

service but that the Commission has disallowed in the past, including items such as aviation cost and portions of the Company’s long-term and short-term incentive compensation plans.²⁶ Collectively, these proactive adjustments lowered the Company’s original MYRP request by over \$45 million.²⁷

Given the passage of time as this case proceeded, the Company was able to recognize the impact of new information and new regulatory decisions and to further narrow the issues after that Initial Filing. In Supplemental Direct Testimony, the Company reduced its MYRP revenue requirement request by a net amount of over \$17 million to reflect certain changes and corrections to its wildfire and employee expenses, interchange revenue and expense, and the proposed Residential Arrears Management Program (RAMP).²⁸ In Rebuttal Testimony, the Company incorporated the impact of new regulatory decisions or other new developments and identified opportunities to accept certain Intervenor adjustments and further narrow the issues in dispute.²⁹ This work resulted in over two dozen adjustments, reducing the Company’s MYRP request by an additional \$108 million, resulting in the following rebuttal request.³⁰

Table 2. MYRP Revenue Requirements (\$s in millions)

	2025	2026	Total
Initial Filing Request	\$353.3 9.6%	\$137.4 3.6%	\$490.7 13.2%

²⁶ Ex. Xcel-15 at 23-24 (Liberkowski Direct); Ex. Xcel-17 at 70-74 (Halama Direct).

²⁷ Ex. Xcel-15 at 24 (Liberkowski Direct); Ex. Xcel-17 at 70-73 (Halama Direct).

²⁸ Ex. Xcel-18 at 1-8 (Halama Supplemental Direct).

²⁹ Ex. Xcel-16 at 3, 17-21 (Liberkowski Rebuttal); Ex. Xcel-19 at 4-29 (Halama Rebuttal).

³⁰ Ex. Xcel-16 at 20 (Liberkowski Rebuttal); Ex. Xcel-19 at 4-29 (Halama Rebuttal).

Initial Brief <u>Rebuttal</u> Request	<u>\$208.4</u> <u>5.8%</u>	<u>\$156.9</u> <u>4.2%</u>	<u>\$365.3</u> <u>10.0%</u>
Increase/(Decrease) from Initial	<u>(\$144.9)</u>	<u>\$19.5</u>	<u>(\$125.4)</u>
Filing to Initial Brief <u>Rebuttal</u>	<u>(3.8%)</u>	<u>0.6%</u>	<u>(3.2%)</u>

Since Rebuttal Testimony, the Company has still further reduced its request and narrowed the issues by: (1) agreeing to the overall costs of wildfire mitigation programs recommended by the Department;³¹ (2) agreeing to a revenue requirement reduction to reflect lower capacity auction revenues due to an outage at the Prairie Island nuclear plant;³² and (3) for the purposes of this proceeding only, accepting as a compromise the Department’s recommendation to apply the Company’s cost of long-term debt to its prepaid pension asset and associated prepaid liabilities, rather than applying the weighted average cost of capital (WACC) as originally requested by the Company.³³

Finally, the record explains the considerable effort the Company has engaged in, and continues to engage in, to address the affordability challenges being felt by its most energy-burdened customers.³⁴ Meaningfully addressing affordability issues requires not only consideration of the customers’ total bill, as discussed above, but also consideration and recognition of customers’ income, expenses, and overall obligations.³⁵ By approaching the issue of affordability this way, the Company, Commission and

³¹ Ex. Xcel-95 (Xcel Energy correspondence regarding wildfire issue).

³² The Company agreed to this adjustment and listed it as an issue not in dispute in its Issues Matrix, filed January 23, 2026. (eDocket No. 20261-227337-01).

³³ Ex. Xcel-97 at 2 (Revised Schrubbe Witness Summary).

³⁴ See, e.g., Ex. Xcel-15 at 17 (Liberkowski Direct); Ex. Xcel-38 at 23-35 (Lindgren/Howard Direct) (Ms. Howard fully adopted the prefiled Direct and Supplemental Direct Testimony of Ms. Lindgren. Ex. Xcel-81 at 2 (Howard Rebuttal)); Ex. Xcel-70 at 10-12, 28-35 (Martin Direct).

³⁵ Ex. Xcel-38 at 23 (Lindgren/Howard Direct).

Company recovery of millions of dollars of costs, striking at core functions of the Company's business and directly impacting its ability to provide safe, efficient, and reasonable service to its customers .

1. Energy Supply O&M

The Company's Energy Supply business area is responsible for operating and maintaining the Company's non-nuclear generation facilities that include natural gas, coal, hydro, wind, biomass, refuse, solar, and other facilities.²⁴³ In order to safely operate and maintain these generation facilities for the benefit of customers, Energy Supply incurs operation and maintenance (O&M) expenses for labor, overtime, chemicals, materials, outside services, rents, land easements, and employee expenses.²⁴⁴ The Company's Energy Supply 2025 and 2026 O&M budgets for this rate case were developed as part of Energy Supply's annual budgeting process. As part of Energy Supply's annual O&M budgeting process, historical O&M costs for each generation facility are reviewed and are then adjusted to account for known changes in the upcoming years.²⁴⁵ For instance, a planned overhaul at a generation facility would contribute to higher labor and material O&M costs in a given year.²⁴⁶ For 2025 and 2026, Energy Supply has budgeted \$167.5 million and \$192.4 million in O&M expenses (NSP Total Company).²⁴⁷

²⁴³ Ex. Xcel-44 at 1-2, 11 (Capra Direct).

²⁴⁴ Ex. Xcel-46 at 2 (Capra Rebuttal).

²⁴⁵ Ex. Xcel-46 at 9 (Capra Rebuttal).

²⁴⁶ Ex. Xcel-44 at 64-65 (Capra Direct).

²⁴⁷ Ex. Xcel-46 at 4 (Capra Rebuttal). Energy Supply's 2025 and 2026 O&M expenses are \$122.3 million and \$140.7 million for 2025 and 2026 MN Jurisdiction net of Interchange Billings to NSPW basis. *Id.*

In support of the recovery of these costs, the Company presented the testimony of Robert L. Miller, a risk management professional with four decades of experience in managing risk and insurance. Mr. Miller presently serves as the Director, Hazard Insurance for Xcel Energy, Inc.⁵¹⁴

Mr. Miller presented information on the Company's overall Risk Management, Loss Control and Insurance Programs and described the Company's major insurance programs, which include master property insurance (for non-nuclear assets), excess liability insurance, directors' and officers' (D&O liability insurance, fiduciary liability insurance), nuclear plant insurance (covering both property and liability) and primary casualty insurance and discussed the amounts of coverage the Company carries of each type.⁵¹⁵ Notably, no intervenor took the position that the Company did not require any particular type of insurance, or contest the overall level of insurance coverage, either as a whole or within a specific type of insurance, carried by the Company.

Mr. Miller also presented the Company's insurance forecasts and testified that the Company's insurance premium forecast was reliable, comparing the Company's insurance expenditures to its forecasts in past years.⁵¹⁶ The forecast submitted with Mr. Miller's Direct Testimony did not include information related to 2025 excess liability premium rates because that information was not available until mid-October, well after

⁵¹⁴ Ex. Xcel-54 at 1 and Schedule 1 (Miller Direct).

⁵¹⁵ Ex. Xcel-54 at 4-48 (Miller Direct).

⁵¹⁶ Ex. Xcel-54 at 49 (Miller Direct).

undergrounding projects⁸⁷⁸ that do not account for the different construction requirements of targeted undergrounding program projects.⁸⁷⁹ To prepare the 2025 and 2026 rate case budgets for the targeted undergrounding program, the Company used historical undergrounding costs but added cost allowances to provide for construction of secondary service lines, customer service drops, and construction in urban areas.⁸⁸⁰ While these additional cost allowances resulted in higher cost estimates than those presented in the 2024 SQR, they are also reasonable and necessary given the projects that the Company anticipates completing in 2025 and 2026 as part of this program.⁸⁸¹ Given the differences between the types of undergrounding projects proposed in the 2024 SQR and this rate case, it is inappropriate to cap the costs for the targeted undergrounding program based on the costs presented in the 2024 SQR.

The OAG's proposed cost cap is also not necessary given that the targeted undergrounding program is a capital program and subject to the Company's proposed capital true-up mechanism. To the extent that the Company spends less than its aggregate capital-related revenue requirement for either 2025 ~~and~~or 2026, the Company will provide a refund to customers, but the Company will not be able to recover any amounts above the aggregate amount if the reverse is true.⁸⁸² The capital true-up mechanism

⁸⁷⁸ Ex. Xcel-35 at 5 (Mensen Rebuttal).

⁸⁷⁹ Ex. Xcel-35 at 6 (Mensen Rebuttal).

⁸⁸⁰ Ex. Xcel-35 at 6 (Mensen Rebuttal).

⁸⁸¹ Ex. Xcel-35 at 6 (Mensen Rebuttal).

⁸⁸² Ex. Xcel-15 at 29 (Liberkowski Direct).

transportation and home heating electrification. An artificially low customer charge harms the economics of electrifying sectors of the economy, ultimately acting as an impediment to state policy.¹¹¹⁴

An \$11.00 customer charge will still encourage a reasonable level of conservation, but balances this with an energy charge in a way that can support the State's other policy goals.

Finally, the OAG and the Department do not recognize the potential negative impact of their recommendation on certain vulnerable customer groups. As Department witness Bahn admitted during the evidentiary hearing, when fixed costs are included in the volumetric charge, high-usage customers will pay more than low-usage customers.¹¹¹⁵ While some high-usage customers are likely high-income customers, some high-usage customers are likely low-income ~~customers~~customers, living in old, poorly insulated homes.¹¹¹⁶ An artificially low customer charge harms those customers because they pay more for the fixed costs of the system than is appropriate.

For these reasons, the Company proposes to increase the customer charge for residential and small commercial customers to \$11.00.

2. Street Lighting

In the Company's last rate case, a settlement was reached with the SRA regarding street lighting rates and rate design. As part of the settlement, the Company agreed to certain provisions for street lighting rates, and to "revise the rate design workpapers to

¹¹¹⁴ Ex. 78, Paluck Rebuttal at 13:15-20.

¹¹¹⁵ Tr. , Vol. 2 at 313:9-24.

¹¹¹⁶ Tr. , Vol. 2 at 314:10-16.

Further, claims of rate shock are overstated. As explained by Company witness Paluck, “most streetlighting customers (i.e., municipalities) have a portfolio of streetlight wattages.”¹¹²² This means that their overall bill will have only a portion of low-wattage A30 rates, and the smaller percentage increases for other types of streetlights will produce an overall bill that is more consistent with the overall rate increase for the Lighting class.¹¹²³ In the past, the A30 rate design had unique features intended to mitigate this impact, but the Company removed them because of the settlement with SRA in the last case.¹¹²⁴

To avoid this alleged rate shock, for the first time in its Surrebuttal Testimony, SRA proposed a change to the premium for underground service.¹¹²⁵ The underground premium is a component of Lighting rates that recognizes that there are cost differences for street lights using underground versus overhead conductors. Based on its analysis, the SRA recommends reducing the underground premium, which would increase rates for underground lighting fixtures and reduce rates for overhead lighting fixtures.¹¹²⁶

This change is not necessary, because the Lighting class will not experience rate shock. As explained by Company witness Paluck, “[Street Lighting] rate design is straightforward, transparent and based directly on the costs from Company witness

¹¹²² Ex. Xcel-77, Paluck Rebuttal at 23.

¹¹²³ *Id.*

¹¹²⁴ Ex. Xcel-78, Paluck Surrebuttal at 4.

¹¹²⁵ Ex. SRA-5, Bride Surrebuttal at 4.

¹¹²⁶ *Id.* at 8.

The Company proposed RAMP, designed to address customer arrears and thereby reduce energy burden and the potential for service disconnection.¹¹⁵² As is done in the Colorado program, the Company proposed funding RAMP by using residential late payment fees collected from customers, which are currently used to offset the revenue requirement in a rate case.¹¹⁵³ These fees would then be applied in a pre-determined credit amount to eligible customers with past due balances to mitigate credit activity and potential disconnection of service.¹¹⁵⁴ As proposed, RAMP would be available to any residential customer who (1) has an active account with Xcel Energy in the State of Minnesota, (2) can self-attest that their income is at or below 80 percent of the established Area Median Income for their county and household ~~size~~size,¹¹⁵⁵ (3) has not qualified for or received Energy Assistance Program (EAP) benefits from the Department of Commerce, and (4) has a past due balance of \$300 or more, as long as funds remain available.¹¹⁵⁶

The Company estimates that residential customers will pay \$6.1 million in late payment fees in 2025 and \$5.8 million in 2026.¹¹⁵⁷ Although this number varies annually,

Report, Docket No. E002/M-24-27, ORDER ACCEPTING REPORTS AND SETTING ADDITIONAL REQUIREMENTS at Order Point No. 33 (Jan. 13, 2025).

¹¹⁵² Xcel-39 at 3 (Lindgren Suppl. Direct).

¹¹⁵³ Xcel-39 at 3-4 (Lindgren Suppl. Direct).

¹¹⁵⁴ Xcel-39 at 3 (Lindgren Suppl. Direct).

¹¹⁵⁵ The Company proposed to utilize the Area Median Income for the State of Minnesota as published annually by the U.S. Department of Housing and Urban Development, which shows the Area Median Income for each county in the State. Xcel-39 at 4 (Lindgren Suppl. Direct).

¹¹⁵⁶ Xcel-39 at 3 (Lindgren Suppl. Direct).

¹¹⁵⁷ Xcel-39 at 4 (Lindgren Suppl. Direct).