

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

Katie Sieben	Chair
Joseph K. Sullivan	Vice Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

In the Matter of Xcel Energy’s 2025
Integrated Distribution Plan

DOCKET NO. E-002/M-25-142

**INITIAL COMMENTS OF THE OFFICE
OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION**

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits these brief initial comments in response to the Public Utilities Commission’s Notice of Comment Period issued on November 13, 2025, regarding Xcel’s Proactive Upgrade Proposal (PUP). The OAG does not currently take a position on whether Xcel’s PUP should be approved, modified, or rejected, but may do so after reviewing the analysis of other commenters. If the Commission approves the PUP, however, the OAG wants to make the Commission aware of certain cost-allocation and cost-share fee implications of Xcel’s proposal that may need to be modified following decisions on Phase 2 of the proactive grid upgrade workgroup.

In the order establishing the framework for proactive distribution grid upgrades, the Commission provisionally ordered that the cost-share fee be used to offset revenue requirement, on the basis that it would enable faster implementation of the framework.¹ However, the Commission also wrote that the issue “warrants additional discussion” and encouraged workgroup participants “to continue discussing this issue in the second phase of this framework development

¹ *In re Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy*, Docket No. E-002/CI-24-318, Order Establishing Framework for Proactive Distribution Grid Upgrades at 9 (Sept. 2, 2025) [hereinafter Order].

process.”² Those discussions are ongoing and the issue will return to the Commission for its consideration and final determination.

In its proposal, Xcel estimates the initial Proactive Cost-Share Fee at \$266/kW, which Xcel finds by dividing the estimated capital cost of the project (\$3.7 million) by the rated capacity added by the upgrade (13.9 MVA).³ This seems to comply with the Commission’s order that the fee “shall be the total cost of all approved Proactive Distribution Upgrades divided by the total kWac of capacity added by all approved Proactive Distribution Upgrades.”⁴ Yet, Xcel’s method may or may not be the most appropriate way to calculate the fee, depending on whether the fee offsets the upgrade rate base or the revenue requirement.

If the cost-share fee is used to offset the upgrade’s rate base, then Xcel’s calculation—using the capital cost of the project—is appropriate. The \$266/kW fee would be removed from the rate base, and ratepayers would not pay for the capital or the related return. But if the cost-share fee is used to offset the revenue requirement, it would be more appropriate to calculate the fee using the total lifetime revenue requirement of the project. In this way, ratepayers would be “made whole,” relative to the scenario in which the fee offsets the rate base. For this project, Xcel estimates the net present value of the revenue requirement at around \$4.831 million over the life of the asset, using the currently approved rate of return,⁵ resulting in a fee of around \$348/kW.

While these two approaches provide similar total offset value to ratepayers, they have different implications for proactive cost-share fee payers. In the scenario where the fee offsets the

² *Id.*

³ Docket Nos. E-002/M-25-142 & E-002/CI-24-318, Xcel’s Proactive Grid Upgrade Proposal at 22 (Oct. 31, 2025) [hereinafter Proposal].

⁴ *In the Matter of a Commission Inquiry into a Framework for Proactive Distribution Grid Upgrades and Cost Allocation for Xcel Energy*, Docket No. E-002/CI-24-318, Order Establishing Framework for Proactive Distribution Grid Upgrades at 9 (Sept. 2, 2025) [hereinafter Order].

⁵ Proposal at 11.

rate base, proactive cost share customers pay a significantly lower fee, and Xcel would not earn a return on those assets that are not included in the rate base. In the scenario where the fee offsets the revenue requirement, proactive cost share customers pay a higher fee, which is essentially used to cover Xcel's rate of return on the portion of the project that is in the rate base.

In sum, the cost share fee calculation should be calculated in a way that matches the offset method. If fees are used to offset the revenue requirement, then the total upgrade cost should equal the lifetime revenue requirement of the project. If fees offset the project's rate base, then the total upgrade cost should equal the capital cost of the project. As noted, these two scenarios keep ratepayers whole but have different distributional implications for fee payers and for the Company.

The OAG looks forward to reviewing the analysis of other commenters and may offer further comments or analysis in response.

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Respectfully submitted,

KEITH ELLISON
State of Minnesota
Attorney General

/s/ Helen Scharber

HELEN SCHARBER
Financial Analyst

/s/ Katherine Hinderlie

KATHERINE HINDERLIE
Assistant Attorney General
Atty. Reg. No. 0397325

445 Minnesota Street, Suite 600
St. Paul, Minnesota 55101-2125
(651) 757-1468 (Voice)
(651) 296-9663 (Fax)
katherine.hinderlie@ag.state.mn.us

MINNESOTA OFFICE OF THE
ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION