

September 29, 2025

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

RE: Comments of the Minnesota Department of Commerce
Docket No. E,G002/AI-25-245

Dear Ms. Bergman:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

*In the Matter of Northern States Power Company's 2025 Annual Filing
Regarding its Administrative Service Agreement with Xcel Energy Services
Inc.*

The Petition was filed by Northern States Power Company d/b/a Xcel Energy (Xcel or Company) on May 30, 2025.

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

Sincerely,

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

CA/MJ/ad
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E,G002/AI-25-245

I. INTRODUCTION

On May 30, 2025, Xcel filed its 2025 annual Administrative Service Agreement (Service Agreement) filing (Petition)¹ pursuant to the Commission's November 20, 2014 Order in Docket No. E,G002/AI-14-234; Order point 2 states the following:

Xcel shall submit an annual filing for review and approval of any proposed revisions to the Service Agreement language that would reflect changes to its allocation methodology under the normal course of business. In the case of a large and material change such as the creation of a new subsidiary, changes to the Service Agreement must be made within 30 days of the amendment.

Xcel requests that the Commission (1) accept this filing as being in compliance with the November 20, 2014 Order in Docket No. E,G002/AI-14-234 and (2) approve the Company's modified Service Agreement with Xcel Energy Services, Inc. (XES or Service Company), effective on the date of the Commission's order in this matter. This Service Agreement governs the cost allocations and other terms under which XES provides goods and services to Xcel.

II. PROCEDURAL BACKGROUND

April 26, 2001	The Commission approved Xcel's initial Service Agreement in Docket No. E,G002/AI-00-1251.
August 20, 2004	The Commission approved changes to the three-factor formula used to distribute costs related to corporate governance activities in Docket No. E,G002/AI-04-181
October 22, 2004.	The Commission approved new allocation ratios to allocate information technology costs in Docket No. E,G002/AI-04-666.
January 29, 2009	The Commission approved changes that accommodate the repeal of the Federal Public Utility Holding Company Act of 1935 in Docket No. E,G002/AI-08-760

¹ In the Matter of Northern States Power Company's 2025 Annual Filing Regarding its Service Agreement with Xcel Energy Services Inc., May 30, 2025, Docket No. E.002/AI-25-245, (eDocket) [20255-219394-01](#)

November 20, 2014	The Commission approved allocation changes that Xcel implemented in prior years without informing the Commission in Docket No. E,G002/AI-14-234. The approved changes maintain cost-causative allocation methods, and the Commission required the Company to submit annual Service Agreement filings in order to regularly review cost allocations and propose changes.
November 19, 2015	The Commission accepted this first required annual Service Agreement filing and, through two separate orders under the same docket, approved various changes in allocation methods in Docket No. E,G002/AI-15-536.
2016-2019	Xcel submitted subsequent annual filings each year from 2016 through 2019, none of which proposed revisions to the Service Agreement, and all of which the Commission accepted as complying with the requirements in the November 20, 2014 Order in Docket No. E,G002/AI-14-234. ²
March 17, 2021	The Commission approved Xcel's revised Administrative Service Agreement with XES (Fifth Amendment) in Docket No. E,G002/AI-20-514, which included three major changes: Risk Area Realignment; Addition of Total Assets Ratio including Xcel Energy Inc.'s Per Book Assets Definition; and Addition of New Allocation Method for AMI.
2021-2024	Xcel submitted subsequent annual filings each year from 2021 through 2024, none of which proposed revisions to the Service Agreement. ³
May 30, 2025	Xcel submitted the instant Petition requesting that the Commission accept this filing in compliance with its November 20, 2014 Order in Docket No. E,G002/AI-14-234, and approve the Sixth Amendment to the Service Agreement between the Company and XES.

III. DEPARTMENT ANALYSIS

A. STATUTORY REQUIREMENTS FOR AFFILIATED-INTEREST AGREEMENTS

[Minnesota Statutes, §216B.48](#) governs certain aspects of the relationships between regulated utilities and their affiliated interests. Applicable to the Department's review of Xcel's proposed Service Agreement modifications, [Minnesota Statutes, §216B.48, Subdivision 3](#) states, in part, the following:

No contract or arrangement, including any general or continuing arrangement, providing for the furnishing of management, supervisory, construction, engineering, accounting, legal, financial, or similar services, and no contract or arrangement for the purchase, sale, lease, or exchange of any property, right, or thing, or for the furnishing of any service, property, right, or thing ...

² Docket Nos. E,G002/AI-16-489, E,G002/AI-17-456, E,G002/AI-18-362, and E,G002/AI-19-371.

³ Docket Nos. E,G002/AI-21-356, E,G002/AI-22-259, E,G002/AI-23-216, and E,G002/AI-24-203.

between a public utility and any affiliated interest ... or any arrangement between a public utility and an affiliated interest ... is valid or effective unless and until the contract or arrangement has received the written approval of the commission [emphasis added].

The commission shall approve the contract or arrangement made or entered into after that date only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest ... **The burden of proof to establish the reasonableness of the contract or arrangement is on the public utility** [emphasis added].

Consistent with Minnesota Statutes, §216B.48, Subdivision 3, the Department notes that Xcel's proposed revised Service Agreement is not valid until the Commission approves it. The Department's evaluation of the information provided to date is discussed more thoroughly later in the current Comments.

B. MINNESOTA RULE 7825.2200

[Minnesota Rule 7825.2200](#) provides guidelines for utility-affiliated interest filings. Consistent with the requirements of [Minnesota Rule 7825.2200, Subpart B](#), (1) – (5), Xcel provided the following information relevant to its Service Agreement:

- (1) On page 1 of the Petition Attachment A, the Company describes the Service Agreement as governing the terms by which XES provides services to Xcel.
- (2) Attachments B and D of the Petition show a clean version, and Attachments C and E provide a redlined version of the proposed amended Service Agreement.
- (3) Pages 1 – 4 of the Petition Attachment A in the Company's initial filing summarize the history of the Service Agreement between Xcel (the petitioner) and XES (the affiliated interest).
- (4) On page 3 of the Petition, Xcel stated that "The proposed changes to the Service Agreement are in the public interest because they serve to allocate Wildfire Mitigation Costs, an emergent service function for the Company, in the most cost-causative manner. This is consistent with the Commission's guidance and our cost allocation principles."
- (5) The competitive bidding requirement discussed in Minnesota Rule 7825.2200, Subpart B, (5), is not applicable to Xcel's Service Agreement, because, according to Xcel: "No readily available market exists to perform the services provided by the Service Company on behalf of the Company."⁴

⁴ Petition, Attachment A, p. 5.

The Department concludes that Xcel's Petition, in combination with its response to the Department's information requests in this docket, generally meets the requirements outlined in Minnesota Rule 7825.2200, Subpart B, (1) – (5), as applicable. However, as discussed in more detail later in the current Comments, the Department requests Xcel modify its proposed allocations for Wildfire Mitigation to be more cost-causative, which the Department considers to be reasonable and in the public interest.

C. XCEL'S PROPOSED REVISIONS TO ITS ADMINISTRATIVE SERVICE AGREEMENT

Xcel stated that its "...overall philosophy regarding costs for all products and services is to record them in a consistent, equitable manner to ensure the costs are recovered from the customers of the entity responsible for incurring the costs."⁵ The Company further explained that its Administrative Service Agreement represents a specific subset of the cost allocation principles provided for in Xcel's Cost Allocation and Assignment Manual (CAAM). The Department reviews and makes recommendations, and the Commission approves the Company's CAAM in general rate case proceedings and the Xcel-XES Service Agreement in required annual filings.⁶ The following sections discuss each major Service Agreement revision or category of revisions proposed in the Petition.

C.1. Proposed Wildfire Mitigation Service Function and Allocator.

In the current Petition, the Company proposes to add a Wildfire Mitigation service function to support wildfire planning and mitigation across Xcel operating states, and to allocate the indirect costs for this function using the Total Plant Ratio (TPR) for electric transmission and distribution plants⁷, which is already used for other functions.⁸

The Department agrees it is reasonable to incorporate Wildfire Mitigation service as an emerging, cross-functional risk into the Service Agreement for transparency and oversight. However, the Department is concerned that the TPR allocation method may not appropriately reflect the underlying drivers of Wildfire Mitigation activities and has requested Xcel to explain. In response, the Company asserted that gross plant value serves as a proxy for geographic footprint subject to wildfire risk; therefore, TPR is the most cost-causative allocation methodology for Wildfire Mitigation indirect costs.⁹

Based on the Department's analysis, a TPR allocator would spread Wildfire Mitigation indirect costs to each operating company based purely on its share of Xcel's total plant investment for electric transmission and distribution plants. Using TPR assumes that wildfire risks per dollar of plant are equal across all of Xcel's operating companies and different jurisdictions. In reality, Wildfire Mitigation costs vary greatly by region, influenced by local factors such as drought, terrain, and vegetation. In other words, the primary driver of Wildfire Mitigation costs is concentrated in high-risk jurisdictions, rather than being spread evenly across all areas where Xcel owns utility facilities.

⁵ Petition, p. 3.

⁶ Petition, p. 4.

⁷ Petition, Attachment D, p. 13-18, and Xcel's Response to DOC IR 1, see DOC Attachment 1.

⁸ Petition, p. 7.

⁹ Xcel's Response to DOC IR 1, see DOC Attachment 1.

As detailed in the Department's Direct Testimony of Mark A. Johnson in Xcel's ongoing electric rate case (Docket No. E002/GR-24-320, Section XI, filed August 22, 2025)¹⁰, the Company has not demonstrated that TPR is the most cost-causative methodology for these allocations. The Department noted that Xcel declined to provide calculations of alternative allocators' impacts by using direct Wildfire Mitigation costs as the basis for indirect allocations, and as a result, recommended full removal of wildfire allocations from XES to NSP-Minnesota (\$3.3 million in 2025 and \$4.3 million in 2026 on a Minnesota jurisdictional basis) due to insufficient justification and potential cross-subsidization. When risk is concentrated in certain regions, a broad allocator like TPR masks the true cost drivers and forces customers in low-risk areas to subsidize the indirect costs of Wildfire Mitigation for high-risk areas. This violates the fundamental cost-causation principle in ratemaking, which holds that costs should be assigned to those who cause them or benefit from them. For this reason, the Department finds allocating Wildfire Mitigation indirect costs using TPR is not the most cost-causative method and concludes that the Company has not met its burden to show that TPR is the most cost-causative allocator for Wildfire Mitigation indirect costs.

The Department therefore recommends that Xcel allocate Wildfire Mitigation indirect costs based on each jurisdiction's direct Wildfire Mitigation expenditures, consistent with the Department's recommendation in the current Xcel rate case as discussed above. This approach would better reflect cost causation by tying indirect costs to actual risk and activity levels, and it prevents charging customers for costs that do not benefit them.

C.2. Miscellaneous Changes

The Company proposes several miscellaneous language changes throughout the Service Agreement in this Petition.¹¹ Based on our review, the Department concludes that Xcel's proposed miscellaneous changes to the Service Agreement, except for the Wildfire Mitigation indirect cost allocation methodology discussed above, are reasonable.

D. COMMISSION'S ONGOING AUTHORITY OVER XCEL'S SERVICE AGREEMENT

The Department notes that the Commission has continuing authority to determine for ratemaking purposes the reasonableness of Xcel's Service Agreement cost allocations:

In any proceeding, whether upon the commission's own motion or upon application or complaint, involving the rates or practices of any public utility, the commission may exclude from the accounts of the public utility any payment or compensation to an affiliated interest for any services rendered or property or service furnished...under existing contracts or arrangements with the

¹⁰ In the Matter of the Application by Northern States Power Company, doing business as Xcel Energy, for Authority to Increase Electric Rates in Minnesota, DIRECT TESTIMONY AND ATTACHMENTS OF MARK A. JOHNSON ON BEHALF OF THE MINNESOTA DEPARTMENT OF COMMERCE, FINANCIAL ISSUES, August 22, 2025, Docket No. E002/GR-24-320, eDocket [20258-222345-07](#)

¹¹ Petition, Attachment E.

affiliated interest unless the public utility shall establish the reasonableness of the payment or compensation.¹²

IV. DEPARTMENT RECOMMENDATIONS

Based on our review and analysis, the Department recommends that the Commission approve Xcel's revised Administrative Service Agreement with XES, with the modification requiring Xcel to allocate Wildfire Mitigation indirect costs based on Wildfire Mitigation direct costs instead of using the Total Plant Ratio of electric transmission and distribution plants.

The Department understands that the allocations proposed in this docket are consistent with those that are used in the Company's current rate case (Docket No. E002/GR-24-320). Consequently, any changes ordered by the Commission would have an impact on the rate case proceeding. Therefore, the Department recommends that the Commission require Xcel to provide the financial impact for the Wildfire Mitigation service function, for the 2025 and 2026 test years, of any allocation changes to those Xcel is proposing in this docket that are approved by the Commission.

¹² [Minnesota Statutes §216B.48, Subdivision 5.](#)

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☐ Public Document – Not-Public Data Has Been Excised
☒ Public Document

Xcel Energy	Information Request No.	1
Docket No.:	E,G002/AI-25-245	
Response To:	Minnesota Department of Commerce	
Requestor:	Cuong Ngo, Mark Johnson	
Date Received:	June 10, 2025	

Question:

Topic: Wildfire Mitigation Costs.

Reference(s): Petition.

- Please explain why allocating Wildfire Mitigation costs using the Total Plant Ratio is the most cost-causative allocation method for indirect costs.
- Please provide an example showing the direct assignment of wildfire mitigation costs for Wisconsin, Minnesota, North Dakota, and South Dakota.
- What are the expected percentages of direct and indirect wildfire costs?

Response:

- a. Allocating Wildfire Mitigation costs using the Total Plant Ratio (specifically the subset total electric transmission plant and electric distribution plant) is the most cost-causative allocation methodology for Wildfire Mitigation indirect costs. The gross plant value of electric transmission and distribution plant, as reflected in the Total Plant Ratio, can effectively serve as a proxy for the geographic footprint of our system that may be subject to potential wildfire risk.
- b. Wildfire Mitigation activities and tools include situational awareness tools and resources, system resiliency work, operational mitigations and customer support. When these efforts are related to one specific jurisdiction (i.e., situational analysis for a specific region within Minnesota), the charges will be directly charged to that corresponding jurisdiction.
- c. Wildfire Mitigation costs in the 2026 forecast for NSPM are estimated to be about 70 percent from direct assigned costs and about 30 percent from indirect allocated costs.

Preparer: Kent Kopel
Title: Manager, General Accounting
Department: Services Company Accounting and Cash Processes
Telephone: (612) 342-8904
Date: June 19, 2025

CERTIFICATE OF SERVICE

I, Sharon Ferguson, 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. E, G002/AI-25-245

Dated this **29th** day of **September 2025**

/s/Sharon Ferguson

#	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		Electronic Service		No	AI-25-245
2	Matthew	Brodin	mbrodin@allete.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	AI-25-245
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	AI-25-245
4	James	Canaday	james.canaday@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	Suite 1400 445 Minnesota St. St. Paul MN, 55101 United States	Electronic Service		No	AI-25-245
5	John	Coffman	john@johncoffman.net	AARP		871 Tuxedo Blvd. St. Louis MO, 63119-2044 United States	Electronic Service		No	AI-25-245
6	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	AI-25-245
7	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	AI-25-245
8	George	Crocker	gwillc@nawo.org	North American Water Office		5093 Keats Avenue Lake Elmo MN, 55042 United States	Electronic Service		No	AI-25-245
9	Ian M.	Dobson	ian.m.dobson@xcelenergy.com	Xcel Energy		414 Nicollet Mall, 401-8 Minneapolis MN, 55401 United States	Electronic Service		No	AI-25-245
10	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	AI-25-245
11	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	AI-25-245
12	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	AI-25-245
13	Edward	Garvey	garveyed@aol.com	Residence		32 Lawton St Saint Paul MN, 55102 United States	Electronic Service		No	AI-25-245
14	Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP		Suite 1750 220 South Sixth Street	Electronic Service		No	AI-25-245

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27	David	Moeller	dmoeller@allete.com	Minnesota Power			Electronic Service		No	AI-25-245
28	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245
29	David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency		220 South Sixth Street Suite 1300 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245
30	Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office		1110 West Avenue Red Wing MN, 55066 United States	Electronic Service		No	AI-25-245
31	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	AI-25-245
32	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	AI-25-245
33	Peter	Scholtz	peter.scholtz@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	Suite 1400 445 Minnesota Street St. Paul MN, 55101-2131 United States	Electronic Service		No	AI-25-245
34	Joshua	Smith	joshua.smith@sierraclub.org			85 Second St FL 2 San Francisco CA, 94105 United States	Electronic Service		No	AI-25-245
35	Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.		76 W Kellogg Blvd St. Paul MN, 55102 United States	Electronic Service		No	AI-25-245
36	Beth	Soholt	bsoholt@cleangridalliance.org	Clean Grid Alliance		570 Asbury Street Suite 201 St. Paul MN, 55104 United States	Electronic Service		No	AI-25-245
37	Byron E.	Starns	byron.starns@stinson.com	STINSON LLP		50 S 6th St Ste 2600 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245
38	James M	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered		150 S 5th St Ste 700 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245
39	Carla	Vita	carla.vita@state.mn.us	MN DEED		Great Northern Building 12th Floor 180 East Fifth Street St. Paul MN,	Electronic Service		No	AI-25-245

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
						55101 United States				
40	Nicole	Westling	nicole.westling@state.mn.us		Department of Commerce	85 7th Place E Suite 280 St Paul MN, 55001 United States	Electronic Service		No	AI-25-245
41	Joseph	Windler	jwindler@winthrop.com	Winthrop & Weinstine		225 South Sixth Street, Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245
42	Kurt	Zimmerman	kwz@ibew160.org	Local Union #160, IBEW		2909 Anthony Ln St Anthony Village MN, 55418-3238 United States	Electronic Service		No	AI-25-245
43	Patrick	Zomer	pat.zomer@lawmoss.com	Moss & Barnett PA		150 S 5th St #1200 Minneapolis MN, 55402 United States	Electronic Service		No	AI-25-245