



Staff Briefing Papers

Meeting Date **December 11, 2025**

Agenda Item 4**

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

Docket No. G-002/M-25-403

In the Matter of the Application of Xcel Energy's Petition for Approval of Gas State Energy Policy Rider Recovery with True-Up Mechanisms

Issues	Comments
1. Should the Commission approve Xcel's proposed SEP Rider Recovery to establish baseline for \$46.3 ¹ million effective January 1, 2026, subject to true-up to actual 2026 expenses?	
2. Should the Commission approve Xcel's proposed Capital True-up for 2026 through the existing SEP Rider?	
3. Should the Commission approve Xcel's proposed Property Tax True-up for 2026 through the existing SEP Rider?	
4. Should the Commission approve Xcel's proposed Labor Cost Recovery for 2026 through the existing SEP Rider?	
5. Should the Commission approve Xcel's proposed Damage Prevention Recovery for 2026 through the existing SEP Rider?	
6. Should the Commission approve Xcel's proposed Manufactured Gas Plant (MGP) Costs for 2026 through the existing SEP rider?	

¹ Xcel's initial baseline amount was \$46.3 million. In its November 17, 2025 Reply Comments, the Company revised this amount to \$44.9 million to correct the Property Tax expense.

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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.

7. Should the Commission approve Xcel's request to leave its base rates unchanged in 2026 and to withdraw its application for a general rate increase in Docket No. G-002/GR-25-356?

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✓ **Relevant Documents**

	Date
Xcel Energy – Initial Filing	October 31, 2025
Department of Commerce – Comments	November 12, 2025
Citizens Utility Board of Minnesota - Comments	November 12, 2025
Office of the Attorney General – Comments	November 12, 2025
Xcel Energy – Reply Comments	November 17, 2025
LIUNA Minnesota/North Dakota – Reply Comments	November 18, 2025

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I. BACKGROUND

On October 31, 2025, Northern States Power Company d/b/a Xcel Energy (Xcel or The Company) filed a general rate case² with the Minnesota Public Utilities Commission (Commission) requesting a \$63.4 million annual increase, or 8.2 percent, to its Minnesota retail natural gas rates, effective January 1, 2026. If the Commission elected to suspend the proposed rate increase, the Company requested an interim rate increase of \$51.47 million, or 6.8 percent, effective January 1, 2026.

On October 31, 2025, as an alternative to litigating its rate case proceeding in Docket No. G-002/GR-25-356, Xcel Energy filed a proposal requesting to establish a \$46.3 million baseline amount for certain incremental 2026 costs through the SEP (State Energy Policy) Rider effective January 1, 2026, with a true-up to 2026 actual expenses (whether higher or lower than estimated) for each of the components, effective until the Company's next gas rate case. If the Proposal is accepted, Xcel committed to withdrawing its rate case that was filed on October 31, 2025, and would not file a new rate case until on or after October 30, 2026.

On November 12, 2025, the Minnesota Department of Commerce, Division of Energy Resources (Department), the Minnesota Office of Attorney General, Residential Utilities Division (OAG), and the Citizens Utility Board of Minnesota (CUB), filed comments recommending that the Proposal be denied.

On November 17, 2025, Xcel filed reply comments reaffirming its request for approval of the SEP Rider Petition, including all components, with a revised baseline amount of \$44.9 million, as a reasonable alternative to a fully litigated rate case.

On November 18, 2025, LIUNA Minnesota/ North Dakota (LIUNA) filed reply comments emphasized that the law provides the Commission broad authority to approve rate recovery mechanisms that advance the public interest and result in just and reasonable rates, including the use of riders and expressed general support for Xcel's SEP proposal.

II. Discussion

A. Xcel Energy – Initial Filing

In its proposal, Xcel Energy requested approval to establish a baseline for incremental 2026 costs through the SEP Rider, effective January 1, 2026, with a true-up to actual 2026 expenses for each component. This baseline would remain in effect until the next gas rate case. The SEP Rider would recover the incremental costs of:

- Capital revenue requirements - \$25.5 million.
- Property taxes - \$10.5 million.

² Docket No. G-002/GR-25-356, which is also scheduled on this agenda meeting.



- Gas distribution, plant, and transmission operations labor costs - \$6.1 million.
- Damage Prevention expenses - \$3.8 million.
- Manufactured Gas Plant site clean-up costs - \$0.4 million.

Xcel stated that the total proposed recovery of \$46.3 million compares favorably to both the requested \$63.40 million in final rates and the proposed \$51.47 million interim rate increase.

Xcel Energy's Proposal would result in an increase for the average residential customer of \$2.69 per month or \$32.29 per year, as illustrated in Table 1 below.

Table 1 – Xcel Energy's Proposed Gas SEP Rate Factor – Residential Bill Impact³

Revenue Requirement Test Period	2026
Test Year Project Revenue Requirement	\$46,329,264
Therms for Rate	1,227,923,665
Gas Rate / therm	\$0.037730
Average Residential bill impact / Month	\$2.69
Average Residential bill impact / Year	\$32.29

Additionally, Xcel requested approval to track Property Tax and Damage Prevention costs above or below the 2026 baseline amount after the end of the 2026 calendar year, for review in a future rate case. If the Commission approves the Petition, the Company will withdraw the current rate case; however, noted that its Revenue Decoupling Mechanism (RDM) implemented in its 2021 gas rate case⁴ would continue until the implementation of final rates in a future rate case, consistent with the settlement terms in the 2023 rate case.⁵

Xcel indicated that the Proposal's purpose is to offer an alternative to a fully litigated rate case, avoid a base rate increase, ensure neither over- or under-recovery, free resources for stakeholders, and preserve the financial health of the Company to continue providing safe, reliable, and affordable natural gas service.

a. Capital True-Up

The Company proposed to implement a SEP Rider capital true-up mechanism effective January 1, 2026, which is designed to ensure that the recovery of capital-related revenue requirements does not exceed actual costs. This mechanism establishes a baseline based on the incremental forecasted 2026 capital revenue requirements relative to the 2024 base rates. Xcel noted that the key investments driving these requirements are fire suppression systems, a new gas plant control room, and capacity upgrades to Xcel Energy gas facilities, which together comport with state policy to support safe and reliable service to natural gas customers.

³ Xcel's Petition, Table 1, pg. 7

⁴ Docket No. G-002/GR-21-678.

⁵ Docket No. G-002/GR-23-413.

⁷ See Docket No. G-002/GR-25-356

approval to establish a tracker for amounts above or below the 2026 baseline for future years, subject to review in a subsequent gas rate case.

e. Manufactured Gas Plant Costs

Xcel requested approval to recover actual incremental Manufactured Gas Plant (MGP) costs, currently estimated at \$0.4 million in 2026, through the SEP Rider. These costs are incurred to resolve environmental claims related to historical MGP sites by investigating and remediating them, protecting human health and the environment. Based on historical spending and planned work at five Minnesota MGP sites, the total 2026 MGP expenses are estimated at \$1.1 million. Since the annual MGP costs are highly variable due to factors like potential insurance recoveries, recovering the \$0.4 million incremental expense via the SEP Rider, subject to a true-up against actual 2026 costs, will help manage this variability and support necessary remediation.

B. Department of Commerce – Comments

1. Legal Issues

The Department expressed concerns about Xcel's ability to recover its proposed costs through the SEP Rider, emphasizing that the rider appears intended only for expenses explicitly authorized by the legislature.⁸ If the proposed costs do not fit into a legislatively authorized category, the Department is uncertain whether recovery through the SEP Rider is allowed.

Additionally, the Department noted that some of the statutes underlying the SEP Rider have expired or been repealed, and therefore requested that Xcel provide statutory justification for the proposed cost recovery in its Reply Comments.

2. Responses to Commission Notice

a. Xcel's Proposed SEP Rider Cost Recovery – \$46.3 million

The Department recommended that the Commission deny Xcel's proposed SEP Rider and True-Up Mechanism for 2026, noting that Xcel had not provided support for either its proposed or actual expenses associated with the SEP Rider components.

The Department indicated that Xcel calculated its proposed SEP Rider costs by comparing the approved 2024 test-year expenses from the 2023 rate case with the proposed 2026 test-year expenses in the 2025 rate case, but it did not provide support for either the proposed or actual expenses associated with the SEP Rider components.

Additionally, the Department asked Xcel to provide 2024 actuals and year-to-date October 2025 expenses for both the total Company and Minnesota within each true-up component, along

⁸ Department Comments, at 2 (See, e.g., Minn. Stat. §§ 216C.052, subds. 2(d), subd. 3, 216B.1645, subds. 2(a), 4(a), 4(c).)

⁹ In the Matter of Northern States Power Company d/b/a Xcel Energy for Approval of True-Up Mechanisms, Docket No. E-002/M-19-688. ORDER APPROVING IMPLEMENTATION OF SALES TRUE-UP ADJUSTMENTS, June 28, 2021.

recovery under the SEP Rider.

The Department indicated that its evaluation of labor costs is primarily guided by the following considerations:

- The Commission has approved a 15 percent cap on short-term annual incentive (STI) compensation in several rate cases;
- The Commission consistently rejects recovery of long-term incentive (LTI) compensation costs; and
- The Commission limits recovery of executive compensation.

The Department noted that, absent supporting documentation and a review of the 2024 actual and 2025 year-to-date labor expenses – including STI, LTI, and executive compensation – it could not recommend approval.

Because Xcel did not provide support for the requested labor costs, the Department requested that the Company include the following information in its Reply Comments:

f. Xcel's Proposed Manufactured Gas Plant (MGP) Recovery - \$0.4 million

The Department recommended that the Commission deny Xcel's proposed 2026 MGP cost recovery through the SEP Rider.

The Department noted that MGP costs consist of expenses incurred to address environmental claims associated with historical MGP sites.

Additionally, the Department observed that Xcel did not provide 2024 actual or 2025 year-to-date MGP expenses, nor did it provide support for the 2026 forecast.

3. Additional Commentary



- Table showing the SEP Rider impact on the following customer classes:
 - Small Commercial Firm
 - Large Commercial Firm
 - Small and Large Commercial Demand Billed
 - Small Interruptible
 - Medium and Large Interruptible
 - Transportation
 - Generation
- For each customer class, similar to Table 2 of Xcel's Petition, provide:
 - Test-year projected revenue requirement
 - Terms for rate
 - Gas rate per therm
 - Average monthly bill impact
 - Average annual bill impact

C. Office of Attorney General – Comments

The OAG



virtually anything that aligns with a general “state policy” of providing natural gas to ratepayers. Additionally, the OAG noted that Xcel provided only brief descriptions for each cost category it seeks to recover, all of which resemble standard rate case costs. As a result, it is impossible to know whether these costs are just, reasonable, or prudently incurred.

D. Citizen’s Utility Board – Comments

1. Introduction

The Citizen’s Utility Board (CUB) did not view Xcel’s Stay-Out petition as an appropriate use of the SEP Rider, nor felt that Xcel provided sufficient time or information for CUB or other advocates to evaluate the prudence of the proposed costs

Commission's April 6, 2004 Order²² authorized the SEP Rider and established an annual adjustment filing process in response to legislation that more generally authorized automatic recovery of three categories of costs: (1) Reliability Administrator-related costs;²³ (2) costs associated with compliance with sustainable buildings guidelines;²⁴ and (3) costs related to the Prairie Island Settlement concerning Xcel's electric services.²⁵

CUB noted that although the rider's use evolved over time, it pointed out that in a 2017 Order²⁶ the Commission permitted Xcel to recover approximately \$1.83 million in remaining SEP Rider costs with the understanding that no new costs would be added or recovered through the rider. The SEP Rider was ultimately discontinued in 2022 when Xcel implemented interim rates in its 2021 rate case.²⁷

requested January 1, 2026 implementation date would give the Commission only two months to issue a final decision.

CUB argued that, given the limited detail in the SEP Petition and short review period, neither CUB nor other stakeholders could meaningfully evaluate the Petition's advantages and disadvantages relative to pursuing a rate case – and certainly not to a degree that would justify allowing Xcel to implement a \$46.3 million rate increase just seven weeks from now.

E. Xcel Energy – Reply Comments

On November 17, 2025, Xcel filed its reply comments reiterating its request for approval of the SEP Rider with the proposed true-up mechanisms. The Company stated that the Petition provides a limited, transparent, and administratively efficient approach to resolving the 2025 Gas Rate Case, avoiding higher customer costs and supporting continued safe and reliable service.</

cost increases since the 2024 test year that are largely outside its control, and therefore its obligation and incentive to manage costs are not diminished.

In addition, Xcel noted that each cost item proposed for the January 1, 2026 SEP Rider baseline is addressed extensively in the Company's rate case as provided in Table 3.

Table 3: Location of Detailed Cost Information (\$) ³⁰

Line No.	True-up Components	MN Gas		MN Gas		MN Gas
		2024 Test Year Approved in Docket No. G002/GR-				

a. 2024 Actuals and the 2025 Year-to-Date Expenses

In response to the Department's requested information of the 2024 actuals and 2025 year-to-date expenses (as of October 31, 2025) for every component subject to true-up, the Company presented the data on table 4 and table 5, respectively, for the NSPM Total Company and the Minnesota Gas Jurisdiction.

Table 4: 2024 Actuals and the 2025 through June 30, 2025 Total Company (\$)³³

Line No.	True-up Components	Total Company	Total Company
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the concerns of the Department, the OAG, and CUB regarding Xcel's proposal. However, LIUNA stated that Xcel has proposed a creative alternative to a traditional rate increase and expressed general support for the SEP proposal. Additionally, LIUNA emphasized that the law provides the Commission broad authority to approve rate recovery mechanisms that advance the public interest and result in just and reasonable rates, including the use of riders.

LIUNA identified three reasons why Xcel's SEP proposal merits consideration:

1. Basing SEP recovery on sales is just and reasonable and would offer substantial relief to residential ratepayers compared with the likely outcome of a contested rate case. LIUNA noted that even if the Commission approved 78% of Xcel's request consistent with the recent gas rate case, residential customers would see an average monthly increase of \$5.55, nearly double the \$2.69 increase under the SEP proposal.⁴¹
2. A rider with a true-up mechanism can be advantageous when a utility faces temporary cost growth, such as a surge in safety-motivated pipe replacements or public works requirements because it may prevent an unnecessary increase in base rates.
3. The SEP Rider offers a creative and reasonable way to address immediate revenue deficiencies without relying on a legally dubious finding of exigent circumstances by lowering interim rates.

III. STAFF ANALYSIS

Staff notes several concerns regarding this SEP Rider Petition:

- Policy uncertainty: Historically, SEP Riders have been used for cost recovery tied to specific legislative directives. Xcel's current stay-out SEP petition does not align with that past practice. Staff notes that the Commission may wish to consider whether approving this petition could set a problematic precedent, potentially opening the door to expanded future rider requests by utilities
- Lack of detailed cost breakout and unreliable financial information: Xcel's initial filing lacked a clear financial breakdown, and the short review period limited stakeholder scrutiny. After the Department requested for detailed baseline and actual cost data, Xcel discovered an error in its Property Tax Expense calculation, reducing its request by approximately \$1.5 million. This raises concerns about the reliability of the financial information in this stay-out petition given the short review timeline.
- Cost prudence and ratepayer protection concerns: Xcel's proposed net revenue increase in this stay-out petition is approximately \$19 million less than its test-year rate case request and \$7 million less than its interim rate request. The Company's SEP proposal

⁴¹ LIUNA Comments, at 1

IV. DECISION OPTIONS

SEP Rider Recovery

1. Approve Xcel's proposed SEP Rider Recovery to establish a baseline of \$44,894,635 effective January 1, 2026, subject to true-up to actual 2026 expenses. [Xcel Energy, LIUNA]

OR

2. Deny Xcel's proposed SEP Rider Recovery to establish a baseline of \$44,894,635 effective January 1, 2026, subject to true-up to actual 2026 expenses. [Department, OAG, CUB]

Capital True-up

3. Approve Xcel's proposed Capital True-up for 2026 in the amount of \$25,484,905 through the existing SEP Rider. [Xcel Energy, LIUNA]

OR

4. Deny Xcel's proposed Capital True-up for 2026 in the amount of \$25,484,905 through the existing SEP Rider. [Department, OAG, CUB]

Property Tax True-up

5. Approve Xcel's proposed Property Tax True-up for 2026 in the amount of \$9,069,980 through the existing SEP Rider. [Xcel Energy, LIUNA]

OR

6. Deny Xcel's proposed Property Tax True-up for 2026 in the amount of \$9,069,980 through the existing SEP Rider. [Department, OAG, CUB]

Labor Cost Recovery

7. Approve Xcel's proposed Labor Cost Recovery for 2026 in the amount of \$6,108,929 through the existing SEP Rider. [Xcel Energy, LIUNA]

OR

8. Deny Xcel's proposed Labor Cost Recovery for 2026 in the amount of \$6,108,929 through the existing SEP Rider. [Department, OAG, CUB]

Damage Prevention Recovery

9. Approve Xcel's proposed Damage Prevention Recovery for 2026 in the amount of \$3,789,613 through the existing SEP Rider. [Xcel Energy, LIUNA]

OR

10. Deny Xcel's proposed Damage Prevention Recovery for 2026 in the amount of \$3,789,613 through the existing SEP Rider. [Department, OAG, CUB]

Manufactured Gas Plant Costs

11. Approve Xcel's proposed Manufactured Gas Plant (MGP) Costs for 2026 in the amount of \$441,208 through the existing SEP rider. [Xcel Energy, LIUNA]

OR

12. Deny Xcel's proposed Manufactured Gas Plant (MGP) Costs for 2026 in the amount of \$441,208 through the existing SEP rider. [Department, OAG, CUB]

Withdrawal of General Rate Application

13. Approve Xcel's request to leave its base rates unchanged in 2026 and to withdraw its application for a general rate increase in Docket No. G-002/GR-25-356. [Xcel Energy]

OR

14. Deny Xcel's request to leave its base rates unchanged in 2026 and to withdraw its application for a general rate increase in Docket No. G-002/GR-25-356. [Department]

Compliance Filings

15. Require Xcel to file revised tariff language and any other documentation as needed to demonstrate compliance with the Commission's order in this docket. [Staff]