

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
Joe Sullivan	Commissioner
John Tuma	Commissioner

In the Matter of the Application by
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-21-630

**REPLY COMMENTS
OF XCEL ENERGY**

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or Company), submits these Reply Comments in response to August 25, 2025 Comments filed by the Minnesota Department of Commerce (Department or DOC), the Office of the Attorney General – Residential Utilities Division (OAG) and Citizens Utility Board (CUB) (collectively, with DOC and OAG, Intervenors) regarding what action the Minnesota Public Utilities Commission (Commission) should take regarding recoverability of executive compensation costs, following reversal of the Commission’s prior limitation on recoverability by the Minnesota Court of Appeals. The Intervenors make slightly different recommendations, while sharing common arguments. The Department argued that “the Commission may deny any recovery of Xcel’s proposed executive compensation expense or otherwise craft an appropriate adjustment.”¹ OAG argued that the Commission “should

¹ DOC Comments at 5.

disallow Xcel’s request for recovery of executive compensation in its entirety” or, in the alternative, “should clarify its original order to provide further explanation of why the limit the Commission ordered is reasonable.”² Finally, CUB recommended that the Commission disallow recovery of any executive compensation.³

As discussed in Xcel Energy’s August 25, 2025 Comments (August Comments) and discussed further below, the Commission should make no additional adjustment to the portion of the Company’s executive compensation included in this rate case, beyond the Annual Incentive Plan (AIP), Long-Term Incentive (LTI) program and Minnesota electric jurisdiction adjustments already reflected in the Commission’s July 17, 2023 Findings of Fact, Conclusions, and Order (Commission Order) in this matter. Those decisions already place the majority of executive compensation costs on shareholders, not customers, and no further reduction is supported by the record or applicable law. Contrary to the arguments of the Intervenors, there is no evidentiary basis to conclude that the Company’s executives should not be compensated at all, or that the Company’s customers should not need to pay the necessary costs of having executives. The Company addressed all the main arguments made by the Intervenors in its August Comments and will not repeat all of that discussion here. Rather, the Company focuses these comments on certain assertions put forth by the Intervenors.

² OAG Comments at 1.

³ CUB Comments at 9.

I. THE RECORD SUPPORTS RECOVERY OF THESE NECESSARY EXPENSES.

No party has attempted to argue that it would be unreasonable to pay *something* to the Company's top ten executives. In other words, there is no substantive "doubt" that the Company must pay these individuals and that it should recover at least some portion of the costs of paying them, as a necessary cost of providing service. This is consistent with the decision of the Court of Appeals, which remanded the case to the Commission for further explanation of the amount the Company may recover for these costs. Regardless, some parties now make the new argument that the Company did not "meet its burden" of establishing the reasonableness of *any* amount for these costs. In some cases, parties making this argument have not identified the information that the Company supposedly should have provided to meet this burden. In other instances, parties identified some vague concepts that the Company supposedly should have discussed in the case, such as how the work of executives benefits customers versus shareholders. Notably, the parties pointing to this supposed deficiency said nothing about it during the development of the case. They also do not explain how the information provided by the Company in this case is not sufficient to grant some recovery when it has been sufficient in all previous rate cases in the Company's history. And, although the Company has not conducted an exhaustive survey, it has reason to believe that similar evidence has been deemed sufficient in all previous litigated rate cases for any utility in the state's history.

The Company does not dispute that it has the burden to demonstrate the reasonableness of an expense it requests to recover, but this does not mean that the burden

can be changed without explanation or notice to the Company. Here, Intervenors are springing this purported change in burden on the Company after the record was fully developed to suggest or recommend denial of what is indisputably a necessary cost. The Commission should reject these arguments and do what the Court of Appeals directed, by granting the Company a reasonable recovery of its executive compensation and explaining the basis for its decision based on the record evidence.

As part of their arguments, some parties have opportunistically argued that, based on a paperwork error in the Company's filing, the Commission should deny all recovery of executive compensation because necessary information was not part of the record. This argument is misplaced. First, as the Company discussed in detail in its August Comments, the four-page schedule setting forth the Company's "top ten" executives' compensation *is* part of the record of this proceeding, along with substantial additional information on the reasonableness of the Company's compensation programs, including executive compensation. Second, as explained in the August Comments, while the Company acknowledges that certain schedules, including the "top ten" schedule, were inadvertently not uploaded to eDockets with the remainder of the Initial Filing on October 25, 2021, this schedule was provided via courtesy files to the Commission, Department, OAG and Xcel Large Industrials (XLI) that day.⁴ Thus, CUB's claim that "this information was not

⁴ Demonstrating the inadvertent nature of this paperwork error, both the Department and Commission reviewed the Company's Initial Filing for completeness and compliance with statutes, rules and prior Commission orders and found the filing to be complete. ORDER ACCEPTING FILING, SUSPENDING RATES, AND EXTENDING TIMELINE at 2 (Dec. 23, 2021) (eDocket No. 202112-180961). Moreover, the Company uploaded the same schedule a few days later in the Initial Filing of its gas rate case. MPUC Docket No. G002/GR-21-678.

available to the Commission or stakeholders until the second day of the Commission’s hearing on this matter” is a fabrication.⁵ Likewise, the implication of CUB and the OAG that there is no record evidence supporting recovery of these necessary expenses is incorrect.⁶

As discussed in detail in the August Comments, there was substantial information throughout the record on the need for and reasonableness of the Company’s executive compensation. This information *was* included in the filed copy of the record and provided to all parties and no party disputed it. Specifically, the record demonstrates the following:

- Xcel Energy’s executives drive the Company’s direction, strategy and innovation and the decisions, direction and policies these executives put in place have a significant impact on customers.⁷
- The Commission recognized that the Company is financially well managed and “pointed in the right direction.”⁸
- Compensation of executives is not optional, it is a necessary business expense, and Xcel Energy competes with other utilities and businesses to attract and retain executive talent.⁹
- When full AIP and LTI compensation is included, the Company pays its executives market-average wages; if those are excluded, executive compensation falls well below market.¹⁰
- No party challenged the base pay levels of the top ten executives as being unreasonable or unnecessary for the provision of service to Minnesota customers at any time in the contested case process through discovery, testimony or argument.

⁵ CUB Comments at 1.

⁶ *Id.* at 4; OAG Comments at 6.

⁷ Exhibit (Ex) Xcel-53 at 44 (Lowenthal Direct).

⁸ Deliberations Transcript at 89 (June 1, 2023).

⁹ Ex. Xcel-53 at 25, 44, 51-58 (Lowenthal Direct).

¹⁰ Ex. Xcel-53 at 51-58 and Sched. 2 (Lowenthal Direct).

- The Company has already foregone recovery of AIP above 15 percent of base pay and has foregone all recovery of LTI – compensation that goes solely to executives and other high-level employees.
- With the AIP cap in place and no recovery of LTI, in 2020 the Company recovered less than 40 percent of the Minnesota-allocated portion of its “top ten” executive compensation from customers; shareholders covered more than 60 percent of these costs.¹¹

Given this record, complete denial of all executive compensation is neither reasonable nor consistent with the public interest.

II. THE COMMISSION SHOULD SET A REASONABLE RECOVERY LEVEL EXECUTIVE COMPENSATION, CONSISTENT WITH THE RECORD AND MINNESOTA LAW.

Despite the arguments made by the other parties, the Commission’s role, at bottom, is to set a reasonable recovery level for reasonable and necessary expenses. It should seek to do that here. All Commission action is guided by consideration of the broad public interest and an appropriate balancing of the interests of both customers and utilities.¹² For example, in setting rates, Minnesota Statutes direct that the Commission “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.”¹³ Executive compensation is a necessary part of the Company’s cost of

¹¹ Errata Filing at EER Schedule 5 (May 24, 2023) (eDocket No. 20235-196081-01).

¹² *See, e.g.*, Minn. Stat. § 216B.01 (“It is hereby declared to be in the public interest that public utilities be regulated as hereinafter provided in order to provide the retail consumers of natural gas and electric service in this state with adequate and reliable services at reasonable rates, consistent with the financial and economic requirements of public utilities and their need to construct facilities to provide such services or to otherwise obtain energy supplies.”).

¹³ Minn. Stat. § 216B.16, subd. 6.

providing service to its customers. None of the Intervenors has argued to the contrary and the Commission's earlier decision in this matter to grant the Company some recovery recognized the necessity of these costs and the decision to grant some level of recovery for executive compensation was not questioned by the Court of Appeals. As a result, the Commission should follow the direction of the Court of Appeals and provide the requisite record-based explanation of the amount it determines is reasonable, rather than accept other parties' invitation to simply deny any recovery of an undoubtedly necessary cost.

As noted above, the Company carries the burden of proof in rate cases.¹⁴ In addition, Minnesota Statutes require that all rates be just and reasonable and that doubts as to reasonableness are to be resolved in favor of customers.¹⁵ However, there can be no doubt that executive leadership is a necessary cost of furnishing service – a cost that the Company has recovered, with the exception of certain incentive compensation, in every rate case in its history. As the Court of Appeals noted, in setting rates the Commission must provide a result that “meet[s] the needs of the ratepayer *and* the utility.”¹⁶ Such a result must allow for some recovery of these necessary costs and the record demonstrates that the Commission's prior decisions in this matter regarding incentive compensation have already placed the majority of these costs on shareholders.

¹⁴ Minn. Stat. § 216B.16, subd. 4.

¹⁵ Minn. Stat. § 216B.03.

¹⁶ Slip Op. at 26 (emphasis in original).

CONCLUSION

For all the reasons discussed above and in its August Comments, Xcel Energy respectfully requests the Commission find that no further adjustment of executive compensation is appropriate in this proceeding or otherwise set a reasonable level of recovery, consistent with the record and with Minnesota law.

Dated: September 9, 2025

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