

portions of the Company’s long-term and short-term incentive compensation plans.²⁶ Collectively, these proactive adjustments lowered the Company’s original MYRP request by over \$45 million.²⁷

Given the passage of time as this case proceeded, the Company was able to recognize the impact of new information and new regulatory decisions and to further narrow the issues after that Initial Filing. In Supplemental Direct Testimony, the Company reduced its MYRP revenue requirement request by a net amount of over \$17 million to reflect certain changes and corrections to its wildfire and employee expenses, interchange revenue and expense, and the proposed Residential Arrears Management Program (RAMP).²⁸ In Rebuttal Testimony, the Company incorporated the impact of new regulatory decisions or other new developments and identified opportunities to accept certain Intervenor adjustments and further narrow the issues in dispute.²⁹ This work resulted in over two dozen adjustments, reducing the Company’s MYRP request by an additional \$108 million, resulting in the following rebuttal request.³⁰

Table 2. MYRP Revenue Requirements (\$s in millions)

	2025	2026	Total
Initial Filing Request	\$353.3 9.6%	\$137.4 3.6%	\$490.7 13.2%
Rebuttal Request	\$208.4 5.8%	\$156.9 4.2%	\$365.3 10.0%
Increase/(Decrease) from Initial Filing to Rebuttal	(\$144.9) (3.8%)	\$19.5 0.6%	(\$125.4) (3.2%)

²⁶ Ex. Xcel-15 at 23-24 (Liberkowski Direct); Ex. Xcel-17 at 70-74 (Halama Direct).

²⁷ Ex. Xcel-15 at 24 (Liberkowski Direct); Ex. Xcel-17 at 70-73 (Halama Direct).

²⁸ Ex. Xcel-18 at 1-8 (Halama Supplemental Direct).

²⁹ Ex. Xcel-16 at 3, 17-21 (Liberkowski Rebuttal); Ex. Xcel-19 at 4-29 (Halama Rebuttal).

³⁰ Ex. Xcel-16 at 20 (Liberkowski Rebuttal); Ex. Xcel-19 at 4-29 (Halama Rebuttal).

recommended Intervenor adjustments would deny the Company recovery of millions of dollars of costs, striking at core functions of the Company's business and directly impacting its ability to provide safe, efficient, and reasonable service to its customers .

1. Energy Supply O&M

The Company's Energy Supply business area is responsible for operating and maintaining the Company's non-nuclear generation facilities that include natural gas, coal, hydro, wind, biomass, refuse, solar, and other facilities.²⁴³ In order to safely operate and maintain these generation facilities for the benefit of customers, Energy Supply incurs operation and maintenance (O&M) expenses for labor, overtime, chemicals, materials, outside services, rents, land easements, and employee expenses.²⁴⁴ The Company's Energy Supply 2025 and 2026 O&M budgets for this rate case were developed as part of Energy Supply's annual budgeting process. As part of Energy Supply's annual O&M budgeting process, historical O&M costs for each generation facility are reviewed and are then adjusted to account for known changes in the upcoming years.²⁴⁵ For instance, a planned overhaul at a generation facility would contribute to higher labor and material O&M costs in a given year.²⁴⁶ For 2025 and 2026, Energy Supply has budgeted \$167.5 million and \$192.4 million in O&M expenses (NSP Total Company).²⁴⁷

²⁴³ Ex. Xcel-44 at 1-2, 11 (Capra Direct).

²⁴⁴ Ex. Xcel-46 at 2 (Capra Rebuttal).

²⁴⁵ Ex. Xcel-46 at 9 (Capra Rebuttal).

²⁴⁶ Ex. Xcel-44 at 64-65 (Capra Direct).

²⁴⁷ Ex. Xcel-46 at 4 (Capra Rebuttal). Energy Supply's 2025 and 2026 O&M expenses are \$122.3 million and \$140.7 million for 2025 and 2026 MN Jurisdiction net of Interchange Billings to NSPW basis. *Id.*

to justify the FERC Account 923 component of these business areas' O&M, when those costs can be separately reviewed in this case.

Overall, the Company's rate recovery should reflect a reasonable and representative understanding of costs to be incurred and that will allow for the delivery of safe and reliable electric service. The Commission should reject the Department's recommendation to impose a cap on FERC Account 923 because the Department's approach is at odds with the overall budget approach on which the Company's rate case is based.

8. Insurance

a. The Company Supported The Need For And Reasonableness Of The Insurance Premium Expenses Included In Its MYRP

The Company has provided robust support for its prudently-incurred insurance costs, including its costs for excess liability insurance. These costs should be recovered. In support of the recovery of these costs, the Company presented the testimony of Robert L. Miller, a risk management professional with four decades of experience in managing risk and insurance. Mr. Miller presently serves as the Director, Hazard Insurance for Xcel Energy, Inc.⁵¹⁴

Mr. Miller presented information on the Company's overall Risk Management, Loss Control and Insurance Programs and described the Company's major insurance programs, which include master property insurance (for non-nuclear assets), excess liability insurance, directors' and officers' (D&O liability insurance, fiduciary liability insurance),

⁵¹⁴ Ex. Xcel-54 at 1 and Schedule 1 (Miller Direct).

it is inappropriate to cap the costs for the targeted undergrounding program based on the costs presented in the 2024 SQR.

The OAG's proposed cost cap is also not necessary given that the targeted undergrounding program is a capital program and subject to the Company's proposed capital true-up mechanism. To the extent that the Company spends less than its aggregate capital-related revenue requirement for either 2025 or 2026, the Company will provide a refund to customers, but the Company will not be able to recover any amounts above the aggregate amount if the reverse is true.⁸⁸² The capital true-up mechanism protects customers from the "over-budgeting" concerns that seem to be the focus of the OAG's critique of the targeted undergrounding program.

While the Joint Intervenors support the targeted undergrounding program as a way to address disparities in reliability, they nevertheless recommend disallowing all costs for the program until the Company provides additional information about the cost-effectiveness, community impact, and process for identification of undergrounding projects in the Company's upcoming Integrated Distribution Plan (IDP).⁸⁸³ In both discovery responses and in Rebuttal, the Company provided the additional information requested by the Joint Intervenors.⁸⁸⁴ This additional information included the Company's analysis of alternatives to the targeted undergrounding and support for the Company's conclusion that the targeted undergrounding program offers the most comprehensive and

⁸⁸² Ex. Xcel-15 at 29 (Liberkowski Direct).

⁸⁸³ Ex. JIN-1 at 8 (Kenworthy Direct).

⁸⁸⁴ Ex. Xcel-35 at 12-16 (Mensen Rebuttal); Ex. JIN-1, Attachment 3 (Kenworthy Direct).

An \$11.00 customer charge will still encourage a reasonable level of conservation, but balances this with an energy charge in a way that can support the State’s other policy goals.

Finally, the OAG and the Department do not recognize the potential negative impact of their recommendation on certain vulnerable customer groups. As Department witness Bahn admitted during the evidentiary hearing, when fixed costs are included in the volumetric charge, high-usage customers will pay more than low-usage customers.¹¹¹⁵ While some high-usage customers are likely high-income customers, some high-usage customers are likely low-income customers, living in old, poorly insulated homes.¹¹¹⁶ An artificially low customer charge harms those customers because they pay more for the fixed costs of the system than is appropriate.

For these reasons, the Company proposes to increase the customer charge for residential and small commercial customers to \$11.00.

2. Street Lighting

In the Company’s last rate case, a settlement was reached with the SRA regarding street lighting rates and rate design. As part of the settlement, the Company agreed to certain provisions for street lighting rates, and to “revise the rate design workpapers to more clearly identify direct assignment of costs to streetlighting customers, and system demand and energy costs.”¹¹¹⁷ As explained by Company witness Paluck, “[b]ased on the

¹¹¹⁵ Tr. , Vol. 2 at 313:9-24.

¹¹¹⁶ Tr. , Vol. 2 at 314:10-16.

¹¹¹⁷ *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E002/GR-21-630, JOINT STIPULATION OF SUBURBAN RATE AUTHORITY AND XCEL ENERGY at 2 (Mar. 24, 2023).

discussions that led to the settlement, the Company interpreted this language as an agreement to simplify and make the rate code A30 rate design work papers more transparent.”¹¹¹⁸ The Company included the resulting work in this rate case. SRA now complains that this rate design change resulted in “rate shock” for overhead A30 low-wattage street lighting rates,¹¹¹⁹ but that is not the case.

The A30 class is a sub-class within the larger street lighting class. Unlike some classes, Street Lighting class rates are primary monthly rates in which customers pay a monthly charge based on the number of lights they have at particular wattages.¹¹²⁰ Low wattage lights have a lower monthly cost. When the cost to maintain street lights increases by \$2.00 and the cost is applied to each light equally, the rate for each wattage is increased by the same \$2.00 amount but the percentage increase would be greater for low wattages.¹¹²¹ The actual rate impact for A30 is only a few dollars a month, consistent with other customers. The percentage increase looks large because the A30 flat rate is relatively small, not because of rate shock.

Further, claims of rate shock are overstated. As explained by Company witness Paluck, “most streetlighting customers (i.e., municipalities) have a portfolio of streetlight wattages.”¹¹²² This means that their overall bill will have only a portion of low-wattage A30 rates, and the smaller percentage increases for other types of streetlights will produce

¹¹¹⁸ Ex. Xcel-77, Paluck Rebuttal at 20-21.

¹¹¹⁹ Ex. SRA-3, Bride Rebuttal at 4.

¹¹²⁰ See, e.g., *id.* at 6, Table 4.

¹¹²¹ Ex. Xcel-77, Paluck Rebuttal at 22.

¹¹²² Ex. Xcel-77, Paluck Rebuttal at 23.

amount to eligible customers with past due balances to mitigate credit activity and potential disconnection of service.¹¹⁵⁴ As proposed, RAMP would be available to any residential customer who (1) has an active account with Xcel Energy in the State of Minnesota, (2) can self-attest that their income is at or below 80 percent of the established Area Median Income for their county and household size,¹¹⁵⁵ (3) has not qualified for or received Energy Assistance Program (EAP) benefits from the Department of Commerce, and (4) has a past due balance of \$300 or more, as long as funds remain available.¹¹⁵⁶

The Company estimates that residential customers will pay \$6.1 million in late payment fees in 2025 and \$5.8 million in 2026.¹¹⁵⁷ Although this number varies annually, the Company's estimates are a viable approximation of what the Company might anticipate to collect each year.¹¹⁵⁸ The Company proposed to calculate the total amount of residential late payment fees and divide that total by the number of customers with an active account with Xcel Energy in Minnesota, and meeting the enrollment criteria above, to derive the one-time benefit amount that each customer could receive.¹¹⁵⁹ The program would be administered internally to be as cost-effective as possible.¹¹⁶⁰ The Company estimated a need for up to five percent of the late payment fee revenues to fund RAMP administration,

¹¹⁵⁴ Xcel-39 at 3 (Lindgren Suppl. Direct).

¹¹⁵⁵ The Company proposed to utilize the Area Median Income for the State of Minnesota as published annually by the U.S. Department of Housing and Urban Development, which shows the Area Median Income for each county in the State. Xcel-39 at 4 (Lindgren Suppl. Direct).

¹¹⁵⁶ Xcel-39 at 3 (Lindgren Suppl. Direct).

¹¹⁵⁷ Xcel-39 at 4 (Lindgren Suppl. Direct).

¹¹⁵⁸ Xcel-39 at 4 (Lindgren Suppl. Direct).

¹¹⁵⁹ Xcel-39 at 5 (Lindgren Suppl. Direct).

¹¹⁶⁰ Xcel-39 at 5 (Lindgren Suppl. Direct).