[265] If the Commission were to eliminate reconnection fees, the Company recommended only doing so for low-income customers "under agreed upon criteria, after further discussion."[266] CUB responded to this proposal and argued that waiving reconnection fees solely for low-income households would be underinclusive of customers that exhibited an inability to pay for utility service and had already faced disconnection.[267]

194. No other parties took a position on the waiver of reconnection fees.

195. Based on the record evidence and the reasons detailed below, the Judge finds CUB's recommendation to eliminate reconnection fees for residential customers with AMI meters to be the most reasonable position presented by the parties.

196. Reconnection fees are permitted, but not required, under Minnesota Rule 7820.2600 based on the actual costs of reconnection incurred by the utility.[268]

197. Reconnection fees are "rates" as that term is defined by Minnesota Statute § 216B.02, Subd. 5. Reconnection fees must therefore be "just and reasonable," with any doubt as to reasonableness being resolved in favor of the consumer.[269] In setting rates, including reconnection fees, the Commission must consider customers' "ability to pay."[270]

198. Reconnection fees are charged once a customer has already been disconnected from service. Involuntary disconnections only occur once a customer reaches $300 in arrears.[271] The accumulation of arrears to the point where disconnection occurs is evidence that the customer "face[s] challenges affording their bill."[272]

199. It is in the public interest for residential utility customers to be connected to electricity services to the maximum extent possible. Disconnection from service creates health and

[264] Ex. ECC-02 at 5 (Shardlow Surrebuttal).
[265] Ex. Xcel-71 at 3-4, 26-27 (Martin Rebuttal); *see also* Xcel Initial Brief at 59-61.
[266] NSPM Initial Brief at 61; *see also* Ex. Xcel-71 at 27 (Martin Rebuttal).
[267] Ex. CUB-8 at 17-18 (Levenson-Falk Surrebuttal).
[268] Minn. R. 7820.2600.
[269] Minn. Stat. § 216B.03.
[270] Minn. Stat. § 216B.16, Subd. 15.
[271] Ex. CUB-3 at 13 (Levenson-Falk Direct); Ex. CUB-8 at 16 (Levenson-Falk Surrebuttal).
[272] Ex. CUB-3 at 16 (Levenson-Falk Direct).

safety issues, and can compound existing affordability challenges.[273] Mitigating these impacts is of significant benefit to disconnected customers and the general public.

200. Multiple other states limit reconnection fees for residential customers, including Maine, Maryland, Oregon, and New Jersey.[274] The Kentucky Public Service Commission also found that reconnection fees and other non-recurring charges make it more difficult for customers to pay for service.[275]

201. Waiving reconnection fees can reduce a barrier to the resumption of service and make it easier for customers to enter into agreements for the payment of arrears.[276] Lower arrears accumulation decreases the likelihood such costs are converted into bad debt.[277]

202. Eliminating reconnection fees will shift some costs from customers who have been disconnected to those customers that have remained current on their bills. The anticipated impact of this cost shift is minimal, at approximately $0.40 per year for the average residential customer.[278]

203. Waiving reconnection fees would align with the definition of equity adopted by the Company and the Department for the purposes of this proceeding, which envisions a "fair and just, but not necessarily equal, allocation intended to mitigate disparities in benefits and burdens."[279] The $0.40 per year burden for customers who remain current on their bills is minimal in comparison to the benefit provided to disconnected customers.

D. Investor Relations Costs

204. The Company seeks to recover 100 percent of its investor relations costs, which amount to $842,648 in the Test Year and $854,392 in the Plan Year.[280]

205. In support of this request, the Company claims that investor relations-related costs "do not benefit investors"[281] and "are not expenses incurred to benefit shareholders."[282]

[273] *See*, *e.g.*, Ex. CUB-3 at 11-12 (Levenson-Falk Direct) (detailing customer impacts of utility disconnection, including the potential onset of respiratory conditions and mental health diagnoses, preventing adequate heating and cooling of households, the inability to properly refrigerate food or medicine, and the possibility of being driven deeper into poverty) (internal citations omitted).
[274] Ex. CUB-3 at 15-16 (Levenson-Falk Direct).
[275] Ex. CUB-3 at 16 (Levenson-Falk Direct) (citing Ex. CUB-5, ALF-D-11 at 7 (Levenson-Falk Direct Schedules)).
[276] Ex. CUB-3 at 15 (Levenson-Falk Direct); Ex. CUB-8 at 17 (Levenson-Falk Surrebuttal).
[277] Ex. CUB-3 at 15-16 (Levenson-Falk Direct); Ex. CUB-8 at 17 (Levenson-Falk Surrebuttal).
[278] Ex. CUB-3 at 15 (Levenson-Falk Direct); Ex. CUB-8 at 17 (Levenson-Falk Surrebuttal); CUB Initial Brief at 36.
[279] Ex. Xcel-71 at 7 (Martin Rebuttal); Ex. DOC-21 at 6 (Hirasuna Direct); Ex. CUB-8 at 16 (Levenson-Falk Surrebuttal); CUB Initial Brief at 36; CUB Reply Brief at 7-8.
[280] Ex. OAG-5 at 13 (Lee Direct) (citing Schedule SL-D-4 at 2 (Xcel Energy Response to XLI Information Request 15)).
[281] Ex. Xcel-17 at 72 (Halama Direct).
[282] Ex. Xcel-20 at 38 (Wehner Direct).

206. NSPM's Investor relations costs include:

- the listing of shares of XEI on the National Association of Securities Dealers Automated Quotations (NASDAQ);
- stock transfer agent services associated with the issuance of new common shares to investors;
- providing shareholders online access to accounts;
- maintaining the list of registered shareholders;
- preparing for and running Xcel Energy Inc.'s annual shareholder meeting;
- legal costs incurred to comply with SEC reporting obligations applicable to Xcel Energy, Inc.

207. The Commission has generally allowed only 50 percent rate recovery of investor relations costs.[283] The Company, itself, only requested to recover 50 percent of its investor relations costs in its last rate case.[284]

208. CUB argues that "it should go without saying that costs incurred specifically to offer services to shareholders benefit those shareholders."[285] "Ratepayers who are not Xcel Energy, Inc. shareholders, for example, have no right to vote in Xcel Energy, Inc. shareholder meetings—and may not even have permission to attend them. They presumably also do not hold online shareholder accounts or utilize stock transfer agent services."[286] Further, SEC filings are required by "[s]ecurities regulations . . . designed to protect consumers as investors, not consumers as utility ratepayers."

209. The Administrative Law Judge is persuaded by CUB's arguments and finds the Company has not met its burden to prove collecting 100 percent of its investor relations costs would result in just and reasonable rates.

[283] Ex. OAG-5 at 14 (Lee Direct) (citing recent rate case decisions) (internal citations omitted).
[284] Ex. OAG-5 at 14 (Lee Direct) (citing *In re Application of N. States Power Co., d/b/a Xcel Energy, for Auth. to Increase Rates for Elec. Serv. in the State of Minn*., MPUC Docket No. E-002/GR-21-630, Initial Filing Vol. 4. 3 of 3 MYRP Workpapers, VIII A12. Investor Relations at 1-2 (Oct. 25, 2021)).
[285] CUB Initial Brief at 25.
[286] CUB Initial Brief at 25.

RECOMMENDATIONS

Based on the foregoing Findings of Fact and Conclusions of Law, the Administrative Law Judge makes the following recommendations:

- The Commission should deny the Company's request to raise its authorized return on equity.
- The Commission should set the Company's authorized ROE at 9.0 percent.
- The Commission should prohibit the Company from charging late payment fees to residential customers.
- If the Commission prohibits late payment fees, then it should also deny the Company's proposal for a Residential Arrears Management Program.
- If the Commission does not prohibit late payment fees, then it should (1) lower the fee amount to be reflective of costs borne by the Company; and (2) require fee waivers for low-income customers.
- The Commission should eliminate the imposition of reconnection fees for residential customers.
- If the Commission does not fully eliminate reconnection fees, it should (1) waive such fees for low-income households and those indicating they are unable to pay; and (2) consider excluding labor costs from future fee calculations.
- The Commission should prohibit the Company from recovering more than 50 percent of its investor relations costs.