

Staff Briefing Papers

Meeting Date January 29, 2026

Agenda Item **3

Company Northern States Power Co. d/b/a Xcel Energy

Docket No. E002/CI-23-335, E002/M-13-867

In the Matter of Implementation of 2023 Legislative Changes to Northern States Power Co. d/b/a Xcel's Energy's Community Solar Garden Program

Issues Should the Commission approve Xcel Energy's request to increase the participation Fee for the Legacy CSG program and the LMI CSG program beginning in February 2026? Is the current application fee for the LMI CSG program reasonable for Xcel Energy to recover actual costs?

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✓ Relevant Documents

Date

Xcel Petition	December 19, 2024
PUC Notice of Comment Period	April 4, 2025
Xcel Response	May 5, 2025
Department of Commerce Comments	June 20, 2025
Nokomis Energy Comments	June 20, 2025
Coalition for Community Solar Access	June 20, 2025
MnSEIA	June 20, 2025
Xcel Comments	June 20, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

✓ **Relevant Documents**

Request for Extension MnSEIA, Nokomis, CCSA
MnSEIA Information Requests to Xcel Energy
Xcel Responses to MnSEIA Information Requests
Joint Solar Associations Reply Comments
Department of Commerce Reply Comments

Date

June 25, 2025
July 23, 2025
July 23, 2025
July 31, 2025
July 31, 2025

BACKGROUND

On May 24, 2023, the Legislature amended Minn. Stat. § 216B.1641, ending the existing Community Solar Garden (CSG) program (legacy program), and adding a new, non-legacy CSG program with different requirements. The amended statute directs the Department of Commerce (Department) to open and administer a new CSG program beginning January 1, 2024.

On December 28, 2023, the Commission issued its Order on the matter. The Commission's Order, in part, addressed the application fee as well as the annual participation fee, assessed to program participants by Xcel Energy. Order Points 3 and 4 stated:

3. Xcel may assess an annual participation fee of \$500 per megawatt for CSGs in the Legacy and LMI-Accessible CSG Programs.¹

4. To recover its actual cost related to implementing the LMI-Accessible CSG Program, Xcel may assess an application fee at a rate of \$4,125 per MW for CSGs in the LMI Accessible Program, with opportunity for refund following a comment period. The Commission delegates authority to its Executive Secretary to open a comment period on the application fee.²

The Application Fee recovers the costs of upfront investment in the Application Portal and the Company's billing system to support LMI-CSG Program applications and subscriber billing by assessing an Application Fee to LMI-CSG applicants of \$4,125 per MW, pro-rated for projects under 1 MW. The Participation Fee applies to both LMI and Legacy projects and is assessed per megawatt, however, LMI-CSG Program applications have a maximum allowable 5 MW, whereas most Legacy Program applications were maximum allowable 1 MW.³

On December 19, 2024, Xcel Energy filed a Petition with the Commission requesting an increase to the participation fee to "better align with the ongoing costs of the program."⁴ The 2023 Minnesota Legislation in Chapter 60, Article 10, Section 2, Subd. 2(y) provided a new assessment for program administration by the Department of Commerce (Department). Under this law, in 2024 and 2025 the amount of \$961,000 each year is to be assessed by the Department on Xcel Energy to cover Department activities required under Minn. Stat. §216B.1641. Xcel requested approval to increase the participation fee to reflect this additional assessment and recover this administrative cost. In addition, Xcel proposed updating administration costs for managing subscribers as reflected in the Petition. This proposed

¹ Commission Order, December 28, 2023, Page 23.

² Id at 24.

³ [Staff Briefing Papers, November 9, 2023, page 14.](#)

⁴ Xcel Petition, page 1.

change allows the Company to continue to utilize the participation fee to recover administrative costs associated with the Solar*Rewards Community and LMI CSG programs from CSG developers rather than assessing them to all Xcel Energy customers.⁵

The Company in its original petition requested to increase costs from \$500 per MW to \$800 per MW prorated by project size, to be applied beginning in February 2026. However, in Xcel's reply comments of June 20, 2025, the Company increased this request from \$800 per MW to \$1200 per MW. The Company is also requesting the Commission establish a future process of updating the participation fee through a motion filed in the above-referenced dockets at least every two years.

On April 4, 2025, the Commission sought comment from Xcel and interested parties through Notice on the actions the Commission should take regarding Xcel's request to increase participation fees for the Legacy CSG program and the LMI CSG program beginning in February 2026. The Notice included the following topics:

For Xcel Energy:

- Provide information relevant to the Commission's assessment of the current \$4,125 per MW application fee, including but not limited to:
 - o Total revenues received through the fee
 - o Total actual costs incurred by Xcel Energy to upgrade its computer systems to accommodate the LMI-Accessible CSG Program
 - o A modified fee amount based on current and projected costs if the current fee amount is unreasonable, and
 - o If warranted, potential refunds to participants as contemplated in the Commission's December 28, 2023 Order.

For initial and reply comments:

- Should the Commission approve Xcel Energy's request to increase the annual participation fee for the Legacy CSG program and the LMI CSG program from \$500 per MW to \$800 per MW prorated by project size, to be applied beginning in February 2026, for recovery of program costs assessed by the Department of Commerce?
- Should the Commission approve a future process of updating the annual participation fee at least every two years through a motion filed in the above referenced dockets?
- Is the initially determined application fee for the LMI CSG program of \$4,125 per MW reasonable for Xcel Energy to assess to recover actual costs?
- If not, is a refund necessary to cover the over collection of the LMI CSG application fees?
- Are there other issues or concerns related to this matter?

On May 5, 2025 Xcel filed its response to the Commission Notice.

⁵ Id at 2.

On June 20, 2025, initial comments were filed by the Department, Minnesota Energy Industries Association (MnSEIA), Nokomis Energy (Nokomis), Coalition for Community Solar Access (CCSA), and Xcel Energy. MnSEIA filed Xcel's Information Request responses on July 23, 2025. Joint Solar Associations (MnSEIA and CCSA), the Department and Xcel Energy filed reply comments on July 31, 2025.

DISCUSSION

Application Fee

The Commission's December 28, 2023 Order (December Order) approved the current application fee amount of \$4,125 per MW. Xcel began to assess this fee in late 2024 and continues to do so to recover the additional costs for the functionality built specifically for LMI CSG Subscriber organizations to allow bill credits to be issued for LMI CSGs, including the use of consolidated billing.

Xcel reported the approximate \$600,000 difference between the original estimate and the actual costs is mainly due to accelerating the timeframe for consolidated billing implementation from the requested January 2026 date to January 2025. The shortened timeline required additional resources and staff to conduct the expedited work necessary for implementation.⁶

Xcel is not suggesting a change in the application fee at this time.⁷ If the LMI Accessible CSG program continues to grow as allowed by statute an additional 520 MW of projects (if the program continues through 2033) would be assessed the Application Fee. At this pace, Xcel would receive an additional \$2,887,500 over the total 10-year period used to estimate cost recovery through the application fee without over-recovering by the Company.⁸

Table 1: Combined (Non-O&M) Actual Costs and Revenues for Application to LMI CSGs⁹

Total Incurred Costs	\$3,789,335
Total Application Revenue (Nov. 2024-April 2025)	\$ 335,669
Future Recovery Anticipated (May 2025-Dec. 2033)	\$2,887,500
Anticipated Shortfall in Recovery	\$ 556,266

All parties agree the Application Fee is not to be increased at this time. **(Decision Option 1)**

⁶ Xcel Initial Comments, page 4.

⁷ Xcel Initial Comments, Page 3.

⁸ Department Initial Comments, page 3.

⁹ Xcel Initial Comments, Page 5.

Nokomis worries “the dramatic differences between Xcel’s estimates and its actual costs. Whereas Xcel expected to spend \$800,000 on the application portal, this actually cost \$1,625,060, a difference of over 200%. Whereas Xcel expected \$2,200,000 for Integration of Systems, the actual cost was only \$553,802, barely 25% of the estimate. Whereas Xcel expected \$200,000 for consolidated billing, this actually cost \$1,610,473, an increase of over 800%. Xcel makes no attempt to explain these extraordinary differences, noting only that the overall increase from \$3,200,000 to \$3,789,335 was due to accelerating the timeframe for implementation.”¹⁰

Xcel reports the original estimate for this functionality was developed in August of 2023.

“The final requirements were defined through the regulatory timeline and completed after the Commission’s Order was issued in May of 2024. With over a year between the estimates and the limited timeframe to complete the project, the labor for the project increased as anticipated. Our billing system is now over 20-years old; as a result, the skills necessary to code adjustments into the antiquated software system are unique and specialized. These unique individuals had to be pulled out of other activities, put specifically on this project, and paid overtime in order to complete the work on time. We estimate that 90 percent of these charges are labor related with our software contractors, and the remaining was for software used for testing among other miscellaneous charges to the project to complete the work.”¹¹

Staff understands Xcel made estimates for these costs based on the information they had at the time of approximation.

Participation Fee

The Company opened its portal for consolidated billing to LMI Subscriber organizations beginning in December 2024. The implementation process has taken several months as Subscriber organizations began to learn the system and provide details necessary to utilize consolidated billing. The first consolidated bill went to customers in March of 2025 and Subscriber organizations began receiving direct payments in April of 2025. Xcel reports there are currently over 500 customers opting into consolidated billing for ten active CSGs with six Subscriber organizations are choosing this option. Xcel anticipates additional subscriber organizations opting into consolidate billing as the process becomes more refined.¹²

Xcel provided the following break down of actual and forecasted costs in Attachment A of the

¹⁰ Nokomis Comments, page 2.

¹¹ Xcel Reply Comments, page 3.

¹² Xcel Initial Comments, page 2.

June 20, 2025 reply comments.

Table 2: Data as of April 2025 with 2024 Actual Including Additional Department Fees¹³

	Participation Fees					
	2024	2025	2026	2027	2028	2029
<u>EXPENSES</u>	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
1. Beginning Balance	–	\$745,931	\$1,762,613	\$1,983,847	\$2,161,783	\$1,247,020
2. Participation Fee						
2a. Department	\$961,000	\$961,000	\$961,000	\$961,000		
2b. Annual Marketing	-	\$30,000	\$30,543	\$31,096	\$31,659	\$32,232
2c. IT/Billing Annual	\$27,384	\$250,000	\$203,620	\$210,584	\$217,786	\$225,234
2c. Salesforce Participation Fees	\$147,312	\$118,080	\$148,230	\$148,230	\$148,230	\$148,230
3. Subscriber Management	\$92,234	\$124,000	\$128,241	\$132,627	\$137,162	\$141,853
Total Expenses	\$1,227,931	\$1,483,080	\$1,471,634	\$1,483,536	\$534,837	\$547,549
<u>RECOVERY</u>						
4. Total Allocated MW (Legacy + AMI)	903	933	1042	1088	1208	1308
5. Participation Fee per MW	500	500	1200	1200	1200	1200
6. Total Collected (Lines 4 x 5)	\$482,000	\$466,398	\$1,250,400	\$1,305,600	\$1,449,600	\$1,569,600
End of Year Balance (Total Collected – Total Expenses)	\$745,931	\$1,762,613	\$1,983,847	\$2,161,783	\$1,247,020	\$224,969

Commenters noted the Xcel's drastic increase from the current \$500 per megawatt to the company's most recent request of \$1,200 per megawatt to be alarming due the lack of detail in the cost allocation, and the significant differences between actual and forecasted costs.

MnSEIA, Nokomis and CCSA all bring concerns of the \$961,000 Legislative Assessment being used to justify the requested \$800 per megawatt Participation Fee as requested in Xcel's initial comments to the \$1,200 per megawatt Participation Fee the company requested in its June 20, 2025 comments.

Nokomis states Xcel's proposal to increase the Participation Fee is "more accurately described as a request for the Commission to rewrite Legislation so Xcel can reallocate the Department of

¹³ Xcel Reply Comments, Attachment A.

Commerce's CSG Program costs, which the Legislature directed the Department to charge to Xcel."¹⁴ Nokomis also argues there is no legal basis to alter the legislation in this manner and Xcel is reallocating the Department of Commerce's CSG Program Costs, and has nothing to do with the Participation Fee.¹⁵

The Legislature created the LMI-CSG program, administered by the Department. The LMI-CSG program requires individual CSG owners to apply to the Department and submit annual reports to the Department. Nokomis states these actions would allow a moment in time for the Department to collect program fees from CSG owners. Nokomis argues that is not what the Legislature intended or directed. Rather the Legislature directed the Department to bill the Company directly. "If the state Legislature had wanted CSG owners to pay for the Department's program costs, they would have said so. Instead, they directed the Department to assess those costs to Xcel directly."¹⁶

MnSEIA stated "If the original \$500/MW participation fee included consideration of the annual amount transferred to Commerce, then continuing that annual transfer should not require a 120% increase in the participation fee."¹⁷

Commenters all expressed concern that Xcel Energy has not provided sufficient transparency or a robust cost breakdown to justify its proposed increase in the participation fee. CCSA states "While Xcel Energy claims that ongoing assessments and technology upgrades warrant the increase, the utility has not clearly demonstrated which costs are directly caused by Legacy or Low-to-Moderate Income (LMI) CSGs — a critical standard for cost recovery."¹⁸

The Department's spending for fiscal year 2025 is not yet finalized, but the Department anticipates total spending of about \$350,000.¹⁹

"Although the Department's historic spending is unlikely to be representative of the ongoing and future costs once the program is fully implemented, the Department's lower spending levels for fiscal years 2024 and 2025 should reduce the Company's participation fee calculation. Because Xcel proposes to recover its costs over five years, the Department's administrative costs account for a sizeable portion of the utility's total costs, and the Department's actual spending in 2024 and 2025 was lower than forecasted, the per megawatt fee needed to recover Xcel's costs over five years should be considerably lower. For these reasons, the Department recommends that the

¹⁴ Nokomis Comments, page 4.

¹⁵ Id. at 5.

¹⁶ Id.

¹⁷ MnSEIA comments, Page 2.

¹⁸ CCSA Comments, Page 2.

¹⁹ Department Comments, Page 2.

*Commission defer any decision on increasing Xcel's participation fee to \$1,200 per megawatt."*²⁰

Xcel replied to Nokomis and MnSEIA stating the increase in Participation Fee is necessary to cover the increased costs of the program. They specifically noted that "the fee amount differs by project size. For a 250-kW project the requested Participation Fee would be \$300, for a 1 MW project it would be \$1,200, and for a 5 MW project it would be \$6,000. Defining the fee proportionally by project size is helpful for community driven projects that are typically smaller in size, such as those on parking garages or rooftops."²¹ However, this is currently how the \$500 per megawatt is applied, the argument so all projects would be incurring increases regardless of the project size.

Future Process for Updating Participation Fee

Xcel asked the Commission to approve a future process of updating the participation fee at least every two years through a motion filed in the referenced dockets. The Department, MnSEIA and CCSA have agreed to this. **(Decision Option 6)**

In its initial comments, the Department stated it "If the Commission is amenable to updating the LMI CSG participation fee as requested by the Company during this comment period, it would be sensible to allow for a future process that permits Xcel to request an updated participation fee and for the Department to have the opportunity to assess this request, thereby encouraging transparency from the Company around their costs in managing this program."²² The Department continued this directive in its reply comments.

Staff Analysis

The original CSG program was launched in 2014, now called the Legacy CSG Program, Xcel was allowed to assess an annual participation fee for CSGs of \$300 per CSG. A May 2019 PUC order increased the participation fee to \$500 per CSG.²³ In 2023, when the LMI CSG program was launched, Xcel proposed to change the participation fee from a flat \$500 per CSG to \$500 per MW, for both the Legacy and LMI CSG programs, which the Commission approved in its December 23, 2023, Order.

²⁰ Department Reply Comments, Page 3.

²¹ Xcel Reply Comments, page 5.

²² Department Initial Comments, page 4.

²³ *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of its Proposed Community Solar Garden Program*, Dkt. 13-867, Dkt. 18-714, Dkt. 13-105, Dkt. 16-1022. PUC, ORDER APPROVING REVISED TARIFFS WITH MODIFICATIONS AND REQUIRING COMPLIANCE FILINGS (May 9, 2019)

On December 19, 2024, Xcel filed a petition under Minn. Stat. § 216B.16 requesting that the annual participation fee be increased again from \$500 to \$800 per MW. On June 20, 2025, Xcel submitted Reply Comments increasing its request from \$800 per MW to \$1,200 per MW.²⁴ This represents a 233 percent increase from its initial increase request, and a 240 percent total fee increase from the current annual fee.

Although Xcel argues that increased CSG costs which include the Legislative Assessment, Annual Marketing Costs, IT/Billing Annual Costs, Salesforce Participation Fees Costs, and Subscriber Management Costs all contribute the Company's request to increase the participation fee from \$500 to \$1200 per megawatt. (See Table 2) The Legislative Assessment should apply only to the LMI CSGs, but Xcel is asking for an increase in the participation fee across all CSGs. Additionally, Xcel provides no details regarding why IT/Billing costs continue to remain at such high levels after implementing Consolidated Billing and the LMI program.

Xcel states "Ongoing costs of IT system maintenance will become part of the full CSG budget and are anticipated to be recovered through the ongoing CSG participation fee." Staff understands initial implementation fees for new program and the consolidated billing would be expensive and require substantial IT/Billing costs. Xcel estimates that the costs associated with adjustments to consolidated billing, updates to the application system for CSGs, and subscribed management.²⁵ We question why updates to the application system would be billed as a participation fee and not the application fee, especially since those being charged would have been approved prior and have no applications in process.

Also, as the Department noted, the Legislative Assessment for 2025 was not near the \$961,000 as authorized by the Legislature. It seems preemptive to estimate the full amount for the next 2 years, given that in the two years of the LMI CSG program the administrative costs billed by the Department were not at level authorized by the Legislature. One could argue that the costs in the first year would be far more than additional years because complexity and time needed to build the CSG LMI application. Even the Department noted "historic spending is unlikely to be representative of the ongoing and future costs once the program is fully implemented, the Department's lower spending levels for fiscal years 2024 and 2025 should reduce the Company's participation fee calculation."²⁶

It is also unclear why the Legislative Assessment is being included into both Legacy and LMI participation fees. The Department of Commerce was not and is not involved in the management of Legacy CSGs. Xcel argues cost-causers should bear the cost, however, this seems misguided if the company is not only assigning the assessment to LMI CSGs. Staff believes it would be more appropriately be included into the Application Fee where the

²⁴ *In the Matter of Implementation of 2023 Legislative Changes to Xcel Energy's Community Solar Garden Program*, Dkt. 23-335, Xcel Energy, REPLY COMMENTS (June 20, 2025).

²⁵ Xcel Reply Comments, page 9.

²⁶ Department Reply Comments, page 3.

Department is significantly involved.

CCSA states “the participation fee is intended to recover administrative costs caused by subscriber organizations — not to subsidize broader utility operations or cover general administrative overhead. The Commission must ensure that any increase aligns with this “cost-causer pays” principle. As Minnesota Solar Energy Industries Association (MnSEIA) aptly notes in its June 20, 2025 initial comments, it is inappropriate to allocate costs to subscriber organizations if those costs also serve other utility functions or ratepayer classes.²⁷

Staff is disappointed with the level of specificity Xcel has provided when requested. Xcel has not provided detailed information that separates Legacy and LMI CSG costs or specifics within the items that have been reported (i.e. IT/Billing, and Subscriber Management) beyond simple descriptions without specific cost breakdowns. Information requests by parties were answered by directing petitioners back to originally filed costs.²⁸ Xcel provided no breakdowns of cost allocation to specific program or to line-item costs such as labor, software licensing, or IT. Although application portal, system integration and consolidated billing actual costs were reported. The forecasted amounts for IT/Billing provide no specificity as to the costs associated with that designation. Break downs of the IT/Billing Annual expenses would be beneficial.

Given the lack of transparency and the remaining questions raised by commenters, Staff recommends an increase of the participation fee to \$800 per megawatt. The Department also agrees with this recommendation. **(Decision Option 3)**. Staff also recommends Xcel file more detailed information in two years if they request an increase at that time.

Department’s Updated Forecasted vs. Actual Spending Comparison²⁹

		2024	2025	2026	2027	2028	2029
a	Xcel’s Forecasted Commerce Expenses	\$961,000	\$961,000	\$961,000	\$961,000	---	---
b	Actual Commerce Expenses	\$190,807	\$350,000	---	---	---	---
c	Difference Between Forecasted and Actual (row a-b)	\$770,013	\$611,000	---	---	---	---
d	Xcel’s Forecasted Total Expenses	\$1,227,931	\$1,483,080	\$1,471,634	\$1,483,536	\$534,837	\$547,549
e	Xcel’s Forecasted Total Expenses Less Difference in Commerce Expenses (row d-c)	\$457,738	\$872,080	---	---	---	---

²⁷ CCSA Comments, page

²⁸ MnSEIA IRs.

²⁹ Xcel Response, Attachment A, May 5, 2025 and Department’s Reply Comments, July 31, 2025.

DECISION OPTIONS

Application Fee

1. Approve Xcel's request to continue use of the current Application Fee of \$4,125 per megawatt as originally approved in the Commission's December 28, 2023 order. (All parties)

OR

2. Deny Xcel's request to continue use of the current Application Fee of \$4,125 per megawatt in favor of an amount set by the Commission.

Participation Fee

3. Approve Xcel's request to increase the Legacy and LMI participation fee to \$800 per megawatt. (Department, Staff)

OR

4. Approve Xcel's request to increase the Legacy and LMI participation fee to \$1200 per megawatt. (Xcel)

OR

5. Deny Xcel's request to increase the Legacy and LMI participation fee. Maintain the participation fees at \$500 per megawatt. (Nokomis, JSA)

Fee Update Process

6. Approve Xcel's request to update the participation fee on a biennial basis. (Xcel, Department, MnSEIA, CCSA)

OR

7. Deny Xcel's request to update the participation fee on a biennial basis.

