

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS

600 North Robert Street
St. Paul, MN 55101-2147

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350
St. Paul, MN 55101-2147

In the Matter of the Application of Xcel
Energy for Authority to Increase Rates for
Electric Service in Minnesota

MPUC Docket Nos. E-002/GR-24-320
& E-002/M-24-321
OAH Docket No. 28-2500-40515

INITIAL POST-HEARING BRIEF OF

WALMART INC.

JANUARY 28, 2026

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I. Introduction

Walmart Inc. respectfully submits this initial post-hearing brief to provide recommendations to the Administrative Law Judge and the Minnesota Public Utilities Commission regarding the application by Xcel Energy for authority to increase its electric rates in Minnesota.

Walmart is an American multinational retail corporation that operates a chain of supercenters, retail department stores, and grocery stores in the United States and 23 other countries. In Minnesota, Walmart operates 79 retail stores, two supply chain facilities, and employs more than 24,000 persons. In the fiscal year ending 2025, Walmart purchased approximately \$11.9 billion dollars of goods and services from 571 Minnesota-based suppliers, supporting approximately 48,418 supplier jobs.

Walmart has a significant presence in Xcel's service territory. As of August 2025, Walmart owns and operates 35 stores and related facilities in Xcel's service territory, mostly taking electric service on the General Time of Day rate schedule. Given Walmart's significant purchases of electric service from Xcel and its overall commercial presence in the state, the outcome of this rate case will directly impact Walmart's retail operations, supplier relationships, and customers. Specifically, when electric rates increase, the increased cost to retailers puts pressure on consumer prices and on the other expenses required by a business to operate, impacting Walmart's ability to purchase products from Minnesota and other suppliers and, in turn, sell those products and services at affordable prices to Minnesotans.

We appreciate the opportunity to intervene in this proceeding. Walmart makes the following recommendations with respect to Xcel's 2025-2026 multi-year rate plan ("MYRP"):

- The Commission should deny Xcel’s request to increase its authorized ROE to 10.30 percent and approve an ROE no higher than Xcel’s currently approved ROE of 9.25 percent.
- The Commission should approve Xcel’s request to adjust all customer classes by 20 percent toward the cost of service.
- In the event that the Commission approves plan year revenue requirements lower than those proposed by Xcel, the Commission should (a) begin by applying Xcel’s proposal to move all classes 20 percent toward cost of service, and (b) use the reduction in revenue requirements from the proposed amount to further move classes toward cost of service, ensuring that no class receives an increase greater than that initially proposed by Xcel.

II. Background

On November 1, 2024, Xcel filed an application to increase its electric rates in Minnesota.¹ Xcel’s filing outlines a two-year multi-year rate plan (MYRP) addressing rates for 2025 and 2026.² Xcel’s proposed MYRP structure includes the following elements:

- (1) Incorporation of capital forecasts for 2025 and 2026, and an asymmetrical true-up mechanism that will refund capital-related revenue requirements to the extent

¹ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E002/GR-24-320 and E002/M-24-321, Volume 1 Notice of Change in Rates and Interim Rate Petition (Nov. 1, 2024).

² *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Auth. to Increase Rates for Elec. Serv. in Minn.*, Docket No. E002/GR-24-320 and E002/M-24-321, Order Accepting Filing and Suspending Rates (Dec. 30, 2024).

Xcel deploys less capital than that contained in the rates approved by the Commission in this docket;³

- (2) Incorporation of operation and maintenance forecasts for 2025 and 2026;⁴
- (3) Setting base rates in this docket based on 2025 and 2026 forecasts, with a one-way capital true up;⁵
- (4) A commitment not to file a new rate case before November 1, 2026;⁶
- (5) A ‘bad debt’ tracker to monitor annual costs to baseline;⁷ and
- (6) Removal of the ROE adjustment mechanism of the MYRP.⁸

Xcel proposed a net revenue deficiency of \$353.3 million for the 2025 test year and an incremental revenue deficiency of \$137.5 million for the 2026 test year.⁹ This results in a total increase after two years of \$490.7 million, or approximately 13.2 percent.¹⁰ Additionally, Xcel proposed to incorporate into base rates certain revenues currently recovered through riders.¹¹ This adjustment would increase the overall 2025 rate base request by \$55 million but reduce the 2026 increase by \$3 million.¹²

³ See Xcel-15 (Liberkowski Direct – Policy), page 29, lines 13-19.

⁴ See *id.* at 10, lines 23-24.

⁵ See *id.* at 29, lines 13-19.

⁶ See *id.* at 42, lines 12-17.

⁷ See Xcel-17 (Halama Direct – Revenue Requirements), page 119, lines 20-23.

⁸ See Xcel-15 (Liberkowski Direct – Policy), page 32, lines 3-6.

⁹ See *id.*, at 2, lines 15-17 and lines 21-26, Table 1: Revenue Deficiencies (\$ in millions, rounded).

¹⁰ See *id.* at 2, lines 21-26, Table 1: Revenue Deficiencies (\$ in millions, rounded).

¹¹ See *id.* at 3, lines 1-7.

¹² See *id.*

Xcel's currently approved ROE is 9.25 percent.¹³ Xcel requested an authorized ROE of 10.30 percent, based on its posited range of 10.00 percent to 11.00 percent.¹⁴ Using Xcel's proposed capital structure of 52.50 percent equity and 47.50 percent debt for 2025 and 2026, along with the costs of debt during the MYRP, the resulting overall rate of return is 7.56 percent for 2025 and 7.55 percent for 2026.¹⁵

Xcel's filing included a petition for approval of proposed interim rate increase effective in 2025, with an additional incremental increase in interim rates effective in 2026.¹⁶ Xcel requested an interim rate increase of \$223.8 million starting January 1, 2025, followed by an additional interim rate increase of \$138.8 million beginning January 1, 2026.¹⁷ In total, Xcel's proposed interim rate increase amounts to \$362.6 million.¹⁸

On December 12, 2024, the filing came before the Commission.¹⁹ The Commission issued three separate Orders (i) accepting the filing as substantially complete and suspending the proposed rates, (ii) setting an interim rate schedule to be used during the suspension period, and (iii) referring the matter to the Office of Administrative Hearings (OAH) for contested case proceedings.²⁰

¹³ *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 (Issued July 17, 2023), page 92.

¹⁴ *See* Xcel-24 (Nowak Direct – Return on Equity), page 4, line 25 to page 5, line 1.

¹⁵ *See* Xcel-20 (Wehner Direct – Capital Structure), Exhibit TAW-1, Exhibit 2, pages 1-2 (listing for 2025 a long-term debt of 46.71 percent (at a cost of 4.51 percent) and short-term debt of 0.79 percent (at a cost of 5.31 percent), and for 2026 a long-term debt of 46.50 percent (at a cost of 4.53 percent) and short-term debt of 1.00 percent (at a cost of 3.38 percent)).

¹⁶ *Notice and Petition for Interim Rates* (filed Nov. 1, 2024).

¹⁷ *See id.*

¹⁸ *See id.*

¹⁹ *Order Setting Interim Rates* (issued Dec. 30, 2024), page 6.

²⁰ *See id.*

Walmart filed direct testimony for one witness, Eric S. Austin.²¹ An evidentiary hearing was held from December 17 to 19, 2025, during which all parties had the opportunity to cross-examine witnesses. Walmart now submits this initial brief.

III. Argument

A. Applicable Legal Standard

A public utility cannot change service rates except by filing a notice of rate change with the Commission.²² The law places the burden on the petitioning utility to demonstrate, by a preponderance of the evidence, that its proposed rate change is just and reasonable.²³ “‘Preponderance of the evidence’ is defined for ratemaking proceedings as ‘whether the evidence submitted, even if true, justifies the conclusion sought by the petitioning utility when considered together with the Commission’s statutory responsibility to enforce the state’s public policy that retail consumers of utility services shall be furnished such services at reasonable rates.’”²⁴ All doubts as to reasonableness must be resolved in favor of the consumer.²⁵ If the utility fails to meet its burden of proof, the Commission must “either deny the rate increase or make ‘appropriate adjustment’ to the utility’s proposal.”²⁶

The Commission has recently noted that Minnesota Statutes Section 216B.16 provides broad guidance, “leaving to the Commission the tasks of determining (a) the accuracy and validity of [the

²¹ Wal-1 (Austin Direct).

²² Minn. Stat. § 216B.16, subd. 1.

²³ Minn. Stat. § 216B.16, subds. 4, 19.

²⁴ *In the Matter of the Petition of Minnesota Power & Light Company, d.b.a. Minnesota Power, for Authority to Change Its Schedule of Rates for Electric Utility Service Within the State of Minnesota*, 435 N.W.2d 550, 554 (Minn. 1989) (citing *In the Matter of the Petition of Northern States Power Company for Authority to Change Its Schedule of Rates for Electric Service in Minnesota*, 416 N.W.2d 719, 722 (Minn. 1987)).

²⁵ Minn. Stat. § 216B.03.

²⁶ Minn. Stat. § 216B.16, subd. 4.

utility's] claimed costs; (b) the prudence and reasonableness of claimed costs; and (c) the compatibility of claimed costs with the public interest.”²⁷ The Commission has further observed that, when acting in its quasi-legislative capacity in rate design, utilities must prove not only that their costs are accurate and their rates recoverable but that the rate design is “equitable.”²⁸

B. Xcel Has Not Met Its Burden of Proof That Its Proposed ROE of 10.30 Percent Is Just and Reasonable.

The just and reasonableness of Xcel’s proposed ROE of 10.30 percent is unsupported by the record. While some market indicators have changed since Xcel was awarded an ROE of 9.25 percent in 2023, national trends, Commission practices, and the state’s stable regulatory climate all indicate that an ROE above 10 percent is excessive. Therefore, the ALJ should recommend that the Commission deny Xcel’s proposed ROE of 10.30 percent. Because Xcel has not produced sufficient evidence to justify *any* increase in ROE, the Commission should approve an ROE no higher than Xcel’s currently approved ROE of 9.25 percent, consistent with sound regulatory practice and the interests of Minnesota ratepayers.

i. National and state ROE trends do not support Xcel’s proposed ROE.

Xcel’s claim that elevated interest rates and capital market volatility justify a 10.30 percent ROE is not borne out by the actual decisions of regulatory commissions nationwide.²⁹ According to data from S&P Global Market Intelligence, the average ROE authorized by commissions for investor-

²⁷ *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*, MPUC Docket No. E-002/GR-15-826, OAH Docket No. 19- 2500-33074, Findings of Fact, Conclusions, and Order, pp. 4-5 (June 12, 2017), citing *In re Interstate Power Co.*, 574 N.W.2d 408, 411 (Minn. 1998).

²⁸ *Id.*, MPUC Docket No. GR-15-826, pp. 5-6; citing *In re Minn. Power and Light Co.*, 435 N.W.2d 550, 554 (Minn. App. 1989).

²⁹ See Xcel-24 (Nowak Direct – Return on Equity), page 22, line 19 to page 23, line 6; Xcel-25 (Nowak Rebuttal – Return on Equity), page 13, line 21 to page 14, line 28.

owned electric utilities in 104 reported rate cases during 2023, 2024, and 2025 is 9.68 percent.³⁰ The range of authorized electric ROEs for this period spans from 8.63 percent to 11.45 percent, with a median of 9.70 percent.³¹ In the group reported by S&P Global, the average ROE authorized for vertically integrated utilities for 2023, 2024, and 2025 is 9.77 percent.³² Specifically, it was 9.71 percent in 2023, 9.85 percent in 2024, and 9.74 percent in 2025.³³ Therefore, Xcel’s proposed total ROE of 10.30 percent contradicts broader electric industry trends and, if approved, would be the *fourth highest* ROE among 80 utilities approved nationwide.³⁴

Contrary to Xcel’s suggestion that market signals indicate Minnesota’s regulatory climate may “tighten,” there is no evidence that the state’s regulatory environment has reformed its long-consistent favor toward utility investment.³⁵ Recent ROEs awarded by the Commission have closely tracked national averages, remaining below 10 percent. Since 2023, the Commission has issued orders authorizing ROEs in the following three cases, with an average ROE of 9.56 percent:

- (1) Minnesota Power’s general rate case, completed in 2023, in which the Commission awarded an ROE of 9.65 percent via litigation;
- (2) Xcel’s last general rate case was completed in 2023, in which the Commission awarded an ROE of 9.25 percent; and
- (3) Minnesota Power’s general rate case completed in 2024, in which the Commission awarded an ROE of 9.78 percent.³⁶

³⁰ See Wal-1 (Austin Direct) ESA-1, Exhibit 3.

³¹ See *id.*

³² See *id.*

³³ See *id.*

³⁴ See *id.*

³⁵ Xcel-24 (Nowak Direct – Return on Equity), page 58, line 22 to page 59, line 18.

³⁶ See Wal-1 (Austin Direct) ESA-1, Exhibit 3.

The fact that the Commission has not authorized ROEs above 9.78 percent in recent years, despite rising interest rates, underscores that changed market conditions have not prompted a wholesale re-evaluation of utility risk or investor requirements in Minnesota. This stability in the regulatory climate is a key factor in maintaining investor confidence and does not justify an above-trend ROE. In fact, the Commission’s consistent approach to ROE awards demonstrates a commitment to regulatory predictability and fairness, which should reassure investors and obviate the need for a substantial increase.

Indeed, Xcel’s proposed ROE must be considered within the context of Minnesota’s progressive ratemaking tools made available to it, which serve to reduce regulatory lag and earnings risk. These mechanisms include:

- (a) Xcel’s ability to implement interim rates prior to final adjudication ensures timely recovery of costs and reduced cash-flow risk;³⁷
- (b) The inclusion of Construction Works in Progress in the rate base allows Xcel to earn a return on capital invested during construction periods, thereby improving earnings stability and financing flexibility;
- (c) The use of a future test year, which reduces regulatory lag by allowing the utility to include the most current information in its rates at the time they take effect; and
- (d) Xcel’s proposed multi-year rate plan (“MYRP”), which reduces the review required to implement a rate increase, and the use of capital and expense

³⁷ See Notice and Petition for Interim Rates (filed Nov. 1, 2024), page 1 and Order Setting Interim Rates (issued Dec. 30, 2024), page 6.

forecasts for the 2025 and 2026 plan years, further reduce regulatory lag by allowing rates for those years to more closely reflect Xcel's expectations of cost in those years.

Taken together, these ratemaking tools significantly alleviate capital market concerns and reduce the need for a higher ROE. They provide Xcel with a level of earnings stability and risk mitigation not commonly available to utilities in other jurisdictions, further weakening the case for a 10.30 percent ROE.

ii. Xcel's proposed ROE has a substantial customer impact.

Minnesota law requires that all doubts regarding the reasonableness of Xcel's proposed ROE be resolved in favor of the consumer.³⁸ The impact of Xcel's proposed ROE increase on customers is substantial and must be carefully considered. Electricity represents a significant operating cost for retailers such as Walmart. When electric rates rise, the increased expenses for retailers place pressure on consumer prices as well as other business operating costs.

Using Xcel's proposed rate base, cost of debt, and capital structure for each test year, the impact of the proposed changes for the 2025 plan year in authorized ROE is approximately \$102.4 million, or 28.99 percent of the proposed revenue deficiency.³⁹ For 2026, the proposed impact is approximately \$109.0 million, or 22.22 percent.⁴⁰ Even aligning Xcel's ROE with the national vertically integrated average of 9.77 percent would reduce Xcel's proposed revenue deficiency by approximately \$51.7

³⁸ Minn. Stat. § 216B.03.

³⁹ See WAL-1 (Austin Direct), ESA-1, Exhibit 1.

⁴⁰ See WAL-1 (Austin Direct), ESA-1, Exhibit 2.

million, or 14.63 percent of Xcel's proposed revenue deficiency.⁴¹ For 2026, the difference in revenue requirement is \$55.3 million, or 11.26 percent.⁴²

The Commission has a duty to carefully consider the impact on customers when evaluating the requested revenue requirement and ROE, in addition to all other aspects of this case. This will ensure that any increase in Xcel's rates, if any, is limited to the minimum necessary to provide safe, adequate, and reliable service, while also allowing Xcel to recover its reasonable and prudent costs, earn a fair return on its investment, and meet customer expectations for service.

C. Xcel Has Met its Burden of Proof Regarding Its Proposal to Move All Customer Classes 20 Percent Towards Cost of Service.

Xcel's stated pricing objectives are to (1) produce revenues that match Xcel's revenue requirement; (2) reflect cost causation; (3) provide flexibility in pricing levels and be competitive in broader energy markets; and (4) provide rate continuity, revenue stability, customer understanding, and administrative practicality.⁴³ Walmart advocates for setting rates based on Xcel's cost of service for each rate class. This approach produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions.

Xcel's proposal applies a 20 percent movement toward cost for all customer classes, balancing the four rate design objectives and keeping cumulative revenue increases under 15 percent for all classes except lighting.⁴⁴ Based on our understanding, Xcel measures class movement toward cost by comparing the increase in a customer class's rates under this methodology to the increase that *would* occur if that class paid exactly what it costs to serve them, as set forth in the Class Cost of Service

⁴¹ See WAL-1 (Austin Direct), ESA-1, Exhibit 4.

⁴² See WAL-1 (Austin Direct), ESA-1, Exhibit 5.

⁴³ See Xcel-76 (Paluck Direct – Rate Design), page 9, line 16 to page 10, line 3.

⁴⁴ See *id.* at 11, lines 18-21.

Study (CCOSS).⁴⁵ The “movement toward cost” represents the portion of that gap Xcel is currently proposing to close.⁴⁶ To calculate this movement, Xcel is creating a Proposed Revenue Factor, which, based on our understanding, is a multiplier of the retail system increase.⁴⁷ For example, if the retail system increase is 9.58 percent and Xcel is proposing a 0.98 factor for C&I Demand Customers, then these customers are receiving an increase approximately equal to 98 percent of the retail increase.

Xcel’s calculated Proposed Revenue Factors for 2025 and 2026 are shown in Tables 1 and 2 below:

Table 1. Revenue Apportionment Percentages and Factor - Cost of Service and Proposed – 2025 Test Year

<u>Class</u>	<u>Increase per COSS</u>	<u>Proposed Revenue Increase</u>	<u>Proposed Revenue Factor</u>
Residential	12.88%	10.24%	1.07
Non-Demand	8.44%	9.35%	0.98
C&I Demand	7.11%	9.09%	0.95
Lighting	23.47%	12.36%	1.29
Total Retail	9.58%	9.58%	1.00

Source: Xcel-76 (Paluck Direct – Rate Design), page 11, Table 3: Cost of Service and Proposed Revenue Apportionment (\$ Thousands) State of Minnesota Electric Jurisdiction, and page 13, Table 4: Revenue Apportionment Factors State of Minnesota Electric Jurisdiction

⁴⁵ See *id.* at 11, line 24 to page 12, line 7.

⁴⁶ See *id.*

⁴⁷ See *id.* at 12, lines 11-19.

Table 2. Revenue Apportionment Percentages and Factor - Cost of Service and Proposed – 2026 Test Year

<u>Class</u>	<u>Increase per COSS</u>	<u>Proposed Revenue Increase</u>	<u>Proposed Revenue Factor</u>
Residential	20.04%	14.50%	1.11
Non-Demand	11.34%	12.76%	0.97
C&I Demand	8.21%	12.13%	0.93
Lighting	32.02%	16.90%	1.29
Total Retail	13.11%	13.11%	1.00

Source: Xcel-76 (Paluck Direct – Rate Design), page 11, Table 3: Cost of Service and Proposed Revenue Apportionment (\$ Thousands) State of Minnesota Electric Jurisdiction, and page 13, Table 4: Revenue Apportionment Factors State of Minnesota Electric Jurisdiction

Based on the proposed revenue factor for each customer class, each class is being adjusted closer to its cost-based level for 2025 and 2026. Accordingly, under Xcel’s proposed revenue requirements for the two plan years, Xcel appears to have met its burden of proof regarding its proposal to move all customer classes 20 percent towards cost of service.

However, if the Commission approves plan year revenue requirements that are lower than those proposed by Xcel, it should (a) begin by applying Xcel’s proposal to move all classes 20 percent closer to cost of service, and (b) use the reduction in revenue requirements from the proposed amount to further adjust classes toward cost of service, ensuring that no class receives an increase greater than that initially proposed by Xcel.

IV. Conclusion

Walmart respectfully requests that the ALJ’s recommendations to the Commission reflect Walmart’s arguments above. The following is a summary of Walmart’s recommendations:

- The Commission should deny Xcel's request to increase its authorized ROE to 10.30 percent and approve an ROE no higher than Xcel's currently approved ROE of 9.25 percent.
- The Commission should approve Xcel's request to adjust all customer classes by 20 percent toward the cost of service.
- In the event that the Commission approves plan year revenue requirements lower than those proposed by Xcel, the Commission should (a) begin by applying Xcel's proposal to move all classes 20 percent toward cost of service, and (b) use the reduction in revenue requirements from the proposed amount to further move classes toward cost of service, ensuring that no class receives an increase greater than that initially proposed by Xcel.

Respectfully submitted,

Dated: January 28, 2026

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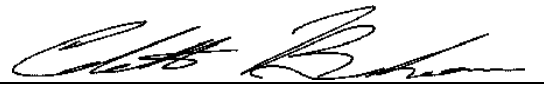
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CERTIFICATION OF SERVICE

I, Colette N. Brashears, hereby certify that on January 28, 2026, I e-filed the foregoing Proposed Witness List and served a true and correct copy of the same upon all parties listed in the attached service list by email or otherwise.

Dated: January 28, 2026

By: 

Colette N. Brashears