

December 26, 2025

PUBLIC DOCUMENT

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

RE: PUBLIC Comments of the Minnesota Department of Commerce
Docket No. E002/M-25-400

Dear Ms. Bergman:

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

Petition of Northern States Power Company, doing business as Xcel Energy (Xcel), for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2026 and a Revised Adjustment Factor.

The Petition was filed by Xcel on October 27, 2025.

The Department recommends **approval subject to proposed modifications** and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

LB/MJ/ad
Attachment

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Docket No. E002/M-25-400

I. INTRODUCTION

On October 27, 2025, Northern States Power Company, doing business as Xcel Energy (Xcel or the Company), filed a Petition¹ requesting the Minnesota Public Utilities Commission (Commission) approve an updated Renewable Energy Standard (RES) Rider rate factor based on forecasted 2026 net revenue requirements. Xcel proposed an effective date of January 1, 2026.

Xcel proposed an updated RES factor amounting to 2.475% of base revenue, an increase from the existing rate factor of 0.066% of base revenue, based on forecasted 2026 net revenue requirements of \$67.1 million.² Xcel estimated the proposed RES Rider rate factor will result in an average bill impact of \$2.14 per month for a typical residential customer using 675 kWh per month, an increase of \$0.05 per month compared to the current rate.³ The Department summarizes Xcel's proposed revenue requirements in Table 1 below, using the information provided in Attachment 2 of Xcel's Petition. As indicated in Table 1, Xcel is requesting approval to:

- Continue recovery of projects not rolled into base rates (Lines 1-5).
 - o Xcel in its recent multi-year rate plan (MYRP) in Docket No. E002/GR-24-320 proposes to move Grand Meadow Wind Power, Nobles Wind Repower, and Northern Wind Repower into base rates. However, due to the length of rate case proceeding the Company proposes to continue to recover these projects through the RES Rider until the rate case concludes.⁴
- Recovery for the Sherco Solar 1, 2 and 3 projects (Lines 6 and 7).
- Recovery of the new Sherco Battery (Line 8) and Sherco West Battery Energy Storage System (BESS) project (Line 9).
- Continue using the RES Rider to true-up to actual production tax credits (PTCs) compared to the level recovered in base rates (Line 11).
 - o Xcel in its recent MYRP will also propose to continue using the RES Rider as a true-up for PTCs for PTC-related costs included in base rates.⁵
- The proposed tariff revisions and customer notice.

¹ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2026 and a Revised Adjustment Factor*, Xcel Energy, Petition, October 27, 2025, Docket No. E002/M-25-400, (eDockets) [202510-224310-01](#), (hereinafter "2025 RES Rider Petition").

² Petition at 2.

³ Petition at 20.

⁴ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2025 and a Revised Adjustment Factor*, Xcel Energy, Petition, October 23, 2024, Docket No. E002/M-24-353 (eDockets) [202410-211264-01](#) at 19 (hereinafter "2024 RES Rider Petition").

⁵ *Id.*

Table 1: Xcel’s Proposed RES Rider Revenue Requirements and Tracker Summary⁶

Line	Item	2024	2025	2026
		Actual	Mixed	Forecast
1	Northern Wind	5,787,038	4,230,981	4,257,601
2	Nobles Wind Re-Power	181,908	(2,928,639)	(3,009,142)
3	Grand Meadow Wind Re-Power	1,763,339	1,051,007	1,126,196
4	Borders Wind Re-Power	673,041	6,392,573	684,927
5	Pleasant Valley Wind Re-Power	943,125	7,786,146	(455,694)
6	Sherco Solar 1&2	33,121,786	38,411,251	28,328,742
7	Sherco Solar 3	1,859,626	14,525,018	24,276,224
8	Sherco Battery	38,009	183,024	1,554,812
9	Sherco West Bess			1,593,158
10 (sum 1:9)	Project Subtotal	44,367,872	69,651,361	58,356,824
11	PTC True-Up	(29,221,929)	(10,416,675)	(4,428,888)
12	REC Sales	(35,871)		
13	Rate Case PTC Baseline Adjustment		21,538,348	10,431,303
14	Annual Revenue Requirement	15,110,072	80,773,034	64,359,239
15	Carryover (Prior Year-End Balance)	(3,260,043)	(13,899,457)	2,788,686
16 (sum 14:15)	Net Revenue Requirement	11,850,029	66,873,577	67,147,925
17	Revenue Collections	25,749,486	64,084,891	67,146,920
18 (16 less 17)	Year-End Balance	(13,899,457)	2,788,686	1,005

II. PROCEDURAL BACKGROUND

A. ENABLING STATUTE

The Commission has approved Xcel’s RES Riders in its current format pursuant to Minnesota Statutes [§216B.1645, subd. 2a](#), Cost Recovery for Utility’s Renewable Facilities. The statute states, in part, that the Commission may approve, or approve as modified, a rate schedule that:

- (1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects,
- (2) provides a current return on construction work in progress,
- (3) allow recovery of other expenses incurred that are directly related to a renewable energy project,
- (4) allocates recoverable costs appropriately between wholesale and retail customers, and
- (5) terminates recovery when costs have been fully recovered or otherwise reflected in a utility’s rates.

⁶ Data from 2025 RES Rider Petition, Attachment 2.

B. MOST RECENT RES RIDER UPDATE

On October 23, 2024, Xcel filed a petition in Docket No. E002/M-24-353 requesting the Commission approve its 2025 RES Rider revenue requirements and authorize Xcel to increase its RES factor from 2.410% to 2.475%.⁷ On December 7, 2024, the Commission issued an Order provisionally approving Xcel's updated factor and required Xcel to make a compliance filing within 10 days with the tariff changes.⁸ On December 18, 2024, Xcel submitted the required compliance filing.⁹

On March 5, 2025, the Department filed its full Comments recommending approval of the Company's RES Rider revenue requirements for 2025, approve the Company's proposal to establish a regulatory liability for flowback of investment tax credits over a period of 10 years, and require the Company to submit a compliance filing 10 days after the date of the commission's Order showing an updated RES rider tracker.¹⁰

The Commission approved Xcel's proposed 2025 RES rider revenue requirements, RES adjustment factor and Xcel's proposal to establish a 10-year regulatory liability for flowback of the Sherco Battery Project's investment tax credits and require the Company to submit a compliance filing 10 days after the date of the commission's Order on May 27, 2025.¹¹

Xcel issued their Compliance filing per Commission's Order on June 3, 2025,

October 27, 2025	Xcel filed Petition to approve an updated Renewable Energy Standard (RES) Rider rate factor based on forecasted 2026 net revenue requirements.
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⁷ 2024 RES Rider Petition, at Attachment 1.

⁸ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2025 and a Revised Adjustment Factor*, Minnesota Public Utilities Commission, Order, December 17, 2024, Docket No. E002/M-24-353 (eDockets) [202412-212934-01](#).

⁹ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2025 and a Revised Adjustment Factor*, Xcel Energy, Compliance Filing, December 18, 2024, Docket No. E002/M-24-353, (eDockets) [202412-213143-01](#).

¹⁰ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2025 and a Revised Adjustment Factor*, Xcel Energy, Comments, March 5, 2025, Docket No. E002/M-24-353, (eDockets) [20253-216100-02](#).

¹¹ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2025 and a Revised Adjustment Factor*, Minnesota Public Utilities Commission, Order, May 27, 2025, Docket No. E002/M-24-353 (eDockets) [20255-219268-01](#).

III. DEPARTMENT ANALYSIS

A. RES RIDER ELIGIBILITY

A.1. New Projects

The current Petition has included one new project in the 2026 RES rider revenue requirement, Sherco West Battery Energy Storage System (Sherco West BESS).¹² The Commission's April 21, 2025 Order in Docket Nos. E002/RP-24-67 and E002/CN-23-212 approving a Settlement in the Company's most recent Integrated Resource Plan (IRP) and a competitive resource acquisition process for up to 800 Megawatts of Firm Dispatchable Generation included approval of the 4-hour Sherco West BESS project.¹³

The Sherco West BESS is a 300 MW, 4-hour BESS to be constructed by Xcel Energy at a site adjacent to the Company's Sherco Solar Energy Generating System in Clear Lake, Minnesota. The Sherco West BESS project is part of a larger battery storage project that is intended to help the Company meet the need for approximately 600 MW of additional energy storage system (ESS) capacity by 2030 and accommodate dispatchable resource needs. The primary value to the overall Xcel Energy system is that short-duration ESS will enable renewable integration, provide grid support, defer some, but not all, traditional grid investments, and improve power quality.

The project will tie-in to the switchyard being constructed as part of the Sherco Solar West Substation. During emergent storm or outage conditions, the BESS could be controlled for a 48-hour discharge at a reduced power rate of approximately 25 MW. In normal conditions, the project would operate based on market economics to provide energy sales and ancillary services. The project will utilize Sungrow PowerTitan 2.0 technology, which is marketed as a 4-hour lithium-ion solution. The Company anticipates submitting a site permit application to the Commission for the project in November 2025. The project is expected to be in service in 2027.

The Sherco West BESS project anticipates delivering cost-effective energy storage to Minnesota and the regional grid by providing energy, capacity, and ancillary services to the grid. Customer benefits come indirectly through improved grid stability and efficiency. By storing excess energy during periods of surplus and releasing it during peak demand, the project also helps offset the need for additional peak-generation capacity. Unlike many renewable projects, which typically sell all generated energy to one

¹² Petition at 1.

¹³ *In the Matter of the Petition by Xcel Energy's 2024-2040 Upper Midwest Integrated Resource Plan and Competitive Resource Acquisition Process for up to 800 Megawatts of Firm Dispatchable Generation*, PUC Order, April 21, 2025, Docket No. E002/RP-24-67 at 5 and Order Point 12 and 13 (eDockets) [202254-217941-01](#).

or more off-taker(s) in the form of a long-term power purchase agreement, this project will be a Company-owned resource and utilized as part of the Company’s overall energy supply operations.¹⁴

The Department agrees that the Sherco West BESS project qualifies for recovery in the RES Rider. The Commission approved the project in the most recent IRP, and the Company is acting in accordance with that approval and the directives outlined in the Commission’s Order. Because the project is consistent with the approved IRP portfolio and aligns with the Commission’s authorization, the Department finds that inclusion of these costs for recovery is appropriate at this time.

A.2. Projects Previously Approved for RES Rider Recovery

Department Table 2 lists the status of projects recovered through base rates and the RES Rider as of January 1, 2026.

Table 2: Status of Xcel Current RES Rider Projects¹⁵

Project Name	Final or Estimated COD	Status Notes
Border Winds Repower	December 2025	Under Construction
Grand Meadow Repower	March 2023	In-service
Nobles Repower	December 2022	In-service
Pleasant Valley Repower	December 2025	Under Construction
Northern Wind Repower & Rock Aetna	January 2023 and December 2022	In-service
Sherco Solar 1	October 2024	In-service
Sherco Solar 2	October 2025	In-service
Sherco Solar 3	August 2026	Under Construction
Sherco Form Battery	May 2027	Under Construction
Sherco West BESS	December 2027	Site Permit to be filed Nov. 2025

B. PROJECT COST CAPS

Order Point 4 of the Commission’s February 6, 2025, Order in Docket No. E002/M-23-454 requires the Company to detail cost caps by project and indicate where aggregate cost caps have been approved, including citations to the orders and related filings establishing and revising the cost caps, to support the stated caps in future RES Rider petitions’ cost cap detail.¹⁶ The Company provided details on cost caps and project costs within its petition.¹⁷ The Department reviews whether Xcel’s cost recovery is below the established caps, as applicable, below.

¹⁴ Petition at 4-5.

¹⁵ Petition at 7.

¹⁶ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2024*, Minnesota Public Utilities Commission, Order, February 6, 2025, Docket No. E002/M-23-454 (eDockets) [20252-215030-01](#).

¹⁷ Petition at 8-12.

B.1. Sherco Solar 1 and 2

The prior RES Rider filing in Docket No. E002/M-24-454 established cost caps for the Sherco Solar 1 and 2 projects at \$690.1 million, not including AFUDC.¹⁸ The Company reports the project's costs are forecasted to exceed the cost cap by \$3.2M.¹⁹

The temporary bypass will ensure consistent performance and operation of the overall solar facility, which is an important resource on the overall NSP System. The additional expense will facilitate the solar plant in functioning at its optimum level. The Commission's June 23, 2025, Order in Docket No. E002/TL-21-189 approved construction of the temporary bypass. However, the additional \$3.2 million cost of the temporary bypass, which was not part of the original project scope, causes the Sherco Solar 1 and 2 project to exceed the established Sherco Solar 1 and 2 cost cap.²⁰

The Department notes that the Commission approved the project in Docket No. E002/TL-21-189 in its June 23, 2025, Order, which included a cost cap²¹. The current petition exceeds that cap by approximately \$3.2 million.²² The Company requests that the Commission approve RES Rider recovery over the cap to include the costs related to the temporary bypass, which is a necessary part of the overall Sherco Solar 1 and 2 project to avoid lost production and results in increased maintenance and operational costs.

The Department notes that in Xcel Energy's TCRR filing in Docket No. E002/M-09-1048, the Commission stated the following in its April 7, 2010, Order:

...the Commission finds that TCR project cost recovery through the rider should be limited to the amount of the initial cost estimates at the time the projects are approved as eligible projects, with the opportunity for the Company to seek recovery of excluded costs on a prospective basis in a subsequent rate case. A request to allow cost recovery for project costs above the amount of the initial estimate may be brought for Commission review only if unforeseen or extraordinary circumstances arise on a project.

The Commission applied this same approach to Otter Tail Power (OTP) Company in its 2013 TCRR in 13-103, ordering that OTP should limit TCRR recovery of the Bemidji project to \$74 million.

Consistent with past practices, the Department recommends that the Commission deny Xcel's request to include the additional \$3.2 million in costs that are over the cap that are included in the 2026

¹⁸ 2024 Res Rider Petition at 8 and 2023 RES Rider Department Comments 6.

¹⁹ Petition, Attachment 5b.

²⁰ Petition at 8.

²¹ *In the Matter of the Petition by Xcel Energy's approval of the Sherco Solar Project*, PUC Order, November 7, 2022, Docket No. E002/M-20-891 at Order Point 1.a. (eDockets) [202211-190450-01](#).

²² Petition at 8.

revenue requirements. The Company can seek recovery of these costs in their current rate case in Docket No. E017/GR-25-359.

B.2. Sherco Solar 3

Xcel in its petition reports that delays in the Sherco Solar 3 project has resulted in forecasts to exceed the project's cost cap, which includes AFUDC, of **[TRADE SECRET DATA HAS BEN EXCISED]**.²³

The Company attributes the overage primarily due to the aforementioned delay in construction and as a result the in-service date. The project's projection to exceed the cost cap does not impact Xcel's requested 2026 revenue requirements and stated it will "continue to monitor the construction progress and attempt to mitigate the cost overage to the extent possible, deferring discussion of prudent incurred costs to a subsequent iteration of the RES Rider."²⁴

The Department agrees with the Company's proposal to exclude the amount over the cap from its 2026 revenue requirements calculations. The Department will review this issue further in the Company's future RES Rider proceedings.

B.3. Sherco Battery

As noted in the 2023 RES Rider Petition, Xcel was awarded two federal grants for its Sherco Battery project, helping to offset the total project cost. Since the prior year's Petition, the Company has resolved negotiations and project logistics required by the U.S. Department of Energy (DOE) to finalize the amount of its grant, which has been set at **[TRADE SECRET DATA HAS BEEN EXCISED]**. Also, since the prior Petition, the sum of Xcel's second federal grant, the Breakthrough Energy Catalyst grant, has been forecasted at **[TRADE SECRET DATA HAS BEEN EXCISED]**.²⁵

Xcel includes both of these grant figures in its updated forecast,²⁶ and expects the project to be placed in-service in the second half of 2026²⁷. The Company's forecast shows the project costs coming in below the cost cap, which includes AFUDC, of **[TRADE SECRET DATA HAS BEEN EXCISED]** after receipt of federal grants in 2026.²⁸

Based on the above, the Department concludes the Sherco Battery project costs are currently below the cost cap and reasonable for RES Rider recovery.

B.4. Wind Repower Portfolio

The October 4, 2022, Order in the 2022 RES Rider tracker approved RES Rider cost recovery eligibility for the Wind Repower Portfolio including the Nobles, Grand Meadows, Border Winds, Pleasant Valley,

²³ *Ibid* and Attachment 5b.

²⁴ Petition at 10.

²⁵ 2024 RES Rider Petition at 11.

²⁶ Petition, Attachments 4 and 5b.

²⁷ Petition at 11.

²⁸ Petition, Attachment 5b.

and Northern Wind projects.²⁹ In Response Comments in the 2023 RES Rider docket, the Department agreed with the Company's interpretation of prior Commission Orders on January 22, 2021³⁰ and June 15, 2021³¹ relating to wind repower costs being subject to an aggregate cost cap, rather than each discrete project subject to a discrete project-specific cost cap.³² In its February 6, 2025 Order in that docket, the Commission concurred and required Xcel to detail cost caps by project and indicate where aggregate cost caps have been approved.³³

The Department in the current Comments assesses the wind repower portfolio subject to an aggregate cost cap. As such, Xcel's provided data shows aggregate forecasted costs of its repower portfolio being equal to its aggregate cost cap of **[TRADE SECRET DATA HAS BEEN EXCISED]** which includes AFUDC. The project's costs are currently forecasted to be less than the cost cap by **[TRADE SECRET DATA HAS BEEN EXCISED]**.³⁴

Based on the above, the Department concludes that on an aggregate basis the Wind Portfolio Projects are currently below the cost cap and reasonable for RES Rider recovery.

C. NORTH DAKOTA INVESTMENT TAX CREDITS

The Commission's April 11, 2017, Order in Docket No. E002/M-15-805 included North Dakota investment tax credits (NDITCs) associated with the Courtenay Wind Project in the revenue requirements calculation.³⁵ The Company stated the NDITC amount for the Courtenay Wind project remains at \$0 for 2025.³⁶

²⁹ *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2022 and a Revised Adjustment Factor*, Minnesota Public Utilities Commission, Order, October 4, 2022, Docket No. E002/M-21-794, (eDockets) [202210-189544-01](#) at 3.

³⁰ *In the Matter Xcel Energy's Wind Repower Portfolio*, Minnesota Public Utilities Commission, Order, January 22, 2021, Docket No. E002/M-20-620, (eDockets) [20211-170112-01](#).

³¹ *In the Matter of Xcel Energy's Wind Repower Portfolio*, Minnesota Public Utilities Commission, Order, June 15, 2021, Docket No. E002/M-20-620, (eDockets) [20216-175050-01](#).

³² *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2024 and a Revised Adjustment Factor*, Minnesota Department of Commerce, Response Comments, August 8, 2024, Docket No. E002/M-23-454, (eDockets) [20248-209342-02](#) at 2-3.

³³ 2023 RES Rider Order, Order Point 4

³⁴ Petition, Attachment 5a.

³⁵ *In the Matter of the Petition of Northern States Power Company for Approval of the Renewable Energy Standard (RES) Rider True-up Report for 2015, Revenue Requirements for 2016, and a Revised Adjustment Factor*, Minnesota Public Utilities Commission, Order, April 11, 2017, Docket No. E002/M-15-805, (eDockets) [20174-130693-01](#).

³⁶ Petition at 12.

D. RENEWABLE ENERGY CREDIT (REC) SALES

The Commission's May 17, 2013, Order in Docket No. E002/M-12-1132 requires the Company to return 100% of the proceeds from REC sales to customers through the RES Rider.³⁷ The Order allows the Company to submit subsequent proposals to share in REC sales proceeds, which the Commission will review on a case-by-case basis. Xcel in its Petition states it did not sell any Minnesota RECs in 2024 or 2025.³⁸

E. PRODUCTION TAX CREDITS (PTCS)

As indicated in Table 1 above summarizing Xcel's proposed revenue requirements, Xcel is proposing PTC true ups for projects recovered in base rates of (\$29,221,929) and (\$10,416,675) in 2024 and 2025,³⁹ respectively. PTCs for projects recovered in the RES Rider are included in those projects' revenue requirements, which Xcel true up to actuals through the rider.⁴⁰ Xcel provided PTC tax documentation for 2024 in Attachment 12 of its Petition⁴¹ and a comparison of actual to forecasted PTC levels in Attachment 13.⁴² The Department reviews Xcel's proposed PTC true-up resulting in additional credits to ratepayers below.

E.1. PTC Base Rate True-Up

For 2024, the projects recovered in base rates were Pleasant Valley, Border Winds, Courtenay, Blazing Star I, Foxtail, Crowned Ridge, Lake Benton, Blazing Star II, Freeborn, Dakota Range, Jeffers, Community Wind North, and Mower. Beginning in 2025, Xcel added Sherco Battery and Sherco Solar 3.

Table 4 below shows how Xcel calculated its proposed base-rate true-up amounts. First, for each year, Xcel takes the amount of PTCs recovered in base rates (B columns), then provides actual or forecasted PTC amounts for those specific projects (A columns). Xcel then subtracts base rate recovery from actuals (A columns minus B columns) to calculate the true-up.

³⁷ *In the Matter of a Petition by Xcel Energy for Permission to Share in the Proceeds from the Sale of Renewable Energy Credits*, Minnesota Public Utilities Commission, Order, May 17, 2013, Docket No. E002/M-12-1132, (eDockets) [20135-87107-01](#).

³⁸ Petition at 12.

³⁹ Petition, Attachment 2.

⁴⁰ Petition at 15.

⁴¹ Petition, Attachment 12.

⁴² Petition, Attachment 13.

Table 4: Xcel Proposed PTC True-Up (millions)⁴³

[TRADE SECRET DATA HAS BEEN EXCISED]

For 2024 Xcel used PTC amounts cited in its rate case in Docket No. E002/GR-21-630 and for 2025 used amounts from its more recent rate case in Docket No. E002/GR-24-320.⁴⁴

The Department does not have any objections to Xcel’s proposed true-up for PTCs of projects recovered in base rates, which results in additional PTC credits for ratepayers for 2024 and 2025 and finds the proposal to comply with the Commission’s Order in the 2024 RES Rider.

E.2. PTC Transfers

E.2.1. Overview

The Inflation Reduction Act (IRA) allows Xcel to transfer (sell) production tax credits. Xcel began selling PTCs in 2023 and have included a true-up of the transferred credits to the actual sales amounts in its PTC Tracker in Attachment 10 of its Petition for 2024 and 2025 through June. The tracker also includes a forecast for the remainder of 2025 through 2026 and will be trued-up in subsequent RES proceedings.⁴⁵

⁴³ Figures from Petition, Attachment 10.

⁴⁴ *Ibid.*

⁴⁵ Petition at 15.

E.2.2. Cost/Benefit Analysis

In Response Comments within the 2023 RES Rider, the Department recommended Xcel provide a tracker of PTC transaction costs and benefits.⁴⁶ In its February 6, 2025, Order, the Commission required Xcel to track the actual costs and benefits of selling PTCs in its annual RES Rider petitions.⁴⁷ The instant Petition includes the recommended tracker as Attachment 11.

Though participation in the PTC market comes with transaction costs, the Company estimates that the cumulative benefit of reducing the Deferred Tax Asset (DTA) through the sale of PTCs will outweigh the detriment of the discount.⁴⁸ Xcel estimates that, through 2026, selling PTCs will provide a net benefit because the discount reduces the gross PTC amount passed through to customers in the RES rider. However, Xcel also estimates that the cumulative benefit of reducing the Deferred Tax Asset (DTA) through the sale of PTCs will outweigh the detriment of the discount. Xcel estimates that the net benefit from 2024 through 2026 of selling PTCs is [TRADE SECRET DATA HAS BEEN EXCISED],⁴⁹ as shown in 5 below.

Table 5: Xcel’s Estimated Cost/Benefit Analysis of Transferring PTCs (\$ millions)⁵⁰

	2024	2025	2026	Total
Cost to Customers (RES Rider increase)	[TRADE SECRET DATA HAS BEEN EXCISED]			
Benefit to Customers (Lower DTA)				
Net Cost (Benefit)				

The Department agrees with Xcel’s general approach of using annual DTA compliance to return to ratepayers the benefit of transferring PTCs.

E.4. PTC Planning Models vs Actuals

As a final item regarding PTCs, as shown in Xcel’s Attachment 13 for the 2020-2024 period, actual PTCs is \$72.6 million lower than Xcel assumed in its modeling used to justify acquiring the projects. The Department notes that the Commission consistently has ordered, as a ratepayer protection, that it will hold Xcel accountable for assumed benefits that do not materialize.⁵¹ In the 2023 RES Rider docket,

⁴⁶In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2024 and a Revised Adjustment Factor, Minnesota Department of Commerce, Response Comments, August 8, 2024, Docket No. E002/M-23-454, (eDockets) [20248-209342-02](#) at 5.

⁴⁷ 2023 RES Rider Order, Order Point 5.

⁴⁸ Petition at 15.

⁴⁹ Petition, Attachment 11.

⁵⁰ *Id.*

⁵¹ In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Wind Generation from the Company’s 2016-2030 Integrated Resource Plan, Minnesota Public Utilities Commission, Order, September 1, 2017, Docket No. E002/M-16-777, (eDockets) [20179-135205-01](#) at 10, Order Point 1.

Xcel provided details on additional benefits of its renewable energy production facilities outside of PTCs, showing the present value of societal cost (PVSC) and present value of revenue requirements (PVRR) analyses indicating a greater total value for customers than the Company believes is captured in PTC data alone.⁵²

The Department continues to acknowledge that PTCs are one metric of measuring these projects' benefits while also encouraging Xcel to improve capacity factor estimates at the Planning stage to ensure projects are selected on a least cost basis.

F. REVENUE REQUIREMENTS CALCULATION

As summarized in Table 1 above Xcel's petition proposes recovering \$64,359,239 in net revenue requirements for 2026 prior to the 2025 true-up, or a \$67,147,925 revenue requirement for 2026 with 2025 true-up. This represents a slight increase from the 2025 total revenue requirement, remaining largely consistent with last year's level.

The Company details the 2026 projected revenue requirement, by project, in Attachment 8 of its Petition. The Company details the 2026 PTC True-Up in Petition Attachment 10. The carryover balance, detailed in Petition Attachment 2, calculates the difference in the 2025 revenue requirement and the 2025 revenue collection, based on a mix of actuals and forecasts. The Company estimates it under-collected the 2025 revenue requirement by \$2,788,686, which it includes in the 2026 revenue requirement calculation. The Company estimates it will collect \$1,005 less than the revenue requirement requested in 2026, which will carry forward as a tracker balance to 2027. The Department reviewed Xcel's revenue requirement calculations and did not identify any general objections to Xcel's proposed methodology. However, as noted above, the Department recommends that the Commission deny Xcel's request to include the \$3.2 million in costs that exceed the approved cap for the Sherco Solar 1 and 2 projects. Accordingly, the Department recommends that the Company, in its reply comments updated 2026 revenue requirements and RES Rider rate factors that exclude the \$3.2 million in over the cap costs for Sherco Solar 1 and 2 projects.

G. JURISDICTIONAL ALLOCATION

The Company used the same jurisdiction allocation methodology used on prior RES Rider filings.⁵³ The allocators are documented in Attachment 7 of the Petition.

The Company used the most current data available to allocate Minnesota's share of the eligible costs. Allocators included the Interchange Agreement Allocator and Jurisdictional Allocator, both using forecasted allocators for 2026. The actual allocator used to true-up the tracker will be consistent with the Company's annual jurisdictional report, filed on May 1 each year.⁵⁴ The Department confirmed Xcel's jurisdictional allocators are reasonable.

⁵² *In the Matter of the Petition of Northern States Power Company, for Approval of the Renewable Energy Standard (RES) Revenue Requirements for 2024 and a Revised Adjustment Factor*, Xcel Energy, Reply Comments, July 11, 2024, Docket No. E002/M-23-454, (eDockets) [20247-208501-01](#) at 7-9.

⁵³ Petition at 14.

⁵⁴ Petition at 14.

H. CONSTRUCTION WORK IN PROGRESS (CWIP) AND ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

In lieu of future recovery for AFUDC, the Company proposes to recover a current return on CWIP.⁵⁵ The Company calculated cumulative CWIP balances for projects based on the eligibility dates as shown in Table 6:

Table 6: Project Eligibility Dates⁵⁶

Eligibility Date	Projects
January 1, 2021	Border Winds Repower, Grand Meadow Repower, Nobles Repower, Pleasant Valley Repower, Northern Wind and Rock Aetna Repower
January 1, 2022	Sherco Solar 1 and 2
January 1, 2023	Sherco Solar 3 and Sherco Form Battery
January 1, 2025	Sherco West BESS

The Company includes AFUDC incurred prior to the eligibility date within the beginning CWIP balance. The Company stated that the costs included in this adjustment mechanism will not be recovered from customers under any other mechanism.⁵⁷

I. ACCUMULATED DEFERRED INCOME TAX PRORATION

As in the prior year's RES Rider Petition, Xcel calculated the 2025 revenue requirement using an alternative accumulated deferred income tax (ADIT) treatment.⁵⁸ The Company stated its alternative ADIT treatment conforms to the Company's understanding of the proration formula in IRS regulation § 1.167 (1)-1(h)(6). With the provisional implementation of rates on January 1, 2026, Xcel states that IRS rules require ADIT to be prorated for the entire 2026 forecasted period. The 2026 revenue requirement impact of ADIT proration under this methodology, net of PTCs, is \$5,282.⁵⁹

J. RATE OF RETURN AND RETURN ON EQUITY

The Company used a return on equity of 9.25% as set by the Commission in the July 17, 2023, Order in Docket No. E002/GR-21-630.⁶⁰ The WAAC of 6.95% for years 2024, 2025, 2026, and 2027⁶¹ matches those set by the Commission in its Order in Docket No. E002/GR-21-630.

⁵⁵ See Minn. [Stat. § 216B.1645, subd. 2a, \(2\)](#).

⁵⁶ Petition at 17.

⁵⁷ *Ibid.*

⁵⁸ Petition at 18.

⁵⁹ *Ibid.*

⁶⁰ *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*, Minnesota Public Utilities Commission, Order, July 17, 2023, Docket No. E002/GR-21-630, (eDockets) [20237-197559-01](#) at 92-93

⁶¹ Petition, Attachment 7.

K. DEPRECIATION

The Company stated⁶² that for all wind projects remaining in the rider in 2025 and beyond, it assumes a depreciable life consistent with the lives approved by the Commission for wind projects in the Annual Review of Remaining Lives (ARL) Docket No. E,G002/D-22-299.⁶³ Consistent with the Commission's Order Point 3 in that Docket, Xcel notes it has updated the depreciation lives of Northern and Rock Aetna Wind from 25 years to 35 years.⁶⁴ The Company is using a depreciable life of 10 years for the Sherco Form Battery project, as shown in Docket No. E,G002/D-23-356,⁶⁵ and 20 years for the Sherco West BESS project.⁶⁶

Xcel notes that a depreciable life of 35 years is used for the solar projects and 10 years for the Sherco Form Energy Long-Duration Battery Storage Pilot, and that if any changes are made to a project's remaining life in future Commission Orders, those changes will be reflected in future RES Rider filings.⁶⁷

L. INTERNAL LABOR REMOVAL

The Company stated that it has excluded internal labor costs from the renewable energy projects included in this filing.⁶⁸

M. INCREMENTAL COSTS

The Commission allows the Company to recover only incremental costs, not recovered elsewhere, through the RES Rider.⁶⁹ The Company stated its 2024 revenue requirements only include incremental costs not recovered elsewhere in rates.⁷⁰ The Department reviewed Xcel's rider revenue requirements and agrees with Xcel that it is not double recovering costs of renewable projects.

⁶² Petition at 19.

⁶³ *In the Matter of Northern States Power Company, d/b/a Xcel Energy's Petition for Approval of the 2022 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities (EGPS) & for Transmission, Distribution, and General Accounts (TDG) & Five-Year Transmission, Distribution, and General Depreciation Study*, Minnesota Public Utilities Commission, Order, January 9, 2024, Docket No. E,G002/D-22-299, (eDockets) [20241-202038-01](#).

⁶⁴ Petition at 19.

⁶⁵ *In the Matter of Northern States Power Company, d/b/a Xcel Energy's Petition for Approval of the 2023 Annual Review of Remaining Lives (ARL) and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities (EGPS) & for Transmission, Distribution, and General Accounts (TDG) & Five-Year Transmission, Distribution, and General Depreciation Study*, Docket No. E,G002/D-23-356, (eDockets) [20249-210074-03](#).

⁶⁶ Petition at 19.

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ *In the Matter of a Petition by Northern States Power Company d/b/a Xcel Energy to Establish a Renewable Energy Standard Cost Recovery Rider and for Approval of 2008 Adjustment Factor*, Minnesota Public Utilities Commission, Order, March 20, 2008, Docket No. E002/M-07-872, (eDockets) [5017717](#).

⁷⁰ Petition at 19.

N. FACTOR CALCULATION

The Company's past RES Rider Dockets allocated costs using the percentage of revenue methodology to determine the percentage factor based on the quotient of the RES Rider cost over the base revenues without fuel, riders, and taxes. The Company applied the percentage to existing base revenues. The Company proposes the same method in this RES Rider Petition.⁷¹ The Company calculated the proposed RES Rider rate factor to collect its proposed 2026 net revenue requirements over 12 months, beginning on January 1, 2026.⁷² The Department concludes this methodology continues to be reasonable.

IV. DEPARTMENT RECOMMENDATIONS

The Department recommends the Commission:

- Approve the one new project, Sherco West BESS be included in this and future RES Rider recovery cost calculations.
- Approve the Company's RES Rider revenue requirements for 2026 after excluding the \$3.2 million in costs that are over the cap for the Sherco Solar 1 and 2 projects. The Department recommends the Company provide updated 2026 revenue requirements and RES Rider rate factor that excludes the \$3.2 million in costs in reply comments.

⁷¹ Petition at 14.

⁷² Petition at 20.

CERTIFICATE OF SERVICE

I, Nicole Westling, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Comments**

Docket No. E002/M-25-400

Dated this **26th** day of **December 2025**

/s/Nicole Westling

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Sasha	Bergman	sasha.bergman@state.mn.us		Public Utilities Commission	121 7th Pl E Ste 350 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-400
2	Matthew	Brodin	mbrodin@allete.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	M-25-400
3	Mike	Bull	mike.bull@state.mn.us		Public Utilities Commission	121 7th Place East, Suite 350 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-400
4	John	Coffman	john@johncoffman.net	AARP		871 Tuxedo Blvd. St, Louis MO, 63119-2044 United States	Electronic Service		No	M-25-400
5	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	M-25-400
6	Riley	Conlin	riley.conlin@xcelenergy.com	Northern States Power Company dba Xcel Energy-Elec		414 Nicollet Mall, 401 8th Floor Minneapolis MN, 55401 United States	Electronic Service		No	M-25-400
7	George	Crocker	gwillc@nawo.org	North American Water Office		5093 Keats Avenue Lake Elmo MN, 55042 United States	Electronic Service		No	M-25-400
8	Christopher	Droske	christopher.droske@minneapolismn.gov	Northern States Power Company dba Xcel Energy-Elec		661 5th Ave N Minneapolis MN, 55405 United States	Electronic Service		No	M-25-400
9	John	Farrell	jfarrell@ilsr.org	Institute for Local Self-Reliance		2720 E. 22nd St Institute for Local Self-Reliance Minneapolis MN, 55406 United States	Electronic Service		No	M-25-400
10	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	M-25-400
11	Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association		4300 220th St W Farmington MN, 55024 United States	Electronic Service		No	M-25-400

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12	Michael	Hoppe	lu23@ibew23.org	Local Union 23, I.B.E.W.		445 Etna Street Ste. 61 St. Paul MN, 55106 United States	Electronic Service		No	M-25-400
13	Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law		2950 Yellowtail Ave. Marathon FL, 33050 United States	Electronic Service		No	M-25-400
14	Richard	Johnson	rick.johnson@lawmoss.com	Moss & Barnett		150 S. 5th Street Suite 1200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400
15	Sarah	Johnson Phillips	sjphillips@stoel.com	Stoel Rives LLP		33 South Sixth Street Suite 4200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400
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18	Christine	Marquis	regulatory.records@xcelenergy.com	Xcel Energy		414 Nicollet Mall MN1180-07-MCA Minneapolis MN, 55401 United States	Electronic Service		Yes	M-25-400
19	Stacy	Miller	stacy.miller@minneapolismn.gov	City of Minneapolis		350 S. 5th Street Room M 301 Minneapolis MN, 55415 United States	Electronic Service		No	M-25-400
20	David	Moeller	dmoeller@allete.com	Minnesota Power			Electronic Service		No	M-25-400
21	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400
22	David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency		220 South Sixth Street Suite 1300 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400

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23	Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office		1110 West Avenue Red Wing MN, 55066 United States	Electronic Service		No	M-25-400
24	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	M-25-400
25	Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy		26 E Exchange St, Ste 206 St. Paul MN, 55101-1667 United States	Electronic Service		No	M-25-400
26	Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.		76 W Kellogg Blvd St. Paul MN, 55102 United States	Electronic Service		No	M-25-400
27	Byron E.	Starns	byron.starns@stinson.com	STINSON LLP		50 S 6th St Ste 2600 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400
28	Carla	Vita	carla.vita@state.mn.us	MN DEED		Great Northern Building 12th Floor 180 East Fifth Street St. Paul MN, 55101 United States	Electronic Service		No	M-25-400
29	Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine		225 South Sixth Street, Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400
30	Kurt	Zimmerman	kwz@ibew160.org	Local Union #160, IBEW		2909 Anthony Ln St Anthony Village MN, 55418-3238 United States	Electronic Service		No	M-25-400
31	Patrick	Zomer	pat.zomer@lawmoss.com	Moss & Barnett PA		150 S 5th St #1200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-400