

July 22, 2025

Mike Bull
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce**
Docket No. E002/M-25-50

Dear Mr. Bull:

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

Xcel Energy's 2024 Energy Conservation & Optimization Consolidated Filing (Petition)

The Company filed the Petition on April 1, 2025.

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve Xcel Energy's Petition. The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E002/M-25-50

I. INTRODUCTION

On April 1, 2025, Northern States Power Company d/b/a Xcel Energy submitted its *Petition* with the Commission in Docket No. E017/M-25-50. The Petition contains the following requests for approval:

- Performance incentive of \$15,133,727 for 2024 ECO activities.
- 2024 ECO tracker account, resulting in a December 31, 2024, balance of negative \$41,453,010.
- 2025/2026 Average Conservation Cost Recovery Adjustment factor of \$0.001396/kWh to be effective November 1, 2025.

The Petition also contains the Company's 2024 Energy Conservation and Optimization (ECO) Status Report (Status Report). The Status Report is intended to fulfill the requirements of the Department's annual ECO reporting rules contained in Minnesota Rules part 7690.0550. Since the Company's Status Report does not require Commission approval, this portion of the Petition has been assigned to a separate docket.¹

The Petition contains data relevant to the Company's natural gas utility as well as to its electric utility. The Department will not comment on information related to the natural gas utility in this docket; instead see Docket No. G002/M-25-47.

II. PROCEDURAL BACKGROUND

April 1, 2025	Xcel submitted its Petition with the Commission.
April 24, 2025	The Commission posted a Notice of Comment Period for the Petition.
June 25, 2025	The Department filed a request for variance extension, requesting an additional 21 days to complete its analysis and file comments.
June 25, 2025	The Commission granted the request for extension.

¹ See Docket No. E,G002/CIP-23-92.

Topics open for comment:

- Should the Commission approve Xcel's proposed electric DSM Financial Incentive of \$15,133,727 for ECO activities in 2024?
- Should the Commission approve Xcel's proposed 2024 electric Conservation Improvement Program (CIP) Tracker Account?
- Should the Commission approve Xcel's proposed 2025-2026 electric CIP Adjustment Factor (CAF) of \$0.001396 per kWh?
- Are there other issues or concerns related to this matter?

III. DEPARTMENT ANALYSIS

The Department provides its analysis of Xcel's Petition in the following sections:

- A. Commission's 2024 Order
- B. Minnesota's Energy Conservation and Optimization Statute
- C. Proposed 2024 Shared Savings DSM Financial Incentive
- D. Proposed 2024 ECO Tracker
- E. Proposed Average Conservation Cost Recovery Adjustment for 2025/2026
- F. Proposed Administrative Changes to ECO Rider
- G. Historical ECO Achievements and Shared Savings Incentives

A. COMMISSION'S 2024 ORDER

On October 31, 2024, the Commission issued its Order in Docket E002/M-24-50 approving Xcel's 2023 DSM financial incentive, CIP Adjustment Factor (CAF), and CIP tracker. In that Order the Commission:

1. Approved Xcel Energy's electric Shared Savings DSM financial incentive of \$26,478,641.
2. Approved Xcel Energy's electric CIP Tracker Account, as filed on April 1, 2024, with an ending balance of (\$22,036,468).
3. Approved Xcel Energy's proposed bill message, effective the first month the \$(0.000389) electric CAF takes effect, revised as necessary to incorporate the approved CIP Adjustment Factor and effective date, that reads as follows:

Effective December 1, 2024, the Resource Adjustment line item on your bill has reduced due to a change in the Conservation Improvement Program (CIP) factor. The electric CIP portion of the Resource Adjustment is (\$0.000389) per kilowatthour (kWh).

4. Required Xcel Energy to submit a compliance filing with tariff sheets and all necessary calculations within 10 days of the issue date of this Order.

5. Approved a 2024/2025 electric CAF of negative \$(0.000389) per kWh beginning the first billing cycle in the month following the Commission's Order in this matter.

B. MINNESOTA'S ENERGY CONSERVATION AND OPTIMIZATION STATUTE

In 2021, the Minnesota Legislature passed the Energy Conservation and Optimization Act (ECO Act). The ECO Act primarily serves to modernize what was the Conservation Improvement Program (CIP) to provide a more holistic approach to energy efficiency programming. Notable highlights of the ECO Act include:

- Providing participating electric and natural gas utilities the opportunity to optimize energy use and delivery through the inclusion of load management and efficient fuel-switching (EFS) programs.
- Raising the energy savings goals for the state's electric investor-owned utilities (IOUs).
- More than doubling the low-income spending requirement for all IOUs.
- Providing greater planning flexibility for participating municipal and cooperative utilities.
- Including activities to improve energy efficiency for public schools.

Minn. Stat. § 216B.241 (ECO Statute) provides the framework for IOU ECO programs that deliver energy savings, load management programs, and EFS measures. This includes annual savings goals, which are determined as a percentage of the most recent three-year average of gross retail sales after subtracting sales to ECO-exempt customers. 2024-2026 is the first program year period where requirements from the ECO Act take effect for the IOUs' ECO programs.

The ECO Statute grants jurisdiction to the Department over most of the state's ECO program regulatory activities. The Commission continues to have jurisdiction over two specific conservation items relevant to this proceeding: the Shared Savings DSM Financial Incentive and the recovery of ECO costs.

The Department has regulatory oversight in reviewing and approving utility plans and performance, determining cost-effectiveness methodologies, and the overall administration of the ECO framework.² Utilities are also allowed to recover costs incurred from delivering ECO programs approved by the Department,³ which are recovered through a tracker account reviewed and approved annually by the Commission. Finally, the Commission can approve incentive plans encouraging utility success through ECO programs provided the plans meet certain statutory requirements.⁴ The Commission has approved Shared Savings DSM Financial Incentive mechanisms for each three-year Triennial Plan since 2010 through Docket No. E,G-999/CI-08-133, and approves annual financial incentives through the ECO tracker account proceedings.

² See Minn. Stat. §§ 216B.241, 216B.2401, 216B.2402, 216B.2403.

³ Minn. Stat. § 216B.241 subd. 2b(a)

⁴ Minn. Stat. § 216B.16 subd. 6c.

C. *PROPOSED 2024 SHARED SAVINGS DSM FINANCIAL INCENTIVE*

C1. *Key Parameters from the 2024-2026 Shared Savings DSM Financial Incentive Plan*

On January 25, 2024, the Commission approved the current Shared Savings DSM Financial Incentive Plan, which applies to investor-owned gas and electric utilities for savings achieved through ECO during the 2024–2026 Triennial.⁵ The Department’s review of the *Petition*’s proposed Shared Savings Financial Incentive was informed by the requirements included in the Commission’s January 25, 2024, Order.

The current incentive mechanism awards utilities a percentage of their portfolio-wide Minnesota Test net benefits depending on their first-year energy savings achievement. In 2024, the cost-effectiveness test used to calculate net benefits for purposes of the incentive mechanism switched from the Utility Cost Test to the newly developed Minnesota Test, which incorporates additional considerations when measuring cost-effectiveness, such as greenhouse gas emission reductions. The 2024–2026 incentive mechanism modified the previous 2021–2023 incentive mechanism by updating achievement goals for first-year energy savings and the corresponding percentages of net benefits awarded, partially to account for the change in cost-effectiveness tests.

Tables 1 and 2 show the range of annual first-year energy savings a utility can achieve during the 2024–2026 Triennial and the corresponding percentage of net benefits awarded for each level of first-year energy savings.

Table 1: 2024–2026 Natural Gas Incentive

First-Year Energy Savings Achievement (% of Retail Sales)	% of Net Benefits Awarded
0.7% (threshold) ⁶	1.90%
0.8%	2.32%
0.9%	2.74%
1.0%	3.16%
1.1%	3.58%
1.2% (goal) ⁷	4.00% (cap)

⁵ Order Adopting Modifications to Shared Savings Demand-Side Management Financial Incentive Plan, January 25, 2024. Docket Number E,G-999/CI-08-133.

⁶ The achievement threshold refers to the achievement level a utility must reach before they begin earning an incentive for a given metric.

⁷ The achievement goal refers to the achievement level that aligns with the maximum percentage of net benefits a utility can earn for a given metric.

Table 2: 2024–2026 Electric Incentive

First-Year Energy Savings Achievement (% of Retail Sales)	% of Net Benefits Awarded
1.5% (threshold)	1.30%
1.6%	1.90%
1.7%	2.50%
1.8%	3.10%
1.9%	3.70%
2.0%	4.30%
2.1%	4.90%
2.2% (goal)	5.50% (cap)

Incentive caps limit the total incentive each utility can earn. The 2024–2026 incentive mechanism includes two incentive caps for each utility, one based on net benefits (Net Benefits Cap) and one on portfolio expenditures (Expenditures Cap), with the incentive amount being limited to whichever cap is lower.⁸ For the 2024–2026 incentive, the gas Net Benefits Cap equals 4 percent of portfolio net benefits and the Expenditures Cap equals 20 percent of total portfolio expenditures. For electric utilities, the Net Benefits Cap equals 5.5 percent of portfolio net benefits and the Expenditures Cap equals 20 percent of total portfolio expenditures. For both gas and electric utilities, the Expenditures Cap increases from 20 to 25 percent if the utility achieves or surpasses the maximum first-year energy savings goal, which is 1.2 percent of average retail sales for gas utilities and 2.2 percent of average retail sales for electric utilities.

Under the ECO framework, gas utilities can include savings and net benefits from qualifying EFS programs when calculating their financial incentive, effectively treating EFS programs the same as traditional ECO programs, provided it has achieved energy savings from non-EFS programs at or above 1 percent of retail sales.⁹ An electric utility cannot currently count savings or net benefits from EFS measures when calculating its overall Shared Savings DSM incentive, but a utility, the Department, or other stakeholder may propose a separate EFS incentive for approval by the Commission.¹⁰

C.2. The Department’s Review of Xcel’s Proposed 2024 Shared Savings DSM Financial Incentive

The Petition covers ECO activities occurring in program year 2024. For its 2024 ECO achievements, Xcel reported first-year energy savings of 516,355,477 kWh, expenditures of \$132,968,362, and net benefits of \$426,592,582. These first-year savings equate to 1.90 percent of Xcel’s ECO-applicable three-year weather-normalized sales average of 27,228,994,609 kWh.

⁸ Order Adopting Modifications to Shared Savings Demand-Side Management Financial Incentive Plan, January 25, 2024. Docket Number E,G-999/CI-08-133.

⁹ Commission’s Order Adopting Modifications to Shared Savings Demand-Side Management Financial Incentive Plan, January 25, 2024, Docket Number E,G-999/CI-08-133.

¹⁰ Minn. Stat. § 216B.16, subd. 6c

Based on the terms and conditions of its approved 2024-2026 Shared Savings DSM Financial Incentive Plan, Xcel requested recovery of a DSM financial incentive of \$15,133,727. Xcel's proposed incentive is equal to 3.68 percent of the Company's 2024 calculated net benefits and 20.00 percent of the Company's 2024 expenditures.

The Department's review indicates that the Company correctly calculated its DSM financial incentive for 2024 ECO achievements and did not violate the Commission-approved caps. Therefore, the Department recommends that the Commission approve Xcel's 2024 Shared Savings financial incentive of \$15,133,727.

Additionally, should the Commission find it helpful context, the Department also evaluated the broader ECO program achievements reported in the Company's Status Report. As mentioned earlier, since the Company's Status Report does not require Commission approval, this portion of the Petition has been assigned to a separate docket.¹¹ On May 23, 2025, the Department filed a Proposed Decision. The Proposed Decision provides Staff's evaluation of the Status Report's compliance with Minnesota Statutes and Rules, and Staff's examination of the technical assumptions behind the Company's reported ECO performance to ensure that energy savings are cost-effective, measurable, and verifiable. On or before July 23, 2025, the Department's Assistant Commissioner Decision is expected to be filed.

D. XCEL'S PROPOSED ELECTRIC 2024 ECO TRACKER

Xcel requested Commission approval of its 2024 electric CIP tracker activity, resulting in a year-end 2024 balance of (\$48,932,973). Table 3 below shows a summary of activity in Xcel Electric's 2024 ECO tracker account.

Table 3: Summary of Xcel's Proposed 2024 ECO Tracker Account¹²

Description	Time Period	Amount
Beginning Balance	December 31, 2023	(\$22,036,468)
CIP Expenses	January 1 through December 31, 2024	\$138,156,042
Other Adjustments	January 1 through December 31, 2024	\$1,106,605
Financial Incentive	-	\$26,478,641
Carrying Charges	January 1 through December 31, 2024	(\$1,619,614)
Recovered in Base Rates	January 1 through December 31, 2024	(\$130,899,825)
Recovered in CIP Adjustment Factor	January 1 through December 31, 2024	(\$52,638,392)
Ending Balance	December 31, 2024	(\$48,932,973)

¹¹ See Docket No. E017/CIP-23-92.

¹² Petition at Page 44.

The Department reviewed Table 6 of the Petition and concludes that the Company correctly calculated its 2024 ECO Tracker account. The Department also reviewed the Company's reasons behind the Other Adjustments line-item totaling \$1,106,605 and found these to be reasonable.¹³ Therefore, the Department recommends the Commission approve Xcel's 2024 ECO Tracker, resulting in a year-end balance of (\$48,932,973).

E. XCEL'S PROPOSED CIP ADJUSTMENT FACTOR FOR 2025/2026

Minnesota law states, in relevant part, that the Commission "may permit a public utility to file rate schedules providing for annual recovery of the cost of energy conservation improvements."¹⁴ Xcel refers to its approved annual electric CIP recovery mechanism as the CIP Adjustment Factor (CAF). In its October 31, 2024, Order in Docket No. E002/M-24-50, the Commission approved a 2024/2025 CAF of (\$0.000389) per kWh for Xcel.

Table 4 below shows Xcel currently projects an October 1, 2025, unrecovered CIP Tracker balance of (\$18,550,932) under the assumption of no additional CIP cost recovery through the CAF. This projection also assumes Xcel's conservation expenditures for the 2025/2026 time period remains close to the forecasted dollar amount.

Table 4: Xcel Electric's Forecasted End of September 2026 CIP Tracker Account¹⁵

Description	Amount
Forecasted beginning balance (Oct 2025)	(\$18,550,932)
Approved expenditures (Oct 2025 - Sept 2026)	\$169,956,173
Forecasted 2025 incentive	\$23,873,552
Less forecasted CCRC recovery (Oct 2025 - Sept 2026)	\$136,438,826
Forecasted October 2026 beginning of month balance	\$38,839,967

Xcel included the above calculations so the Company can calculate the CAF modification needed to align recovery of costs most closely to when costs are incurred and to minimize the under- or over-recovery of CIP costs. This both minimizes carrying charges and helps ensure the customers causing the costs pay for the costs.

The Company proposes to update its electric CIP Adjustment Factor to \$0.001396 per kWh, effective with the first billing cycle of October 2025 through the September 2026 billing period.¹⁶ Xcel's proposed CAF is an increase of \$0.001785 per kWh, or 135.84 percent higher than the currently approved CAF of (\$0.000389) per kWh. Xcel calculated the proposed 2025/2026 factor to allow the

¹³ As described on page 42 of its Petition, Xcel included the following adjustments: (\$1.14m) in the business lighting audit program was spent in 2023, but savings are not being claimed until 2024, so the Company moved this spend to 2024; \$48,697 as a reclass from gas to electric (with a corresponding negative adjustment in the gas tracker).

¹⁴ See Minn. Stat. § [216B.16](#), subd. 6b(c).

¹⁵ Petition, Page 51.

¹⁶ Petition at Page 51.

Company to recover both CIP costs it does not recover through the Conservation Cost Recovery Charge (or “CCRC,” which is represented in base rates) and its approved financial incentives. The proposed CAF would minimize Xcel’s projected tracker balance.

Table 5 below outlines Xcel’s calculation of the proposed CAF.

Table 5: Xcel’s Calculation of Its Revised Electric CIP Adjustment Factor¹⁷

Description	Amount
Forecasted October 1, 2026 Balance without CAF	\$38,839,967
Forecasted Oct 1, 2025 - Sept 30, 2026 Sales (MWh)	27,535,585
Electric CIP Adjustment Rate without Carrying Charges (\$/ MWh)	\$1.411
Electric CIP Adjustment Rate without Carrying Charges (\$/ kWh)	\$0.001411
Xcel Electric’s Proposed CIP Adjustment Factor (\$/ MWh)/1000	\$1.396
Xcel Electric’s Proposed CIP Adjustment Factor (\$/ kWh)/1000	\$0.001396

Xcel adjusted the calculated rate to incorporate the effect of carrying charges, which were not included in the forecasted balance. To get the September 2026 forecasted CIP Tracker balance as close to zero without going negative, the Company adjusted the calculated CIP Adjustment Rate to \$0.001396 per kWh.

Table 6 compares the Company’s current and proposed CIP Adjustment Factors.

Table 6: Xcel’s Current versus Proposed CIP Adjustment Factor

Current Factor (\$/kWh)	Proposed Factor (\$/kWh)	Change (\$/kWh)	Percent Change
(0.00389/kWh)	0.001396/kWh	0.001785/kWh	135.84

The Department notes the proposed CAF is higher than Xcel’s current CIP Adjustment factor. The Department found Xcel’s proposed factor to be accurate using the current forecasted data. Therefore, the Department concludes Xcel’s proposed CIP cost recovery is responsive to the public policy goal of Xcel minimizing carrying charges and recovering costs close to when incurred. The Department recommends the Commission approve Xcel’s proposed CIP Adjustment Factor of \$0.001396 per kWh.

F. XCEL’S PROPOSED CUSTOMER BILL NOTICE

With respect to rate change notification, Xcel proposed to notify customers by implementing the following message on customer bills, effective the first month the 2025/2026 CIP Adjustment Factor takes effect:

Effective Oct. 1, 2025, the Resource Adjustment line item on your bill has increased due to a change in the Conservation Improvement Program (CIP)

¹⁷ Petition at Page 51.

factor. The electric CIP portion of the Resource Adjustment is \$0.001396 per kilowatt-hour (kWh).¹⁸

The Department recommends the Commission approve Xcel’s proposed bill message.

G. HISTORICAL ECO ACHIEVEMENTS AND SHARED SAVINGS INCENTIVES

In Table 7, the Department examined energy savings, demand savings, expenditures, and incentive values for select years. The Department observes that Xcel’s energy savings and financial incentive decreased from 2023 to 2024 and when comparing 2024 to the Company’s 2022-2024 average savings and incentive figures.

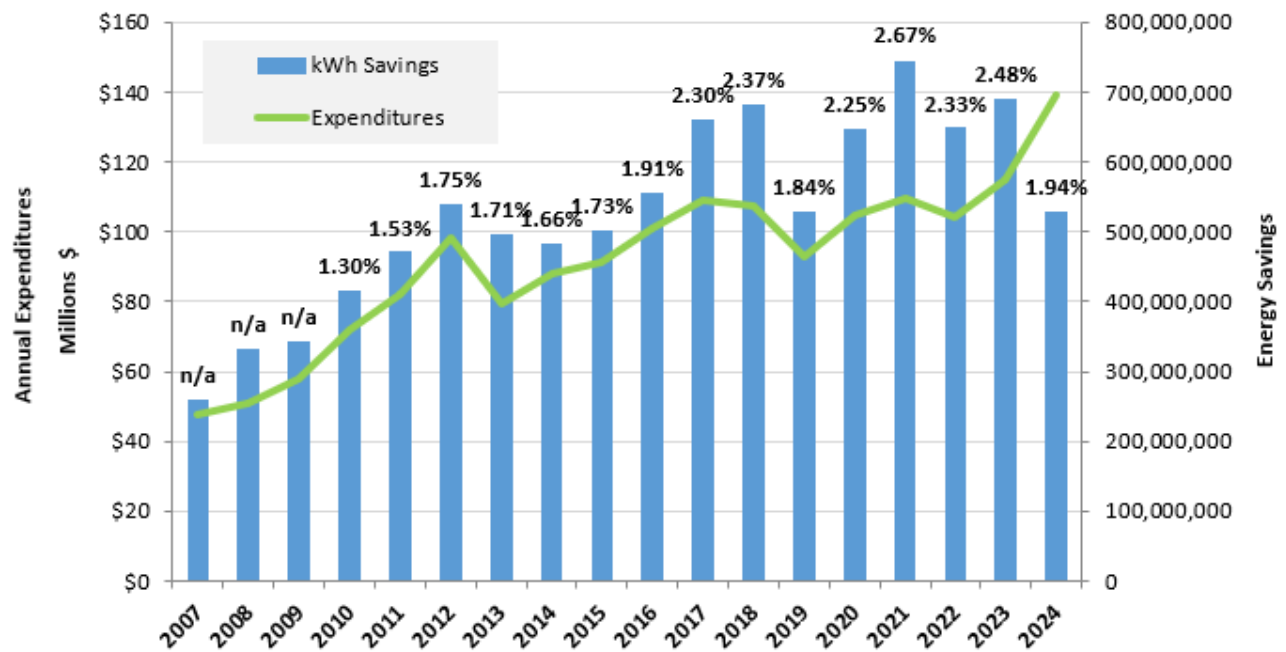
In Figure 1, the Department also provides a more comprehensive summary of Xcel’s ECO performance over time. The Department finds that while Xcel’s achieved energy savings decreased in 2024, the Company continues to achieve savings well beyond the 1.75% minimum requirement.

Table 7: Savings, Expenditures, and Incentives for Selected Years

	Energy Savings (kWh)	Demand Savings (kW)	ECO Expenditures	Shared Savings Incentive
2024	516,355,477	294,347	\$139,262,647	\$15,133,727
2023	689,113,997	238,423	\$115,173,263	\$26,478,641
2022	647,675,810	183,922	\$104,265,717	\$24,271,202
Average 2022-2024	617,715,095	238,897	\$119,567,209	\$21,961,190
Compare 2024 to 2023	-25.07%	23.46%	20.92%	-42.85%
Compare 2024 to Avg 2022-2024	-16.41%	23.21%	16.47%	-31.09%

¹⁸ Petition, Page 32.

Figure 1: Xcel Historical Eco Performance



IV. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department concludes Xcel's electric Petition is reasonable, therefore the Department recommends the Commission take the following action:

- 1) Approve Xcel Energy's electric Shared Savings DSM financial incentive of \$15,133,727;
- 2) Approve Xcel Energy's electric CIP Tracker Account, as filed on April 1, 2025, with an ending balance of (\$41,453,010);
- 3) Approve Xcel Energy's proposed 2025-2026 electric CIP Adjustment Factor of \$0.001396 per kWh;
- 4) Approve Xcel Energy's proposed bill message, effective the first month the \$0.001396 per kWh electric CIP Adjustment Factor takes effect, revised as necessary to incorporate the approved CAF and effective date; and
- 5) Require Xcel Energy to submit a compliance filing with tariff sheets and all necessary calculations within 10 days of the issue date of the Order.