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Direct Testimony and Schedules

Todd A. Wehner

Before the Minnesota Public Utilities Commission

State of Minnesota

In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Natural Gas Service in Minnesota

Docket No. G002/GR-25-356

Exhibit___(TAW-1)

Capital Structure, Overall Rate of Return And Investor Relations

October 31, 2025

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Schedules

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Todd A. Wehner. I am Vice President, Treasurer of Xcel Energy Inc. (Xcel Energy or XEI), the parent company of Northern States Power Company, d/b/a Xcel Energy (NSPM or the Company).

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of NSPM.

Q. PLEASE BRIEFLY OUTLINE YOUR RESPONSIBILITIES AS VICE PRESIDENT, TREASURER.

A. As Vice President, Treasurer, I am responsible for recommending and implementing the financing required to achieve capital structure objectives at each of Xcel Energy's regulated utility operating companies and at Xcel Energy. I also am responsible for corporate cash forecasting and management, pension plan management, hazard risk insurance, treasury services, and financial policies. Finally, I also am responsible for working with credit rating agencies and providing timely updates as required. A description of my qualifications, duties, and responsibilities is included in this testimony as Exhibit___(TAW-1), Schedule 1.

Q. PLEASE STATE THE PURPOSE OF YOUR TESTIMONY.

A. My testimony addresses several key topics related to the Company's cost of capital. I begin by discussing the importance of financial integrity for NSPM and its stakeholders, highlighting its necessity for accessing capital at attractive terms and securing low-cost debt for utility investments. I then detail the

specific criteria that ratings agencies use to measure financial integrity. My testimony also provides a current assessment of NSPM's financial health, explaining how regulatory decisions, cash flow, and the timely recovery of utility costs directly impact financial integrity. Finally, I support and present NSPM's proposed capital structure and overall cost of capital for the forecasted test year ending December 31, 2026, and underscore the critical role of the Company's Investor Relations efforts.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. I present my testimony in the following sections:

- Section II provides a summary and overview of NSPM's proposed capital structure, cost of debt, and rate of return (ROR)[1] for the test year.
- Section III describes financial integrity, credit ratings, and funding capital expenditures.
- Section IV provides a detailed description of the components of NSPM's capital structure and costs of long-term debt (LTD) and short-term debt (STD) for the test year.
- Section V discusses the need for, and importance of, the Company's Investor Relations expenses.
- Section VI includes conclusion and recommendations.

II. SUMMARY AND OVERVIEW

Q. PLEASE SUMMARIZE NSPM'S PROPOSED CAPITAL STRUCTURE, COSTS OF DEBT AND EQUITY, AND ROR FOR THE TEST YEAR.

[1] The overall ROR, or weighted average cost of capital (WACC), incorporates the Company's required return on equity (ROE), supported by Company witness Josh Nowak.

A. NSPM's recommended capital structure for the 2026 test year and costs of STD, LTD, and common equity is included in Exhibit___(TAW-1), Schedule 2 and is summarized below. This recommended capital structure will allow NSPM to continue to raise capital at competitive pricing to customers' benefit, will support the Company's credit ratings and will help maintain NSPM's financial integrity, which I discuss further in Section III.

Table 1
2026 Test Year
Recommended Capital Structure Ratios and Costs

	Percent of Total Capital	Cost	Weighted Cost
STD	0.42%	4.56%	0.02%
LTD	47.08%	4.64%	2.18%
Common Equity	52.50%	10.65%	5.59%
Total Capital	100.00%		7.79%

Q. HOW DOES THE USE OF A 52.50 PERCENT EQUITY RATIO IN THIS PROCEEDING COMPARE TO RECENTLY AUTHORIZED CAPITAL STRUCTURES FOR NSPM?

A. NSPM's recommended capital structure of 52.50 percent equity for the test year remains unchanged from the 52.50 percent equity ratio authorized by the Commission in NSPM's most recent gas utility infrastructure costs (GUIC) filing (Docket No. G002/M-24-369). Additionally, the 52.50 percent equity ratio also is consistent with the 52.50 percent equity ratio authorized by the Commission in NSPM's last two natural gas rate cases (Docket No. G002/GR-23-413 and Docket No. G002/GR-21-678). Prior to those cases, NSPM's gas department maintained a 52.46 percent equity ratio dating back to the 2010 test year natural gas rate case (Docket No. G002/GR-09-1153). In each of those cases, the Commission agreed with the reasonableness of NSPM's proposed

capital structure. Throughout this time, NSPM has consistently and transparently managed its capital structure to be in line with the Commission's authorized capital structure and to ensure NSPM's financial integrity. NSPM is following those same principles in this proceeding.

Q. DO YOU BELIEVE THE RECOMMENDED ROR RESULTING FROM YOUR PROPOSED CAPITAL STRUCTURE IS REASONABLE AND APPROPRIATE?

A. Yes. I believe that the 7.79 percent ROR for the test year is reasonable and appropriate. The recommended ROE of 10.65 percent is supported in the Direct Testimony of Company witness Josh Nowak. Witness Nowak's ROE recommendation is conservative when considering the range of analysis results. His various analyses produce a range for the Company's cost of equity of 10.46 to 11.23 percent. Witness Nowak considered an ROE range of 10.25 to 11.25 percent before finally selecting 10.65 percent for the Company's recommended ROE.

The projected cost of LTD for the test year is 4.64 percent. The LTD rate primarily is a function of fixed-rate debt that already has been priced and issued. The July 2025 S&P Global Macro Forecast underlies the benchmark interest rate assumptions for the forecasted cost of debt, namely the 2026 LTD issuances and the cost of STD. The projected 2026 cost of STD is 4.56 percent.

III. FINANCIAL INTEGRITY, CREDIT RATINGS, AND FUNDING CAPITAL EXPENDITURES

A. Financial Integrity

Q. DOES RISK AFFECT A UTILITY'S COST OF CAPITAL?

A. Yes. Risk is a fundamental concept in finance, directly influencing investor behavior and the cost of capital. For utility investors, risk is a key determinant of their required rate of return. Both debt and equity investors demand higher returns to compensate for taking on additional risk. A utility company perceived as a riskier investment will face a higher cost of capital because investors will require a greater return on their investment to offset the increased risk of potential losses or volatility.

Q. HOW DO INVESTORS ASSESS A UTILITY'S RISK AS AN INVESTMENT?

A. Debt and equity investors assess risk by evaluating a wide range of information, from broad market trends to utility-specific issues. Among the most critical sources are credit ratings, which provide an independent assessment of a utility's credit risk, i.e. the risk that it will fail to meet its financial obligations. Major rating agencies, such as Moody's Ratings (Moody's), Standard and Poor's Global Ratings (S&P), and Fitch Ratings (Fitch), develop credit ratings after a thorough analysis of a utility's financial integrity. Their assessment includes a review of key financial metrics like leverage, cash flow stability, and earnings consistency, as well as the company's operating and regulatory environment. A utility with a strong credit rating is perceived as a lower risk, allowing it to secure debt financing at a lower interest rate, thus reducing its cost of capital. Conversely, a lower credit rating signals higher risk, leading to a higher cost of debt.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY FINANCIAL INTEGRITY.

A. Financial integrity refers to a utility's fundamental financial strength and its ongoing ability to secure necessary capital at a reasonable cost. This capacity is critical because a utility operates under a public service obligation, requiring it to provide safe and reliable service consistently, regardless of broader economic

conditions. As a result, the utility must be able to raise capital to fund essential, long-term infrastructure investments and do so under all market conditions. A utility with strong financial integrity is viewed as a stable investment, which allows it to secure financing at a lower cost. Ultimately, maintaining strong financial integrity gives a utility the flexibility to withstand unexpected macroeconomic events and adapt to market shifts, all while fulfilling its obligation to serve customers.

Q. DOES MAINTAINING STRONG FINANCIAL INTEGRITY BENEFIT NSPM'S CUSTOMERS?

A. Yes. The financial integrity of NSPM directly impacts its ability to secure capital for crucial customer investments, and influences the ultimate cost of that capital, which is reflected in utility rates. Accessing reasonably priced capital in all market conditions, even after unforeseen macroeconomic events, is essential for the Company to invest in the infrastructure needed to provide safe and reliable natural gas service. It is important to understand that financial integrity is not a simple yes-or-no question; rather, it exists on a spectrum. A weaker financial position leads to a higher cost for both debt and equity, which collectively increases the WACC. This directly translates to higher financing costs borne by customers.

Q. WHAT FACTORS CONTRIBUTE TO NSPM'S FINANCIAL INTEGRITY?

A. As a regulated utility, NSPM's financial integrity primarily is determined by its capital structure, ROE, and cash flow, though other factors also contribute.

Q. PLEASE EXPLAIN HOW NSPM'S CAPITAL STRUCTURE IMPACTS ITS FINANCIAL INTEGRITY.

A. Capital structure refers to how the utility is financed. Generally, capital comes in two primary forms: debt and equity. Debt capital has a senior position in the capital structure, meaning debt claims are paid first during regular operations and during financial restructuring. Debt returns are paid as regular interest payments, which are a business expense to the borrower. These factors lower the risk profile of debt capital from the perspective of investors, resulting in lower required returns and a lower cost of financing for the issuer as compared to equity. The tradeoff is increased risk for the issuer, as debt financing adds incremental financial obligations in the form of debt servicing costs.

Equity capital is subordinate to debt in the capital structure, meaning that its claims are paid only after all senior claims are settled. Equity holders receive ownership rights, and their returns come from dividends paid out of profits and appreciation in the utility's underlying value. These factors increase the risk profile of equity capital from the perspective of investors, resulting in higher required returns and higher cost of financing for the issuer as compared to debt. For the issuer, equity financing reduces financial risk, as it secures capital with no additional obligations. Striking the right balance between efficiently utilizing lower-cost debt financing and maintaining a sufficient financial cushion with equity financing lowers the cost to customers while preserving financial integrity.

Q. DO REGULATORY DECISIONS IMPACT FINANCIAL INTEGRITY?

A. Yes. Regulatory outcomes significantly affect a utility's financial integrity. Commission decisions directly influence a utility's cash flows and debt levels by authorizing recoverable costs, the timing of cost recovery, the capital structure, and returns on capital. These decisions, in turn, affect the utility's financial

health and the key metrics used by credit rating agencies to assess financial integrity and assign credit ratings.

Q. DO CONSISTENT AND CONSTRUCTIVE REGULATORY DECISIONS CONTRIBUTE TO FINANCIAL INTEGRITY?

A. Yes. Consistent, and constructive regulatory decisions regarding capital structure, ROE, and the recovery of prudent utility costs are essential for maintaining NSPM's financial integrity. Establishing a capital structure that ensures financial flexibility enables the Company to efficiently finance its expenditures, and lowers the cost of debt, ultimately reducing costs for both the utility and its customers. Maintaining strong financial integrity also requires the ability to recover all prudently incurred utility costs in a timely manner. This includes costs related to capital investments, operations and maintenance expenses, debt servicing, and providing a fair return for equity investors.

B. Credit Ratings

Q. CAN YOU EXPLAIN CREDIT RATINGS IN MORE DETAIL?

A. Yes. A credit rating measures credit risk, which is the ability and willingness of an issuer to fulfill its financial obligations in full and on time. Capital is finite, and credit ratings help investors differentiate between companies that are competing for the same investment dollars. The credit ratings assigned by rating agencies indicate their opinions of a company's ability to meet its financial obligations. Potential investors value rating agency opinions because they represent independent, third-party opinions that are based upon a consistent approach to company risk evaluation over time. Credit ratings affect the number of potential investors and the cost of a company's debt, and they offer important insight into a company's investment risk.

Q. Please explain the rating agency scales.

A. Credit rating agencies provide ratings for both the business entity as a whole and for the various debt issuances of the entity. The investment-grade rating categories include the High Grade (AAA and AA) and the Medium Grade (A and BBB ratings). The ratings are further delineated by S&P and Fitch through the use of pluses or minuses to show a company's relative standing within the categories, while Moody's uses numbers to show a company's standing within a category. The highest investment-grade rating is AAA; the lowest investment-grade rating is BBB-. Debt rated BB+ or below is considered speculative grade or "junk" bonds.

Q. WHAT ARE THE COMPANY'S CURRENT CREDIT RATINGS?

A. The Company's current credit ratings are shown in Table 2 below:

Table 2
NSPM Current Credit Ratings

	Fitch	Moody's	S&P
Corporate Rating	A-	A2	A-
Senior Secured	A+	Aa3	A

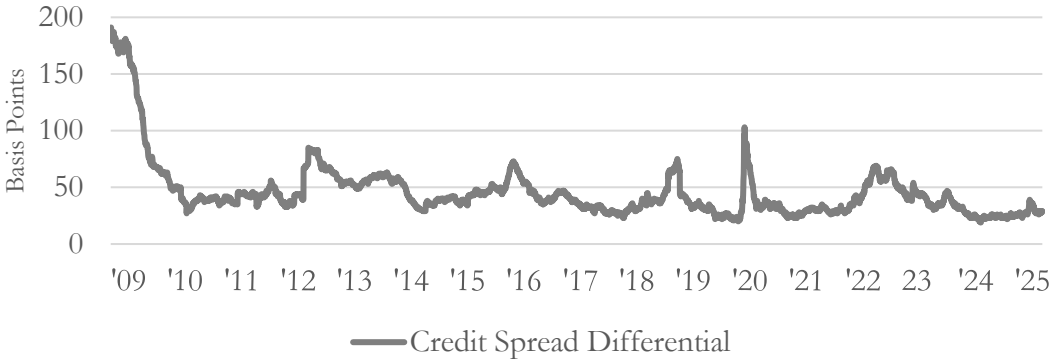
Q. HOW DO CREDIT RATINGS AFFECT NSPM'S COST OF CAPITAL?

A. LTD is priced based on the underlying U.S. Treasury rate plus a credit spread. The credit spread primarily is based on NSPM's credit rating and investors' perception of the Company. Lower credit ratings are seen as riskier, and investors therefore demand a higher spread over U.S. Treasuries of similar duration to compensate them for the increased investment risk. Figure 1 below shows that the credit spreads of BBB rated utility companies are historically

wider than those of A rated utility companies, especially in times of market volatility. Credit ratings take on greater importance when economic conditions worsen and access to capital markets becomes more difficult. As credit is constrained, investors become increasingly more selective regarding which companies qualify for their investment dollars. Therefore, lower credit ratings reduce or eliminate access to capital markets and significantly increase the cost of capital during times of market distress.

For example, the average difference in credit spreads between A and BBB-rated utilities over the course of 2009 through June 2025 (i.e., the period displayed in the chart below) is approximately 46 basis points. However, in periods of market volatility, the credit spread difference between A and BBB-rated utilities can increase dramatically. During the throes of the Great Financial Crisis in 2009, the average difference in credit spreads between A and BBB-rated utilities widened dramatically to approximately 125 basis points. Towards the second half of March 2020, due to the market volatility related to the COVID-19 pandemic, the difference in utility credit spreads was approximately 85 basis points.

Figure 1
Utility Credit Spread Differential (A vs BBB ratings)
2009 - June 30, 2025



Q. DO CREDIT RATINGS ALSO AFFECT THE COST OF EQUITY CAPITAL?

A. Yes. Equity investors also look at credit ratings. As explained above, the income available to common equity holders is subordinate to debt obligations. Weakening creditworthiness also increases the cost of equity as investors require a higher risk premium over debt capital.

Q. HOW IS A CREDIT RATING ESTABLISHED?

A. Credit rating agencies assign credit ratings based on in-depth analysis and review. The analysis centers on two main areas: qualitative analysis and quantitative analysis. The qualitative side is the assessment of business risk, which is comprised first of the broad risks prevailing at the country, industry, and state levels. Agencies then consider the issuer's more specific risk within its business and economic environment. For a utility, regulatory risk is generally the most significant business risk. The quantitative side of the analysis examines financial ratios to analyze the financial risk of the issuer.

Business risk and financial risk can be viewed as complementary sides of the total risk or investment risk of an entity, so that more of one risk must be offset by less of the other risk to maintain a specific rating.

Q. HOW MUCH WEIGHT IS PLACED ON REGULATORY RISK BY CREDIT RATING AGENCIES?

A. Because regulation has a significant impact on the financial results of utilities, regulatory risk is a key consideration in ratings outcomes and receives significant attention from credit rating agencies. For example, regulatory risk constitutes up to 60 percent of the credit profile under Moody's methodology.[2] Overall, the rating agencies focus on the basic regulatory framework, including (1) the legal foundation for utility regulation, (2) the ratemaking policies and procedures that determine how well the utility is afforded the opportunity to earn a reasonable return with reasonable cash flow, and (3) the history of regulatory behavior by commissions applying those laws, policies and procedures. Then, they examine the mechanics of regulation, particularly the rate-setting process.

Q. WHAT OTHER CONSIDERATIONS GO INTO DETERMINING REGULATORY RISK?

A. Credit rating agencies also place high value on transparency, predictability, and consistency in regulatory outcomes.[3] Utilities fund capital expenditures primarily with long-dated maturities to match long-lived assets. Credit rating agencies regard fixed income investors (who extend credit over long periods) as their primary audience and strive to rate LTD as accurately as possible.

[2] Exhibit___(TAW-1), Schedule 3 at 2 (Regulatory Framework (25%) + Ability to Recover Costs and Earn Returns (25%) + Diversification (10%)).
[3] Schedule 3 at 8-10.

Investors value ratings that are stable and accurate. Regulatory frameworks and practices that are viewed as constructive, transparent, consistent, and predictable allow rating agencies to more accurately project future cash flows and debt leverage, and will result in a more favorable business risk profile. This predictability offers debt investors the ability to accurately assess risk over most of the debt's term and improves the ability of the company to manage its business activities and capital program for the long-term benefit of customers.

Q. HAVE CREDIT RATING AGENCIES COMMENTED ON THE IMPORTANCE OF THE REGULATORY FRAMEWORK IN EVALUATING A UTILITY'S FINANCIAL INTEGRITY?

A. Yes. S&P has stated that "the influence of the regulatory framework and regime is of critical importance. It defines the environment in which a utility operates and has a significant bearing on a utility's financial performance."[4]

Q. SHOULD THE COMMISSION CONSIDER REGULATORY RISK WHEN DECIDING THE OUTCOME OF THIS PROCEEDING?

A. Yes. Credit rating agencies have emphasized the importance of balanced, consistent, and constructive outcomes in utility rate proceedings. Such regulatory outcomes convey to the rating agencies the credit-positive relationships between companies and commissions, which in turn may lower the perceived risk for external investors and result in lower debt costs.

Q. PLEASE DESCRIBE THE QUANTITATIVE SIDE OF CREDIT ANALYSIS.

A. The quantitative aspect of credit analysis focuses on the relationship between debt and cash flow. Credit analysts strive to understand the cash flow dynamics of a company's financial results because servicing debt requires cash flow, not

[4] Exhibit___(TAW-1), Schedule 4 at 147.

just earnings. The primary measure that rating agencies use for most cash flow metrics is cash from operations (CFO) or some derivation of it.[5] The other major element of financial risk to a credit analyst is the total amount of debt and debt-like obligations (also referred to as imputed debt) on the issuer's balance sheet. Items that the rating agencies regard as debt-like adjustments include lease liabilities, long-term power purchase obligations, pension obligations, and asset-retirement obligations.

Q. WHAT ARE THE PRIMARY FINANCIAL METRICS THAT CREDIT RATING AGENCIES ANALYZE?

A. The primary financial metrics evaluated by the major credit rating agencies include some version of the following coverage ratios: (i) the ratio of funds from operations or cash from operations to total debt (FFO/Total Debt or CFO/Debt); (ii) the ratio of funds from operations or cash from operations to interest (FFO/Interest or CFO/Interest) and; (iii) the ratio of debt to earnings before interest, taxes, depreciation, and amortization (Debt/EBITDA). These financial metrics are a composite measure of the utility's ability to manage its debt burden over time and to meet its financial obligations as they come due. The greater the *business* risk, the stronger these financial metrics must be to maintain the same credit ratings, as the stronger financial metrics provide sufficient evidence to the credit rating agencies and investors that the company can withstand the financial effect of both macroeconomic and company-specific risks.

[5] For Moody's, their derivation of the CFO measurement is "CFO pre-working capital." S&P refers to this measure as funds from operations (FFO). Both Moody's and S&P compare their derivation of CFO to the overall debt burden.

Q. WILL THIS RATE CASE IMPACT BOTH BUSINESS RISK AND FINANCIAL RISK?

A. Yes. This rate case outcome will affect both the business risk and the financial risk of the Company. Investors and credit rating agencies will assess the rate case outcome to determine if the regulatory risk has changed. A change in regulatory risk could be evidenced by decisions that materially deviate from past practice or that directly impact the Company's financial metrics, the latter indicating Minnesota may be less "credit-supportive."

The rate case outcome also will impact financial risk. Decisions regarding cost recovery and ROR both impact funds available to service debt. Decisions requiring modification to the capital structure to increase the share of debt capital result in less funds available to service debt and more debt, both of which deteriorate financial metrics.

C. Funding Capital Expenditures

Q. PLEASE SUMMARIZE THE HISTORICAL CONTEXT FOR NSPM'S CAPITAL EXPENDITURES PROGRAM.

A. NSPM has engaged in a large-scale capital expenditure program for necessary investments in its system to ensure continued safety and reliability. As shown in Exhibit___(TAW-1), Schedule 5, during the period of 2015 through 2024, NSPM has made capital expenditures of approximately $17 billion in its combined gas and electric utility business.

Q. HOW DO FORECAST CAPITAL EXPENDITURE LEVELS COMPARE TO PRIOR YEARS?

A. Schedule 5 shows that NSPM's forecasted capital expenditures for 2025 through 2026 are approximately $7.3 billion (6 percent of which is for the gas

operations). This level of forecasted capital expenditures is higher than the historical average during 2020 through 2024.

Q. HOW DOES NSPM'S CAPITAL EXPENDITURE FORECAST AFFECT FINANCING PLANS AND INVESTOR EXPECTATIONS?

A. In order to fund its forecasted capital expenditures, NSPM will need to access the capital markets in 2026 and beyond. Meeting investor expectations and maintaining current credit ratings will allow NSPM to obtain that financing at competitive rates. To do so, it is important that NSPM receives a timely recovery of the costs of its investments and operations and a reasonable overall cost of capital.

IV. PROPOSED CAPITAL STRUCTURE, COST OF DEBT, AND RATE OF RETURN

Q. PLEASE SUMMARIZE THE COMPONENTS OF NSPM'S RECOMMENDED CAPITAL STRUCTURE AND ROR.

A. NSPM's proposed capital structure, for the test year, includes LTD, STD, and common equity. NSPM's proposed revenue requirement for the 2026 test year reflects an overall cost of capital, or ROR, of 7.79 percent, which includes NSPM's average common equity ratio of 52.50 percent and a 10.65 percent ROE as recommended in witness Nowak's Direct Testimony.

Q. WHAT METHODOLOGY DID NSPM USE TO DEVELOP BALANCES AND COSTS FOR THE VARIOUS COMPONENTS OF CAPITAL STRUCTURE?

A. NSPM's methodology in this case generally is consistent with the calculations used and approved by the Commission in prior rate cases. Key points are identified below:

- Common equity balances represent the average of 13 month-end equity balances from December 2025 through December 2026. The common equity balance averages the accounting month-end balances consistent with Generally Accepted Accounting Principles (GAAP) and eliminates the non-regulated investments.
- LTD balances are based on the average of month-end balances for the 12 months of 2026 and include forecasted LTD issuances and retirements during that period.
- STD balances are based on the average of month-end balances for the 12 months of 2026.
- For forecast purposes, STD is in the form of commercial paper.
- LTD costs include the coupon rate on all bonds expected to be outstanding for each month of 2026. In addition to the interest expense, the cost of LTD also includes amortization expense for debt issuance costs, discounts or premiums, losses on reacquired debt, gains and losses from hedging transactions, and the annual amortization of the upfront fees associated with NSPM's multi-year credit agreement.
- Forecasted long-term and short-term benchmark interest rates are based on the July 2025 S&P Global Macro Forecast, with an added credit spread (which is based on the current credit rating and reflects current market information) and a 10 percent risk reserve. This forecast is attached as Exhibit___(TAW-1), Schedule 6.

A. Capital Structure

Q. WHAT STANDARD DOES THE COMMISSION USE TO EVALUATE CAPITAL STRUCTURES WHEN SETTING UTILITY RATES?

A. The Commission applies a reasonableness standard, based on a number of factors.[6] For example, the Commission considers: (i) how the utility's debt and equity ratios compare to those of similar utility companies;[7] (ii) whether the proposed capital structure is consistent with the company's balance sheet management, or if it is being used solely for ratemaking purposes;[8] (iii) if the capital structure will support long-term credit quality, given the utility's investment forecasts and future financing requirements;[9] and (iv) if it reasonably balances interests of customers and investors.[10]

Q. DOES NSPM'S PROPOSED CAPITAL STRUCTURE MEET THE COMMISSION'S STANDARDS AND CRITERIA FOR REASONABLENESS?

A. Yes. NSPM's actual capital structure, which is what is being proposed in this case, meets the Commission's standards and criteria. NSPM's actual capital structure is within a reasonable range of equity ratios for the Utility Proxy Group, as witness Nowak's analysis shows. Further, NSPM's proposed capital structure is reflective of how the Company manages its balance sheet and is

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[6] *See, e.g.*, *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. E002/GR-21-630, Findings of Fact, Conclusions, and Order at 78 (July 17, 2023) ("No party opposed the Company's proposal, *and the Commission concurs on its reasonableness*.")(emphasis added).

[7] *In the Matter of the Application of Otter Tail Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E017/GR-20-719, Findings of Fact, Conclusions, and Order at 29 (2020 OTP Rate Case).

[8] 2020 OTP Rate Case at 29.

[9] *In the Matter of the Application of Minnesota Power for Authority to Increase Electric Service Rates in Minnesota*, Docket No. E015/GR-08-415, Findings of Fact, Conclusions of Law, and Order at 33 (May 4, 2009) (2008 MP Rate Case).

[10] 2008 MP Rate Case at 33-34.

comparable to its actual capital structure over a number of years. It also is consistent with the Commission's most recent authorized capital structure. NSPM's capital structure has provided long-term benefits to customers for many years through reasonable costs of capital and sufficient access to capital markets in a wide range of market conditions to finance capital investments. Finally, the Commission has consistently found NSPM's recommended capital structures to be reasonable, and the requested equity ratio in this case is identical to the equity ratio approved in NSPM's most recent GUIC proceeding (Docket No. G002/M-24-369) and is consistent with NSPM's two most recent natural gas rate cases (Docket No. G002/GR-23-413 and Docket No. G002/GR-21-678). Consistency over time – both before and after the test year and with prior Commission decisions – is a recognized indicator of reasonableness.[11]

Q. PLEASE FURTHER DESCRIBE HOW THE COMPANY'S 52.50 PERCENT EQUITY RATIO COMPARES WITH EQUITY RATIOS INCLUDED IN COMPANY WITNESS NOWAK'S UTILITY PROXY GROUP.

A. NSPM's 52.50 percent equity ratio is well within the range of equity ratios maintained by witness Nowak's Utility Proxy Group. As shown on page 1 of Exhibit___(JCN-1), Schedule 12 common equity ratios of the utility holding companies range from 45.26 percent to 60.22 percent with a mean of 52.66 percent, averaging the period 2020-2022. Taking this a step further, the equity ratios maintained by the operating subsidiaries of witness Nowak's Utility Proxy Group ranged from 44.39 percent to 60.15 percent with a mean of 52.64 percent for the same period. Under each range analyzed, NSPM's requested equity ratio

[11] *See*, *e.g.*, 2015 CenterPoint Rate Case at 34-37; 2020 OTP Rate Case at 29. I also note the proposed 52.50 percent equity ratio is also consistent with the equity ratio reflected in the unopposed settlement in the 2024 Gas rate case (Docket No G002/GR-23-413), which was viewed as credit positive by S&P as it demonstrated the ability to effectively manage regulatory risk. Schedule 7 at 1.

of 52.50 percent falls slightly below the median the range and therefore, should be considered reasonable for rate making purposes.

Q. WHAT DO YOU MEAN BY AN "ACTUAL CAPITAL STRUCTURE"?

A. The proposed capital structure is an "actual capital structure" in that it reflects how the Company actually funds its operations and manages its balance sheet. NSPM is a separate, stand-alone Minnesota corporation that manages its own separate capital structure consistent with the regulatory and financial risk prevailing at the operating company level and within its respective jurisdictions. Moody's, Fitch, and S&P all assign credit ratings to NSPM as a corporate entity, and to each one of its individual bond issuances. NSPM files its own quarterly and annual financial statements with the Securities and Exchange Commission (SEC), which credit rating agencies and investors use to analyze the Company. In addition, debt financing utilized to support capital expenditures and operations of NSPM is issued specifically by the NSPM legal entity. It is important to note that although the Commission may view the Electric and Gas departments as different entities, from a financial statement perspective, these are both under the umbrella of one company.

Q. WHAT FACTORS ARE CONSIDERED IN PLANNING AND MANAGING THE CAPITAL STRUCTURE FOR NSPM?

A. In determining its capital structure, NSPM considers a number of key factors. The Company evaluates credit rating agency assessments of its business and financial risk, its own long-term construction cycle and the scale of its capital investments, and the capital structures of other regulated utilities. It also ensures that the stability of its capital structure is appropriately matched with the long lives of its asset investments. Additionally, NSPM accounts for the current

macroeconomic outlook and associated risks, manages its long-term debt maturities to avoid excessive refinancing risk, and considers the Commission's authorized capital structure.

Q. DOES THE CURRENT ECONOMIC ENVIRONMENT OR MARKET OUTLOOK SUGGEST THAT A 52.50 PERCENT EQUITY RATIO IS TOO HIGH AND NO LONGER APPROPRIATE?

A. No. For much of the past decade and a half, the broader market was characterized by low interest rates and low volatility, largely influenced by the Federal Reserve's Zero Interest Rate Policy (ZIRP) following the Great Financial Crisis. During this period, the utility industry's capital investment needs and rate base growth projections were relatively modest compared to current demands. Today, in 2025, the Federal Funds rate is near multi-decade highs, and long-duration yields have decisively broken their 40-plus year downward trend. Simultaneously, the utility industry faces a watershed moment in capital requirements. Given this macroeconomic backdrop, maintaining NSPM's current authorized equity ratio is the correct approach to supporting the Company's ongoing financial integrity.

Q. SHOULD THE COMPANY AIM TO MAINTAIN ITS CURRENT CREDIT RATINGS?

A. Yes. The Company's strong credit ratings, in particular its Moody's rating,[12] should not be taken for granted and instead should be defended. As mentioned, the economic environment and global macroeconomic backdrop in 2025 is precarious and the utility industry is facing significant risks and financial

[12] Moody's applies a standalone credit profile approach. In contrast, S&P typically applies a group credit approach.

pressures. This would be an unwise moment to deprioritize maintaining credit quality.

Q. DOES THE 52.50 PERCENT EQUITY RATIO SUPPORT THE COMPANY'S CURRENT CREDIT RATINGS?

A. Yes. Moody's called out this item specifically in their most recent credit opinion published on NSPM:

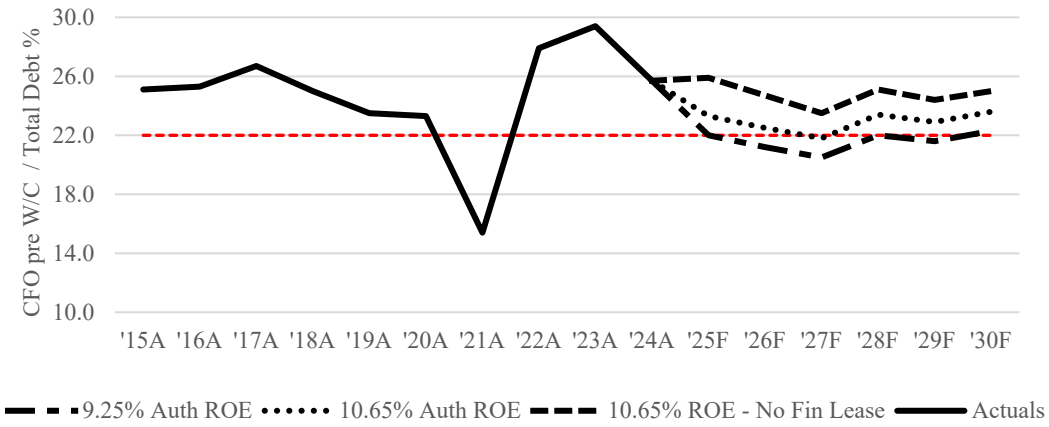
> Our expectation that the utility will be able to generate credit supportive financial metrics, including a run-rate ratio of CFO pre-W/C to debt between 22% and 24%, on a sustained basis, considers 1) the final rates following the completion of its last natural rate case with relatively modest refunds; 2) implementation of interim electric rates end of 2024 as well as the expectation of a credit constructive rate case outcomes in Minnesota and North Dakota. **This includes no material reductions in NSP-Minnesota's authorized equity layer (e.g., 52.5% in most jurisdictions), a key consideration given its growing investments.**[13]

Q. PLEASE QUANTIFY THE FORECASTED CREDIT METRICS ASSUMING A 52.50 PERCENT EQUITY RATIO.

A. Figure 2 below displays the forecasted credit metrics based on a 52.50 percent equity ratio and both a 10.65 percent and 9.25 percent authorized ROE. Based on current assumptions, the Company believes that a 52.50 percent equity ratio combined with an authorized ROE of 10.65 percent would deliver CFO pre-WC / Debt ratios consistently above the Moody's downgrade threshold of 22 percent. This is not the case when assuming a lower authorized ROE or lower equity ratio.

[13] Schedule 8 at 8 (emphasis added).

Figure 2
Historical and Forecasted Moody's Credit Metrics
Assuming 52.5% Equity Ratio
2015-2030[14]



Q. IS IT REASONABLE TO MANAGE THE CAPITAL STRUCTURE TO ONLY BARELY MAINTAIN CREDIT METRICS?

A. No. We have a responsibility to manage the financial integrity of the Company, which necessarily involves allowing for some financial flexibility to account for unknown (and unquantifiable) financial risks. Yet, in the chart above, one can see that the credit metrics generally are below Moody's downgrade threshold at an authorized ROE of 9.25 percent, and are very close to the downgrade at a higher authorized ROE of 10.65 percent (dipping below in 2027). Because the future is uncertain, it is reasonable and appropriate to manage to a capital structure that will give the Company's credit profile flexibility to weather through adverse events and conditions.

[14] Forecasted metrics incorporate 36 basis points of earned to authorized ROE gap. In 2021, NSPM incurred significant unrecovered fuel costs due to Winter Storm Uri. These costs were subsequently recorded and collected as a regulatory asset. When normalizing for the financial impacts of Storm Uri fuel recovery, NSPM has consistently delivered CFO pre-WC to Debt metrics that are generally in the mid-20 percent range.

Q. WOULD YOU LIKE TO MAKE ANY OTHER COMMENTS REGARDING THE FORECASTED CREDIT METRICS?

A. Yes. I would like to note that the chart above forecasts the credit metrics under two different *authorized* ROE assumptions. However, due to the effects of regulatory lag and exclusion of certain costs for ratemaking purposes, utilities generally deliver *earned* ROEs below their authorized ROE. For example, over the last five years, NSPM overall has under-earned its weighted authorized ROE by approximately 40 basis points. The Gas department on a standalone basis was far worse than that, realizing average weather-normalized ROEs approximately 240 basis points below authorized over the last three years (2022-2024). Regulatory decisions that delay or disallow cost recovery will widen this gap and cause earned credit metrics to suffer regardless of the authorized equity ratio.

I also would like to mention that one discrete reason the Company's metrics are expected to be under pressure in the next five years is due to incremental electric purchase power agreements, recorded as finance leases and treated as imputed debt by the rating agencies.[15] These finance leases are for projects that provide needed capacity and energy for our electric system, but they are expected to add about $1.2 billion dollars of imputed debt to the Company's financial metrics, which will depress credit metrics by approximately 200 basis points on average over the next five years, the equivalent of approximately 290 basis points of equity ratio. The forthcoming impact of these finance leases further supports maintaining the Company's equity ratio in this case.

[15] *See In the Matter of Northern States Power Company d/b/a Xcel Energy's 2024-2040 Integrated Resource Plan and In the Matter of Xcel Energy's Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation,* Docket Nos. E002/RP-24-67 and E002/CN-23-212, Petition at 16-17 (Sept. 26, 2025).

Q. IS THE EQUITY RATIO AN EFFICIENT METHOD FOR MANAGING CREDIT QUALITY?

A. Yes. The equity ratio is the most efficient means for managing credit quality.

Q. PLEASE EXPLAIN.

A. The equity ratio is the most efficient way to manage NSPM's credit profile. A higher equity ratio strengthens key credit metrics by reducing overall debt, increasing cash flow, and lowering the debt interest expense ultimately borne by customers. On the other hand, lowering the equity ratio as a means to manage customer costs has a disproportionate impact on the credit profile (compared against ROE or disallowing pass-through operating costs). Lowering the equity ratio does reduce revenue requirements associated with equity return and income taxes but it does so while *adding* incremental debt interest expense and the negative credit quality impact is much more acute.

Q. CAN YOU DEMONSTRATE THIS DYNAMIC?

A. Yes. Consider the example below on $100 dollars of rate base. Scenario 2 and Scenario 3 both show a reduction of the after-tax ROR from 10.05 percent to 9.02 percent, with Scenario 2 utilizing a relatively lower ROE (9.25 percent) and Scenario 3 using a relatively lower equity ratio (45.60 percent). When the ROR is lowered to 9.02 percent using ROE, the credit metrics are negatively impacted by approximately 155 basis points. When the same ROR is arrived at using the equity ratio, the credit impact is almost 3.3 times worse. Further, the negative impact under Scenario 3 likely would be even greater, as the cost of STD and LTD increases with a deterioration of financial metrics. This analysis demonstrates that the equity ratio is a powerful tool for credit quality management and an equally worse option for managing customer rates. For this

reason and the rationale explained above, the Commission can have confidence that there are sufficient qualitative and quantitative reasons for leaving NSPM's authorized equity ratio unchanged at 52.50 percent.

Table 3
Affordability Example Comparing ROE to Capital Structure, And Resulting Credit Impacts

Item	Base Scenario 1	Lower ROE Scenario 2	Lower Equity Scenario 3
Long Term Debt Ratio	47.08%	47.08%	57.08%
Short Term Debt Ratio	0.42%	0.42%	0.42%
Equity Ratio	52.50%	52.50%	42.50%
Long Term Debt Cost	4.64%	4.64%	4.64%
Short Term Debt Cost	4.56%	4.56%	4.56%
Authorized ROE	10.65%	9.25%	10.65%
Tax Rate	28.74%	28.74%	28.74%
Revenue Requirement WACC	10.05%	9.02%	9.02%
Book Depreciation Rate	2.50%	2.50%	2.50%
Tax Depreciation Rate	5.00%	5.00%	5.00%
Rate Base	$100.00	$100.00	$100.00
Net Income	$5.59	$4.86	$4.53
Book Depreciation	2.50	2.50	2.50
Deferred Taxes	0.72	0.72	0.72
Cash Flow From Operations	$8.81	$8.07	$7.74
Debt	$47.50	$47.50	$57.50
CFO / Debt	**18.55%**	**17.00%**	**13.47%**
Credit Metric Impact		**-1.55%**	**-5.08%**

B. Long-Term Debt

Q. WHAT ARE NSPM'S RECOMMENDED TEST YEAR LTD BALANCES AND COSTS?

A. NSPM's recommended LTD balances and costs for the 2026 test year are provided in Table 4, and are shown on Exhibit___(TAW-1), Schedule 9.

Table 4
Recommended Test Year LTD Balances and Costs

	LTD Balance	LTD Cost
2026 Test Year	$9.7 billion	4.64%

Q. ARE THERE ISSUANCES OR RETIREMENTS OF LTD PLANNED FOR THE TEST YEAR?

A. Yes, while the financing plan is subject to change, NSPM currently plans to issue approximately $900 million of new LTD in the test year.

Q. HOW DOES THE COMPANY DETERMINE ITS LTD ISSUANCES?

A. NSPM forecasts its financing needs over a multi-year period. NSPM generally issues LTD in years when an existing long-term bond is maturing, or if existing higher coupon debt can be refinanced at a lower interest rate. In addition, NSPM will issue LTD to replace STD when the STD levels approach or remain above an "index-eligible" bond size of $300 million. All of these factors can affect the amount and timing of a specific bond offering.

When determining the maturity of a new bond, NSPM considers the existing debt portfolio maturity profile, market conditions, investor demand, the life of the underlying asset portfolio, and the effects of the cost of LTD on the customer. NSPM reviews the existing debt portfolio maturity profile and identifies potential years where maturities are not already scheduled to occur. NSPM spreads new LTD maturities to mitigate refinancing risk or the risk of having large future maturities in any one year that could be exposed to capital market volatility and the associated interest rate risk.

Q. PLEASE EXPLAIN THE TERM "INDEX ELIGIBLE" AND WHY IT IS IMPORTANT.

A. To be included in some of the major corporate bond indices, a bond generally must be a minimum size of $300 million. Bonds that trade as a component of these indices are more liquid and, as a result, generally achieve pricing at a lower credit spread over prevailing U.S. Treasury rates than less liquid bonds, resulting in a lower cost of borrowing.

Q. DOES NSPM CONSIDER THE POSSIBILITY OF EARLY RETIREMENT OF COMPONENTS OF ITS LTD PORTFOLIO?

A. Yes. For example, in 2020, NSPM retired a bond that had provisions that allowed the Company to "call" the bonds without incurring significant added financial obligations known as "make whole" redemption obligations. The bonds currently in the NSPM debt portfolio either: (i) have no call options; (ii) are only callable at par value 3 to 6 months prior to maturity; or (iii) have make whole redemption provisions that are too expensive to exercise because they result in very large premium payments to existing debt holders. NSPM continues to monitor its LTD portfolio to take advantage of refinancing opportunities that could result in lower customer costs.

Q. HAS NSPM RECENTLY ISSUED LTD, AND WILL NSPM NEED TO ISSUE LTD IN THE TEST YEAR?

A. Yes. NSPM issued $1,100 million of First Mortgage Bonds on May 5, 2025. This was comprised of $600 million 5.05% 10-year notes and $500 million 5.65% 30-year notes. The bond issuance was favorably received within the fixed income market. The final order book reached a peak of ten times oversubscribed, which enabled the Company to tighten the pricing to 83 basis

points[16] for the 10-year note and 98 basis points for the 30-year note. The significant oversubscription, at its peak, is indicative of the high regard that investors hold for the Company.

NSPM is projected to issue debt in 2026. The precise size, timing, and tenor of debt issuances will depend on prevailing financial market conditions and trends at the time of issuance. The forecast included in Schedule 9 reflects the most recent forecast information available.[17] If the actual pricing of the 2026 issuance deviates significantly from the Company's forecast, such that the cost of LTD and ROR are impacted materially, then the Company intends to propose a known and measurable adjustment during the Rebuttal phase of this proceeding.

Q. WHAT ARE NSPM'S OBJECTIVES WHEN ISSUING LTD?

A. The primary objectives of NSPM's debt financing strategy are to minimize debt costs and exposure to potential adverse market conditions in the future, maximize financing flexibility, maintain a strong liquidity profile and strong investment grade credit rating.

Q. HAVE NSPM'S FINANCIAL STRENGTH AND CREDIT RATINGS HAD A POSITIVE EFFECT ON ITS COST OF LTD AND ITS RECENT LTD ISSUANCES?

A. Yes. NSPM's historical financial strength and credit ratings have had a positive effect on both NSPM's weighted cost of LTD and the rates for its recent LTD issuances. In 2025 for example, NSPM was able to raise 30-year debt for 27

[16] One basis point (bp) is the equivalent to 1/100 of one percentage point, or 0.01%.
[17] Forecasted as of July 2025.

basis points cheaper[18] than Public Service of Colorado (PSCo), which is a very comparable sister utility, but with lower credit quality. These results confirm that customers and investors have a common interest in maintaining NSPM's financial strength. Maintaining a strong balance sheet and credit metrics, and otherwise meeting expectations of the investor community, has enabled NSPM to secure more favorable borrowing costs, which lowers overall costs and provides substantial long run benefits to customers.

C. Short-Term Debt

Q. WHAT IS NSPM'S RECOMMENDED STD BALANCES AND ASSOCIATED COSTS FOR THE TEST YEAR?

A. NSPM's recommended STD balances for the test year are included in Table 5, and also are shown on Exhibit___(TAW-1), Schedule 10.

Table 5
Recommended STD Balances and Costs

	STD Balance	STD Cost
2026 Test Year	$87.3 million	4.56%

Q. HOW WAS THE TEST YEAR COST OF STD DETERMINED?

A. The cost of STD includes the forecasted interest expense for commercial paper and the monthly financing fee associated with NSPM's 2025 "Fifth Amended and Restated Credit Agreement" for its participation in the credit facility, which provides the back-up liquidity required for its commercial paper program. Schedule 10 includes a break-out of the STD cost between monthly interest

[18] 27 bps of savings on $500 million debt issuance saves NSPM customers approximately ~$1.4 million annually (approximately ~$40.5 million over the 30-year term) in debt service costs.

expense relating to commercial paper and the monthly fee expense relating to the credit facility fees. If the actual realized or anticipated cost of short-term debt in 2026 deviates significantly from the Company's forecast, such that the cost of STD and ROR are impacted materially, then the Company intends to propose a known and measurable adjustment during the Rebuttal phase of this proceeding.

Q. HAS THE SIZE OF THE CREDIT FACILITY CHANGED IN RECENT YEARS?

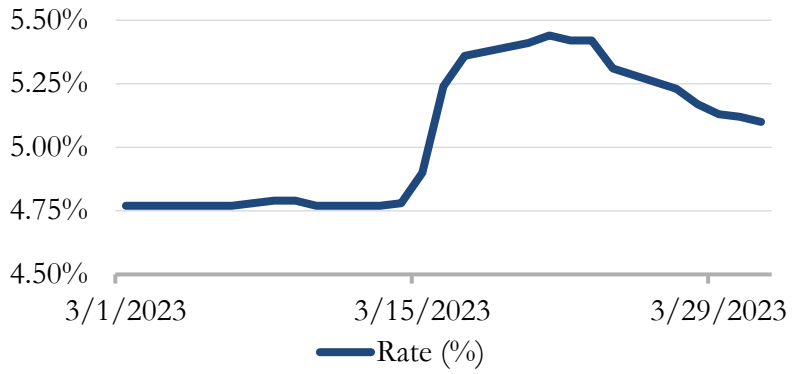
A. Yes. On May 6, 2025, the "Fifth Amended and Restated Credit Agreement" increased NSPM's credit facility to $800 million. To determine the size of NSPM's credit facility, NSPM considers liquidity requirements to evaluate the amount of short term credit capacity required, such as: (i) the total capital commitments over the life of the revolving credit agreement, including projected capital investment and scheduled LTD maturities; (ii) the projected level and volatility of fuel purchase requirements; and (iii) the liquidity required to manage variability in operating cash flow due to changes in sales and operating expenses. The Company routinely assesses the sizing of the revolving credit agreement to properly facilitate the liquidity needs of its growing balance sheet and operations.

Q. DOES NSPM'S USE OF COMMERCIAL PAPER REDUCE THE REQUIRED LEVEL OF NSPM'S CREDIT FACILITY?

A. No. NSPM expects to have continued access to the capital and commercial paper markets, but it is necessary to have adequate back up liquidity in the event of a capital market disruption. For example, the 2008 capital market crisis caused commercial paper to become unavailable for a period of time. In a more recent example, during the March 2023 banking crisis, commercial paper

markets became volatile, and the cost of commercial paper increased dramatically as shown in Figure 3 below. When comparable liquidity events occur again, the commercial paper required may come at unreasonable terms or costs, and NSPM may be reliant on its credit facility for its liquidity needs. A credit facility is required to backstop commercial paper facilities. In other words, were NSPM unable to repay its maturing commercial paper, it would be required to draw down its credit facility to meet that obligation. Commercial paper is almost always used instead of direct drawing on the credit facility because of its lower cost. Since the credit facility is a backstop to commercial paper, the amount of commercial paper issued cannot exceed the limit of the credit facility. Any outstanding commercial paper reduces the amount available to draw under the credit facility.

Figure 3
A2/P2 Overnight Commercial Paper Rates March 2023[19]



D. Common Equity

Q. HOW DID YOU DETERMINE NSPM'S COMMON EQUITY BALANCES FOR THE TEST YEAR?

[19] Source: Mizuho, Bloomberg

A. Consistent with prior rate case methodology, the proposed 2026 test year and common equity balances reflect the average of 13 month-end equity balances from December 2025 through December 2026, and it eliminates non-regulated investments. NSPM's recommended common equity balances by month for the test year are available in Exhibit___(TAW-1), Schedule 11.

Q. HAS XEI BEEN A RECENT ISSUER OF COMMON STOCK?

A. Yes. Over the last three and a half years (2022 - June 2025) XEI issued approximately $2.8 billion of incremental equity through common stock issuances.

Q. HAVE YOU PROVIDED INFORMATION REGARDING FLOTATION COSTS FOR PUBLIC AND NON-PUBLIC EQUITY ISSUANCES BY XEI?

A. Yes. Information regarding flotation costs for public and non-public offerings by XEI is included in Exhibit___(TAW-1), Schedule 12. This information was used by witness Nowak in his testimony regarding his flotation cost adjustment.

V. INVESTOR RELATIONS EXPENSES

Q. WILL NSPM INCUR INVESTOR RELATIONS EXPENSES IN THE TEST YEAR?

A. Yes. NSPM will incur investor relations expenses in the test year due to the need to keep the credit rating agencies fully informed regarding NSPM's business and financing plans, and to maintain strong investor demand for NSPM's LTD securities. The Investor Relations team also incurs costs for shareholder services and interactions with fixed income investors. These efforts will enable NSPM to issue LTD securities at favorable costs, as evidenced by NSPM's low cost of LTD. Additionally, the Investor Relations group will continue to support Xcel

Energy's equity program, which plays a critical role in maintaining financial integrity for the corporate family and thereby NSPM.

Q. ARE THESE DISCRETIONARY EXPENSES?

A. No. A company with publicly-traded equity must engage in investor relations activities, including but not limited to: (i) the listing of shares of XEI on the National Association of Securities Dealers Automated Quotations (NASDAQ); (ii) stock transfer agent services associated with the issuance of new common shares to investors, providing shareholders online access to accounts, and maintaining the list of registered shareholders; and (iii) an annual shareholders meeting.

Q. IS IT APPROPRIATE TO INCLUDE THESE EXPENSES AS PART OF THE COMPANY'S COST OF PROVIDING GAS SERVICE TO MINNESOTA CUSTOMERS?

A. Yes. These are unavoidable, just, and reasonable expenses that should be included in NSPM's cost of service for ratemaking purposes. The Company incurs these expenses as a necessary part of providing cost-effective service to its customers; they are not expenses incurred to benefit shareholders.

VI. CONCLUSION AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. I recommend that the Commission approve NSPM's recommended test year capital structure with 52.50 percent common equity and an overall rate of return of 7.79 percent, as follows:

Table 6
Test Year
Recommended Capital Structure Ratios and Costs
(as presented in Table 1 on Page 3)

	Percent of Total Capital	Cost	Weighted Cost
STD	0.42%	4.56%	0.02%
LTD	47.08%	4.64%	2.18%
Common Equity	52.50%	10.65%	5.59%
Total Capital	100.00%		7.79%

NSPM's proposed capital structure and overall cost of capital are reasonable and meet the Commission's general standards of reasonableness used in decision making. The capital structure is largely similar to the capital structure that NSPM has managed for many years. Further, the capital structure is consistent with prior Commission decisions for NSPM and with capital structures of other comparable companies. The recommended capital structure will continue to support NSPM's financial integrity as demonstrated through strong bond ratings and lower costs of debt, while simultaneously enabling NSPM to make substantial capital investments in infrastructure. Finally, NSPM has not materially changed its capital structure since 2009, and the Commission has reviewed and approved its equity ratio in the past several rate case proceedings.

I also recommend that the Commission allow recovery of investor relations costs in rates, as NSPM has proposed.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Statement of Qualifications

Schedule 1

Todd A. Wehner

I began my career in 2002 as an Acquisitions and Maintenance Officer in the United States Air Force where I worked with intelligence units through 2006. I was an Electrical Test Engineer with Nissan from 2007 to 2009. After completing my MBA in 2012, I joined Barclays Capital in the Investment Banking Division. In this role, I developed financial models to value both public and private companies, executed merger and acquisition transactions, and executed financing transactions for companies across a number of markets including equity, investment grade debt, and high yield debt. I developed cost of capital analyses, rating agency materials, and strategic review materials for management and boards. In 2014, I joined Morgan Stanley within the Investment Banking Division, performing a similar function but focused solely on the power and utilities sector. I joined Consumers Energy in early 2016. Most recently, I served as the Assistant Treasurer for Consumers Energy where I was responsible for planning and raising the financial capital required by the firm, including revolving credit facilities, short-term and long-term debt capital, and equity capital. I joined Xcel Energy in September 2024 to serve as Vice President, Treasurer.

I received Bachelor of Science degrees in Electrical Engineering and Mechanical Engineering from Michigan Technological University in 2002. I received a Master of Business Administration degree ("MBA") from the Ross School of Business at the University of Michigan in 2012, where I focused on finance and strategy. Concurrently, I completed a Master of Science degree from the School of Natural Resources at the University of Michigan.

PROPOSED TEST YEAR 2026 COST OF CAPITAL

Capitalization:	**($000's) Amount**	**Percent of Total Capitalization**	**Cost of Capital**	**Weighted Cost of Capital**
Long-Term Debt	$9,742,708	47.08%	4.64%	2.18%
Short-Term Debt	$87,284	0.42%	4.56%	0.02%
Total Debt	$9,829,992	47.50%		2.20%
Net Common Equity	$10,864,973	52.50%	10.65%	5.59%
Total Capitalization	$20,694,965	100.00%		7.79%

Short Term Debt and Long Term Debt Amounts are 12 Month Average Balances.
Equity Amounts are 13 Month Average Balances.

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

Schedule 3 – Moody's Regulated Utilities Report

Schedule 3 is a rating methodology report explaining assessments of credit risk for regulated electric and gas utilities globally, prepared by a third-party vendor, Moody's Investors Service, which the Company has designated as trade secret information in its entirety as defined by Minn. Stat. § 13.37, subd. 1(b). The information contained in Schedule 3 is proprietary third-party vendor information provided to the Company on the condition it be protected as trade secret and not publicly released. Because this information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, Xcel Energy maintains this information as a trade secret. Since Xcel Energy has classified the entire document as trade secret information, we provide the following description of the excised material as required by Minn. Rule 7829.0500, subp. 3:

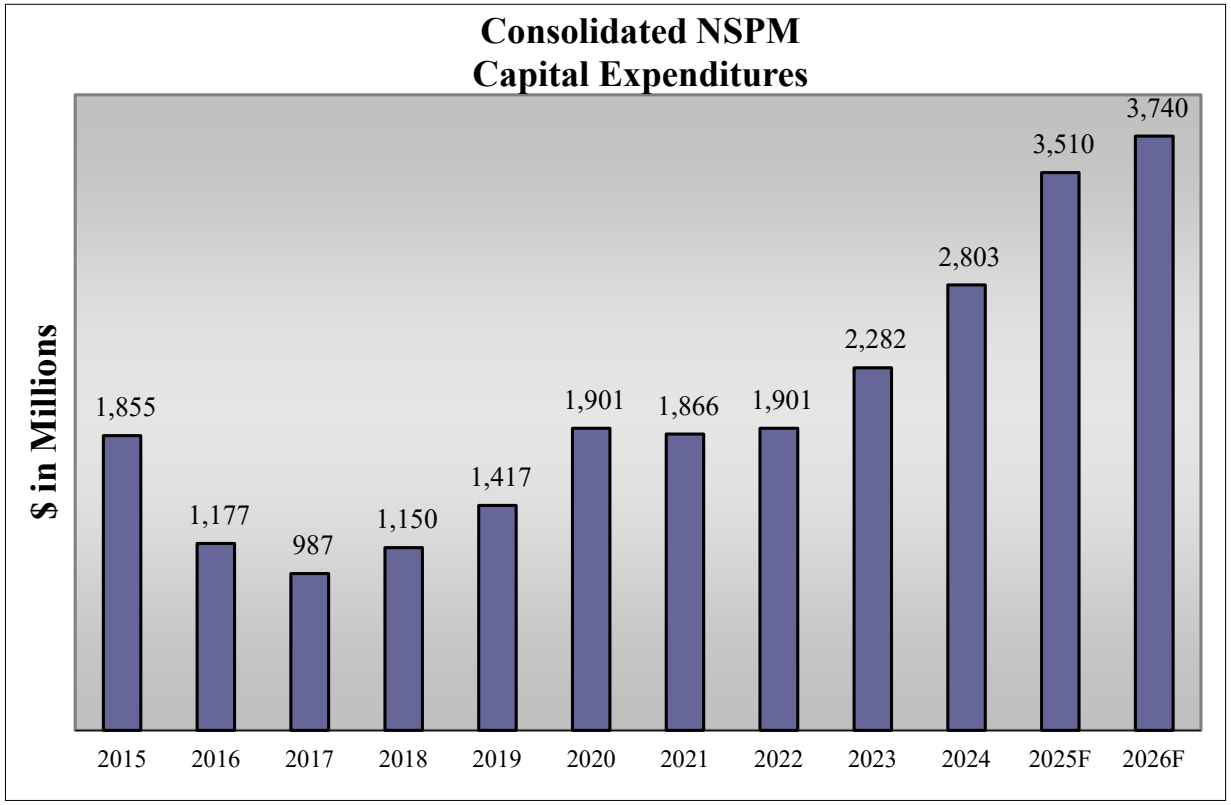
1. **Nature of the Material**: Report explaining Moody's approach to assessing credit risk of regulated electric and gas utilities globally.
2. **Authors**: Moody's Investors Service
3. **Importance**: Schedule 3 is a third-party vendor's proprietary discussion of its assessment of credit risk for regulated electric and gas utilities.
4. **Date the Information was Prepared**: August 2024

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

Schedule 4 – S&P Ratios and Adjustments Report

Schedule 4 is a S&P Global Ratings, a third-party vendor to the Company, report discussing its corporate credit ratings methodology, which the Company has designated as trade secret information in its entirety as defined by Minn. Stat. § 13.37, subd. 1(b). Schedule 4 is proprietary third-party vendor information provided to the Company on the condition it be protected as trade secret and not publicly released. Because this information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, Xcel Energy maintains this information as a trade secret. Since Xcel Energy has classified the entire document as trade secret information, we provide the following description of the excised material as required by Minn. Rule 7829.0500, subp. 3:

1. **Nature of the Material**: Report describing the credit factors and assumptions used by S&P Global Ratings.
2. **Authors**: S&P Global Ratings
3. **Importance**: Schedule 4 is a proprietary third-party vendor discussion of its corporate credit ratings methodology.
4. **Date the Information was Prepared**: April 2024



(a) 2015 - 2024 actual 10 year expenditures = $17.3B, average spend per year = $1.7B

(b) 2020 - 2024 actual 5 year expenditures = $10.8B, average spend per year = $2.2B

(c) 2025 - 2026 forecast 2 year expenditures = $7.3B, average spend per year = $3.6B

Description

	2026 Q1	2026 Q2	2026 Q3	2026 Q4
The Secured Overnight Financing Rate is the basis for projected short term debt costs				
Forecasted SOFR (1)				
Spread to Calculate NSPM's STD Rate	4.24%	3.88%	3.60%	3.30%
Total Forecasted Short Term Debt Interest Rate	0.06%	0.06%	0.06%	0.06%
	4.30%	3.95%	3.66%	3.36%
The 10 and 30-year yields on U.S. Treasuries are the basis for new long term debt (3)				
Forecasted Yield on 10-Year Treasury Notes (1)				
10% Risk Reserve	4.12%	4.04%	3.98%	3.93%
Credit Spread	0.41%	0.40%	0.40%	0.39%
Forecasted LTD Pricing Available for NSPM	0.85%	0.85%	0.85%	0.85%
Forecasted 10yr Coupons for NSPM (2)	5.39%	5.29%	5.23%	5.18%
	5.30%	-	-	-
Forecasted Yield on 30-Year Treasury Notes (1)				
10% Risk Reserve	4.59%	4.50%	4.43%	4.38%
Credit Spread	0.46%	0.45%	0.44%	0.44%
Forecasted LTD Pricing Available for NSPM	1.00%	1.00%	1.00%	1.00%
Forecasted 30yr Coupons for NSPM (2)	6.05%	5.95%	5.88%	5.82%
	5.90%	-	-	-

(1) Source: S&P Global Macro Forecast, July 2025
(2) Forecasted coupon rate assumes an annual average for 2026.

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

Schedule 7 – S&P Global Ratings: Northern States Power Co.

Schedule 7 is a discussion of NSPM's gas rate case settlement, prepared by S&P Global Ratings, a third-party vendor to the Company, which the Company has designated as trade secret information in its entirety as defined by Minn. Stat. § 13.37, subd. 1(b). The information contained in Schedule 7 is proprietary third-party vendor information provided to the Company on the condition it be protected as trade secret and not publicly released. Because this information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, Xcel Energy maintains this information as a trade secret. Since Xcel Energy has classified the entire document as trade secret information, we provide the following description of the excised material as required by Minn. Rule 7829.0500, subp. 3:

1. **Nature of the Material**: S & P Global Ratings Credit Release
2. **Authors**: S&P Global Ratings
3. **Importance**: Schedule 7 is a proprietary third-party report discussing the credit implications of the NSPM gas rate case settlement.
4. **Date the Information was Prepared**: July 2024

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

Schedule 8 – Moody's Northern States Power Company (Minnesota) Credit Opinion

Schedule 8 is a credit opinion, prepared by Moody's Investors Service, a third-party vendor to the Company, which the Company has designated as trade secret information in its entirety as defined by Minn. Stat. § 13.37, subd. 1(b). The information contained in Schedule 8 is proprietary third-party vendor information provided to the Company on the condition it be protected as trade secret and not publicly released. Because this information derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, Xcel Energy maintains this information as a trade secret. Since Xcel Energy has classified the entire document as trade secret information, we provide the following description of the excised material as required by Minn. Rule 7829.0500, subp. 3:

1. **Nature of the Material:** Credit opinion for Northern States Power Company (Minnesota).
2. **Authors:** Moody's Investor Service Report
3. **Importance:** Schedule 8 is a proprietary third-party report discussing the credit profile of Northern States Power Company (Minnesota).
4. **Date the Information was Prepared**: June 2025

2026 FORECASTED LONG TERM DEBT AND COST

Description	Coupon Rate	Issue Date	Maturity Date	Amount	Premium or Hedge Gain/(Loss)	Bond Discount	Bond Expense	LRD Expense	(3) Capital Employed	Total Bond Cost: (4) Interest Charge	Premium/ Hedge Amortization	Discount Amortization	Expense Amortization	LRD Amortization	Cost of Capital	Capital Cost %
First Mortgage Bonds																
Series due March 1, 2028 (FMB)	6.5000	Mar-98	Mar-28	150,000	-	86	80		149,834	9,750	-	59	49		9,858	6.58%
Series Due July 15, 2035 (FMB)	5.2500	Jul-05	Jul-35	250,000	-	145	910		248,945	13,125	-	16	101		13,242	5.32%
Series Due June 1, 2036 (FMB)	6.2500	May-06	Jun-36	400,000	5,381	462	1,605		403,315	25,000	545	47	162		24,665	6.12%
Series Due July 1, 2037 (FMB)	6.2000	Jun-07	Jul-37	350,000	-	726	1,583		347,691	21,700	-	66	144		21,911	6.30%
Series Due November 1, 2039 (FMB)	5.3500	Nov-09	Nov-39	300,000	(1,423)	253	1,843		296,481	16,050	(107)	19	139		16,315	5.50%
Series Due August 15, 2040 (FMB)	4.8500	Aug-10	Aug-40	250,000	-	332	1,417		248,251	12,125	-	24	101		12,249	4.93%
Series Due August 15, 2042 (FMB)	3.4000	Aug-12	Aug-42	500,000	(24,079)	2,047	3,363		470,511	17,000	(1,496)	127	209		18,833	4.00%
Series Due May 15, 2044 (FMB)	4.1250	May-14	May-44	300,000	-	519	2,272		297,209	12,375	-	29	127		12,532	4.22%
Series Due Aug 15, 2045 (FMB)	4.0000	Aug-15	Aug-45	300,000	-	3,114	2,479		294,406	12,000	-	163	130		12,293	4.18%
Series Due May 15, 2046 (FMB)	3.6000	May-16	May-46	350,000	-	1,385	3,580		345,035	12,600	-	70	181		12,850	3.72%
Series Due Sep 15, 2047 (FMB)	3.6000	Sep-17	Sep-47	600,000	-	4,219	6,207	5,907	583,667	21,600	-	199	293	279	22,372	3.83%
Series Due Mar 1, 2050 (FMB)	2.9000	Sep-19	Mar-50	600,000	-	8,972	6,769		584,259	17,400	-	380	287		18,066	3.09%
Series Due Jun 1, 2051 (FMB)	2.6000	Jun-20	Jun-51	700,000	-	10,583	7,866		681,550	18,200	-	425	316		18,942	2.78%
Series Due Apr 1, 2031 (FMB)	2.2500	Mar-21	Apr-31	425,000	-	836	2,417		421,748	9,563	-	177	513		10,253	2.43%
Series Due Apr 1, 2052 (FMB)	3.2000	Mar-21	Apr-52	425,000	-	1,307	5,043		418,650	13,600	-	51	196		13,847	3.31%
Series Due Jun 1, 2052 (FMB)	4.5000	May-22	Jun-52	500,000	-	3,103	6,547		490,350	22,500	-	120	253		22,873	4.66%
Series Due May 1, 2053 (FMB)	5.1000	May-23	May-53	800,000	4,281	5,334	10,214		788,733	40,800	159	199	381		41,220	5.23%
Series Due Mar 1, 2054 (FMB)	5.4000	Feb-24	Mar-54	700,000	7,831	2,494	9,416	-	695,920	37,800	283	90	340	-	37,948	5.45%
Series Due May 15, 2035 (FMB)	5.0500	May-25	May-35	600,000	1,570	380	5,737	-	595,453	30,300	178	43	650	-	30,815	5.18%
Series Due May 15, 2055 (FMB)	5.6500	May-25	May-55	500,000	2,659	2,621	6,261	-	493,777	28,250	92	91	217	-	28,466	5.76%
New Debt 2026 (FMB) (1)	5.3000	Jan-26	Jan-36	450,000	-	-	6,384		443,616	23,850		-	675		24,525	5.53%
New Debt 2026 (FMB) (1)	5.9000	Jan-26	Jan-56	450,000	-	-	6,628		443,372	26,550		-	225		26,775	6.04%
Other Debt																
Right of Way Notes	var	var	var	2,032	-	-	-		2,032	-	-	-	-		-	0.00%
TOTAL DEBT				9,902,032	(3,779)	48,919	98,621	5,907	9,744,806	442,138	(347)	2,396	5,690	279	450,849	4.63%
Unamortized Loss on Reacquired Debt									(2,098)						224	
Fees on 5-year Credit Facility (2)									-						509	
GRAND TOTAL and COST OF DEBT									9,742,708						451,581	4.64%

(1) NSPM 2026 issuances of $450M 10 year bond and $450M 30 year bond, balances are 12 of 12 months.

(2) Fees associated with the 5 Year Credit Facility are amortized over the life of the facility and are incorporated into the long-term debt rate.

(3) Capital Employed is based on the Premium / Discount / Expense Balances representing average declining balances. New and Maturing Debt averaged on number of months in the year.

(4) Interest Expense is a Straight Interest Expense calculation.

TEST YEAR - 2026 FORECASTED SHORT TERM DEBT AND COST

		Cost of Short Term Debt			
	Month End Balances	Average Of Month End Balances (1)	Monthly Interest Expense (2)	Monthly Fees Expense (3)	Average Short Term Debt Cost
2026 Jan	$0	$210,264,348	$779,015	$67,904	
2026 Feb	$0	$0	$0	$61,332	
2026 Mar	$0	$0	$0	$67,904	
2026 Apr	$0	$0	$0	$65,713	
2026 May	$0	$0	$0	$67,904	
2026 June	$0	$0	$0	$65,713	
2026 Jul	$94,437,713	$47,218,857	$148,920	$67,904	
2026 Aug	$128,803,017	$111,620,365	$352,030	$67,904	
2026 Sep	$48,845,890	$88,824,453	$271,100	$65,713	
2026 Oct	$214,987,469	$131,916,679	$381,963	$67,904	
2026 Nov	$265,601,941	$240,294,705	$673,326	$65,713	
2026 Dec	$294,735,356	$280,168,649	$811,224	$67,904	
Average	$87,284,282	$92,525,671			
Total			$ 3,417,578	$ 799,511	
			3.69%	0.86%	4.56%

(1) January through December Average of Month End Balances.

(2) Monthly Interest Expense is based on the weighted average of short term debt outstanding and Interest Rates are based on the Global Insights.

(3) Ongoing fees for NSP-MN's five-year credit facility that was re-syndicated on May 6, 2025. This expense represents the monthly cost of NSP-MN unused portion of the credit facility. Credit facility is used primarily as back up for commercial paper and letters of credit. (Upfront expenses for the five year credit facility are amortized over the life of the facility and are included in the cost of long term debt.)

Month	GAAP Common Equity Outstanding	Non-Regulated Subsidiaries (1)	Regulated Common Equity
TEST YEAR - 2026 FORECASTED EQUITY BALANCES			
2025 Dec	$10,169,601	$14,200	$10,155,401
2026 Jan	$10,574,098	$14,200	$10,559,898
2026 Feb	$10,753,929	$14,200	$10,739,729
2026 Mar	$10,706,644	$14,200	$10,692,444
2026 Apr	$10,743,981	$14,200	$10,729,781
2026 May	$10,797,039	$14,200	$10,782,839
2026 Jun	$10,765,607	$14,200	$10,751,407
2026 Jul	$10,919,591	$14,200	$10,905,391
2026 Aug	$11,081,959	$14,200	$11,067,759
2026 Sep	$11,083,920	$14,200	$11,069,720
2026 Oct	$11,189,034	$14,200	$11,174,834
2026 Nov	$11,303,796	$14,200	$11,289,596
2026 Dec	$11,340,042	$14,200	$11,325,842
13 Month Average	$10,879,173	$14,200	$10,864,973

(1) United Power and Land.

Date	Issuing Company	Shares Issued	Market Price	Offering Price	Underwriting Discount	Offering Expense	Net Proceeds	Total Flotation Costs	Gross Equity Issue before Costs	Net Proceeds	Flotation Cost Percentage
11/16/1949	Northern States Power	1,584,238	$10.750	$10.250	$0.124	$0.137	$9.989	$1,205,605	$17,030,559	$15,824,953	7.079%
6/4/1952	Northern States Power	1,108,966	$10.500	$10.500	$0.098	$0.162	$10.240	$288,331	$11,644,143	$11,355,812	2.476%
4/14/1954	Northern States Power	1,219,856	$15.250	$14.000	$0.060	$0.124	$13.816	$1,749,274	$18,602,804	$16,853,530	9.403%
2/29/1956	Northern States Power	670,920	$17.825	$16.750	$0.050	$0.221	$16.479	$903,058	$11,959,149	$11,056,091	7.551%
7/22/1959	Northern States Power	952,033	$23.375	$22.000	$0.069	$0.191	$21.740	$1,556,574	$22,253,771	$20,697,197	6.995%
7/28/1965	Northern States Power	772,008	$35.250	$33.000	$0.092	$0.225	$32.683	$1,981,745	$27,213,282	$25,231,537	7.282%
1/22/1969	Northern States Power	1,080,811	$29.000	$27.000	$0.119	$0.187	$26.694	$2,492,350	$31,343,519	$28,851,169	7.952%
10/21/1970	Northern States Power	1,729,298	$23.125	$21.500	$0.175	$0.149	$21.176	$3,370,402	$39,990,016	$36,619,614	8.428%
7/26/1972	Northern States Power	1,902,228	$25.000	$23.500	$0.129	$0.166	$23.205	$3,414,499	$47,555,700	$44,141,201	7.180%
10/10/1973	Northern States Power	2,092,451	$25.825	$24.500	$0.128	$0.153	$24.219	$3,360,476	$54,037,547	$50,677,071	6.219%
11/20/1974	Northern States Power	2,300,000	$17.625	$17.500	$0.910	$0.069	$16.521	$2,539,200	$40,537,500	$37,998,300	6.264%
8/14/1975	Northern States Power	1,750,000	$23.000	$23.000	$0.740	$0.077	$22.183	$1,429,750	$40,250,000	$38,820,250	3.552%
6/3/1976	Northern States Power	2,000,000	$24.000	$24.000	$0.720	$0.064	$23.216	$1,568,000	$48,000,000	$46,432,000	3.267%
5/31/1993	Northern States Power	3,041,955	$44.125	$43.625	$1.200	$0.048	$42.377	$5,317,337	$134,226,264	$128,908,927	3.961%
9/23/1997	Northern States Power	4,500,000	$49.938	$49.563	$1.230	$0.133	$48.200	$7,821,000	$224,721,000	$216,900,000	3.480%
9/29/1997	Northern States Power	400,000	$50.500	$49.563	$1.230	$0.133	$48.200	$920,000	$20,200,000	$19,280,000	4.554%
2/25/2002	Xcel Energy, Inc.	20,000,000	$22.950	$22.500	$0.730	$0.015	$21.755	$23,900,000	$459,000,000	$435,100,000	5.207%
9/9/2008	Xcel Energy, Inc.	17,250,000	$20.860	$20.200	$0.100	$0.006	$20.094	$13,218,352	$359,835,000	$346,616,648	3.673%
8/3/2010	Xcel Energy, Inc.	21,850,000	$22.100	$21.500	$0.645	$0.013	$20.571	$33,407,927	$482,885,000	$449,477,073	6.918%
March 2013	Xcel Energy, Inc.	7,757,449	$29.057	$29.057	$0.291	$0.052	$28.714	$2,657,558	$225,407,642	$222,750,085	1.179%
June 2014	Xcel Energy, Inc.	5,693,946	$30.663	$30.663	$0.307	$0.030	$30.326	$1,915,210	$174,592,340	$172,677,130	1.097%
September 2018	Xcel Energy, Inc.	4,733,435	$47.885	$47.885	$0.407	$0.073	$47.405	$2,271,040	$226,661,287	$224,390,247	1.002%
8/29/2019	Xcel Energy, Inc.	9,359,103	$48.416	$48.416	$0.161	$0.041	$48.215	$1,886,029	$453,132,797	$451,246,767	0.416%
11/30/2020	Xcel Energy, Inc.	11,845,000	$60.865	$60.865	$0.665	$0.025	$60.175	$8,168,737	$720,941,187	$712,772,450	1.133%
Nov-Dec 2021	Xcel Energy, Inc.	5,325,674	$65.625	$65.625	$0.558	$0.038	$65.029	$3,175,377	$349,499,767	$346,324,389	0.909%
May 2022	Xcel Energy, Inc.	1,032,571	$72.634	$72.634	$0.617	$0.046	$71.971	$684,896	$75,000,034	$74,315,138	0.913%
June 2022	Xcel Energy, Inc.	1,098,042	$68.303	$68.303	$0.581	$0.013	$67.710	$651,698	$74,999,936	$74,348,239	0.869%
Nov-Dec 2022	Xcel Energy, Inc.	2,170,134	$69.120	$69.120	$0.588	$0.037	$68.495	$1,356,113	$149,999,763	$148,643,651	0.904%
May 2023	Xcel Energy, Inc.	896,275	$68.950	$68.950	$0.586	$0.147	$68.218	$656,624	$61,798,311	$61,141,687	1.063%
Nov 2023	Xcel Energy, Inc.	3,116,417	$60.390	$60.390	$0.513	$0.164	$59.713	$2,110,085	$188,201,629	$186,091,544	1.121%
June-Sep 2024	Xcel Energy, Inc.	18,270,789	$60.708	$60.708	$0.499	$0.015	$60.193	$9,397,665	$1,109,179,032	$1,099,781,367	0.847%
Mar-Jun 2025	Xcel Energy, Inc.	16,267,610	$70.771	$70.771	$0.539	$0.008	$70.224	$8,895,399	$1,151,279,942	$1,142,384,543	0.773%
	Total Public Issuances							$154,270,309	$7,051,978,923	$6,897,708,614	2.188%
	Total Non-Public Issuances							$0	$1,856,724,000	$1,856,724,000	0.000%

NSP/NCE Merger[1]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$1,944,007,000	N/A
NRG stock for stock exchange								$1,077,456,000	
Total								$10,073,441,923	

[1] Additional paid in capital for NSP/NCE Merger = $1,944,007,000
Additional paid in capital for NRG = $1,077,456,000
These are balance sheet adjustments to additional paid in capital which did not incur any flotation costs.