

March 2, 2026

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

RE: Response Letter of the Minnesota Department of Commerce
Docket No. E002/M-25-386

Dear Ms. Bergman:

On October 9, 2025, Xcel Energy (Xcel or the Company) filed its 2026 Transmission Cost Recovery (TCR) Rider Petition in Docket No. E002/M-25-386.¹ In the Petition, Xcel requested approval of its 2026 revenue requirements, tracker balance, and updated TCR adjustment factors for the Minnesota jurisdiction, in addition to proposing changes to allocation of costs for Advanced Metering Infrastructure (AMI) meters.

On December 10, 2026, the Minnesota Department of Commerce (Department) filed Comments² recommending the \$15,397 in participant compensation expenses be treated for recovery under the State Energy Policy (SEP) Rider rather than the TCR Rider and requesting Xcel provide additional information in Reply Comments regarding revenue requirements and collections, final Hosting Capacity Analysis project costs, MISO RECB Sch. 26/26a net expenses, and the proposed changes to the allocation of AMI costs.

On January 5, 2026, the Minnesota Office of the Attorney General – Residential Utilities Division (OAG-RUD) filed Comments³ reviewing Xcel’s Petition and recommending AMI costs be classified as one-third each customer-related, demand-related, and energy-related, based on the incremental costs of AMI and the additional benefits it provides,” or alternatively to keep the allocation of AMI costs as-is.⁴

¹ *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2026, Tracker True-Up, and Revised Adjustment Factors*, Petition, Xcel Energy, October 9, 2025, Docket No. E002/M-25-386, (eDockets) [202510-223725-01](#) (Hereinafter “2026 Xcel TCR Petition”).

² *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2026, Tracker True-Up, and Revised Adjustment Factors*, Comments, Minnesota Department of Commerce, December 10, 2025, Docket No. E002/M-25-386, (eDockets) [202512-225695-01](#).

³ *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2026, Tracker True-Up, and Revised Adjustment Factors*, Comments, Minnesota Office of the Attorney General – Residential Utilities Division, January 5, 2026, Docket No. E002/M-25-386, (eDockets) [20261-226467-02](#) (Hereinafter “2026 Xcel TCR OAG-RUD Comments”).

⁴ 2026 Xcel TCR OAG-RUD Comments at 12-13.

On January 20, 2026, Xcel filed Reply Comments⁵ responding to the Department and OAG-RUD. In these Reply Comments, the Company agreed to treat participant compensation for recovery under the SEP Rider rather than the TCR Rider, per the Department's recommendation.⁶

In response to the Department's requested explanation of imbalance between 2025 revenue requirements and collections, Xcel stated this was the result of a 2024 true-up of MISO RECB net revenue requirement that included expenses based on Multi-Value Projects (MVP) charges rather than using the load share ratio, which resulted in an "unintended shift." The Company added that "Going forward, we will resume receipt of the full expense tied to our load ratio share, which is consistent with how the amount was traditionally calculated. This adjustment will help reduce variances in the future and provide more accurate forecasts. There wasn't an adjustment in the Company's process to incorporate the RECB amounts, but the information calculated by MISO was different."⁷ The Department finds Xcel's explanation reasonable and will monitor this in future TCR filings.

Responding to the Department's request for the final costs of the Hosting Capacity Analysis project and its impact to the TCR, as promised by the Company in reply comments in the prior year's TCR Rider proceedings Docket No. E002/M-24-371, Xcel clarified that the costs included in the Petition were final, but they mistakenly did not indicate them as such. Xcel also provided a comparison of initial and final project costs in its Reply Comments.⁸ The Department appreciates the clarification and has no further recommendation relating to this item.

In response to the Department's request for additional information on the Company's projection of MISO RECB Sch. 26/26a net expenses in 2026, when the Company has seen net revenue credits in recent years, the Company explained that Long Range Transmission Plan projects drove expenses in 2026, and they expect to see a large revenue increase in Schedule 26A revenue in 2027, resulting in revenue requirement decrease.⁹ The Department finds this explanation reasonable.

Finally, Xcel responded to the Department's questions and OAG-RUD's recommendations regarding allocation of AMI costs. Xcel explained its proposal to change its allocation of AMI costs from the P60 allocator "derived from total distribution plant in service that has been allocated to customer class via customer- and demand-related allocators" to the C12WM allocator from the 2024 Class Cost of Service Study (CCOSS) in its 2022-24 Rate case in Docket No. E002/GR-21-630. Xcel said that "This allocator is a customer-related allocator that uses customer counts that are weighted by meter cost weightings. The meter cost weightings are based on the actual meter replacement costs."¹⁰

⁵ *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2026, Tracker True-Up, and Revised Adjustment Factors*, Reply Comments, Xcel Energy, October 9, 2025, Docket No. E002/M-25-386, (eDockets) [20261-227139-01](#) (hereinafter "Xcel 2026 TCR Reply Comments").

⁶ Xcel 2026 TCR Reply Comments at 7.

⁷ Xcel 2026 TCR Reply Comments at 2.

⁸ *Id.*

⁹ Xcel 2026 TCR Reply Comments at 3.

¹⁰ *Id.*

Xcel stated this allocation method is reasonable because it “more accurately reflects cost causation. Instead of using general distribution allocation factors that are classified as demand- and customer-related, the AMI costs are allocated based on the number of customers in each class, weighted by the meter cost weightings described above. This better reflects cost causation because AMI costs are driven by the addition of customers and not demand, as was used with the previous cost allocation methodology.”¹¹ Xcel disagreed with OAG-RUD’s proposal for allocation of these costs on the grounds that the Company’s proposed allocation method most fairly and accurately reflects cost causation.¹²

The Department appreciates the information regarding AMI cost allocation provided by the Company. In further reviewing Xcel’s explanations, the Department supports OAG-RUD’s proposal for allocation of AMI costs to be classified as demand-, energy-, and customer-related, and allocate costs one-third each to those areas, or else to keep allocating AMI costs using the P60 allocator.

While it is true the costs of meters are driven by the number of Xcel’s customers and how many meters are installed, if Xcel is choosing to install a more expensive meter – here being AMI instead of traditional meters – there must be a reason for doing so because of some other functionality, and therefore any costs above those of a traditional meter should be classified as something else depending on the function. As highlighted by OAG-RUD, beyond their customer-related functions, AMI meters also assist with load-management efforts, demand-response programs, and energy-saving benefits, supporting classification of some of these costs as demand- and energy-related.¹³

The Department appreciates Xcel providing additional information and responding to the Department’s and OAG-RUD’s Comments. The Department will be available to answer any questions the Minnesota Public Utilities Commission may have at the March 5, 2026 Agenda Meeting.

Sincerely,

/s/ Dr. SYDNIE LIEB
Deputy Commissioner, Division of Energy Resources

AG/NC/ar
Attachment

¹¹ Xcel 2026 TCR Reply Comments at 4.

¹² Xcel 2026 TCR Reply Comments at 4-7.

¹³ 2026 Xcel TCR OAG-RUD Comments at 9-10.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of people 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
Response to Reply Comments**

Docket No. E002/M-25-386

Dated this 2nd day of **March 2026**

/s/Sharon Ferguson

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2	Matthew	Brodin	mbrodin@allete.com	Minnesota Power		30 West Superior Street Duluth MN, 55802 United States	Electronic Service		No	M-25-386
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	M-25-386
4	John	Coffman	john@johncoffman.net	AARP		871 Tuxedo Blvd. St. Louis MO, 63119-2044 United States	Electronic Service		No	M-25-386
5	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	M-25-386
6	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		Yes	M-25-386
7	George	Crocker	gwillc@nawo.org	North American Water Office		5093 Keats Avenue Lake Elmo MN, 55042 United States	Electronic Service		No	M-25-386
8	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	M-25-386
9	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	M-25-386
10	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	M-25-386
11	Adam	Heinen	aheinen@dakotaelectric.com	Dakota Electric Association		4300 220th St W Farmington MN, 55024 United States	Electronic Service		No	M-25-386
12	Michael	Hoppe	lu23@ibew23.org	Local Union 23, I.B.E.W.		445 Etna Street Ste. 61 St. Paul MN, 55106 United States	Electronic Service		No	M-25-386
13	Frank	Hornstein	frank.hornstein@minneapolismn.gov	City of Minneapolis		350 South 5th Street Minneapolis	Electronic Service		No	M-25-386

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16	Sarah	Johnson Phillips	sjphillips@stoel.com	Stoel Rives LLP		33 South Sixth Street Suite 4200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-386
17	Kavita	Maini	kmairi@wi.rr.com	KM Energy Consulting, LLC		961 N Lost Woods Rd Oconomowoc WI, 53066 United States	Electronic Service		No	M-25-386
18	Christine	Marquis	regulatory.records@xcelenergy.com	Xcel Energy		414 Nicollet Mall MN1180-07-MCA Minneapolis MN, 55401 United States	Electronic Service		Yes	M-25-386
19	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-386
20	David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency		220 South Sixth Street Suite 1300 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-386
21	Carol A.	Overland	overland@legalelectric.org	Legalelectric - Overland Law Office		1110 West Avenue Red Wing MN, 55066 United States	Electronic Service		No	M-25-386
22	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	M-25-386
23	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	M-25-386
24	Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.		76 W Kellogg Blvd St. Paul MN, 55102 United States	Electronic Service		No	M-25-386
25	Byron E.	Starns	byron.starns@stinson.com	STINSON LLP		50 S 6th St Ste 2600 Minneapolis MN, 55402 United States	Electronic Service		No	M-25-386
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28	Kurt	Zimmerman	kwz@ibew160.org	Local Union #160, IBEW		2909 Anthony Ln St Anthony Village MN, 55418-3238 United States	Electronic Service		No	M-25- 386
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