

Staff Briefing Papers

Meeting Date February 26, 2026 **Agenda Item **4**

Company Northern States Power Company, d/b/a Xcel Energy

Docket No. E002/M-24-230

In the Matter of Northern States Power Company’s, d/b/a Xcel Energy, Petition for Approval of a Solar and Storage Portfolio

- Issues**
1. Should the Commission approve the proposed PPAs and authorize Xcel to recover from Minnesota retail customers the Minnesota portion of PPA costs through the Fuel Clause Rider?
 2. Should the Commission approve the acquisition and construction of self-build projects and their cost recovery through the Renewable Energy Standard (RES) Rider?
 3. Should the Commission approve the acquisition of land rights for the Sherco Solar 4 project and grant a variance regarding the filing requirements for property acquisition?
 4. Should the Commission limit cost recovery for the self-build projects to a symmetrical capital cost cap set at the bid cost?
 5. Should the Commission allow the Company to propose changes to its jurisdictional allocation approach in future RES Rider filings?

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 Relevant Documents	Date
Xcel Energy, Petition (Public and Non-Public)	October 31, 2025
Xcel Energy, Attachments A-O (Public and Non-Public)	October 31, 2025
Department of Commerce, Comments (Public and Non-Public)	December 8, 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**

Xcel Energy, Reply Comments (Public and Non-Public)

Date

December 16, 2025

Department of Commerce, Supplemental Comments (Public and Non-Public)

December 30, 2025

ACRONYMS

Acronym	Term	Definition
APA	Asset Purchase Agreement	An agreement used for the acquisition of land rights for the Sherco Solar 4 project, which are transferred to Xcel prior to construction.
BESS	Battery Energy Storage System	A technology used to store surplus electricity for later discharge to the grid to enhance system flexibility, reliability, and renewable integration.
CAF	Capacity Availability Factor	A performance adjustment mechanism that reduces Xcel's monthly capacity payments for storage projects if the facility is unavailable due to forced outages or underperformance.
COD	Commercial Operation Date	The target date by which a project must begin delivering power to the grid and qualify for specific tax incentives.
CONE	Cost of New Entry	A benchmark representing the estimated cost of adding new generation capacity, used in economic modeling to price market capacity purchases before 2030.
DPP	Definitive Planning Phase	MISO's multi-phase study process designed to assign interconnection costs and network upgrade requirements to projects in the generation queue.
ERAS	Expedited Resource Addition Study	A streamlined MISO interconnection process intended to fast-track generation projects that address urgent reliability needs.
LCOC	Levelized Cost of Capacity	Used to evaluate BESS bids, LCOC is represents the average cost per unit of capacity over the life of a storage project, expressed in \$/kW-yr.
LCOE	Levelized Cost of Energy	Used to evaluate solar bids, LCOE represents the average cost per unit of energy production over the life of a project.
MNEC	Minnesota Energy Connection	A 345-kV transmission line between Sherburne and Lyon counties intended to facilitate the interconnection of new wind and solar resources.
OBBBA	One Big Beautiful Bill Act	Federal legislation enacted in 2025 that restructured renewable energy tax incentives and implemented a phasedown of tax credits.
RTE	Round-trip Efficiency	The ratio of energy discharged from a storage system compared to the energy charged into it, used as a performance metric to ensure operational efficiency.

STATEMENT OF THE ISSUES

Should the Commission approve the proposed PPAs and allow the Company to recover the Minnesota portion of PPA costs from retail customers through the Fuel Clause Rider?

Should the Commission approve the acquisition and construction of self-build projects and their cost recovery through the Renewable Energy Standard (RES) Rider?

Should the Commission approve the acquisition of land rights for the Sherco Solar 4 project and grant a variance regarding the filing requirements for property acquisition?

Should the Commission limit cost recovery for the self-build projects to a symmetrical capital cost cap set at the bid cost?

Should the Commission allow the Company to propose changes to its jurisdictional allocation approach in future RES Rider filings?

BACKGROUND

I. Procedural History

The instant proceeding is rooted in Xcel's 2024-2040 Upper Midwest Integrated Resource Plan (IRP), which identified a significant near-term need for new wind, solar, and storage resources. A portion of the new resources were required to re-use existing interconnection rights at the retiring Sherburne County Generating Station (Sherco), using the Minnesota Energy Connection (MNEC) transmission line,¹ and the Allen S. King Generating Station.

Specifically, Order Points 2-4 of the Commission's April 21, 2025, *Order Approving the Settlement Agreement, with Modifications* in Xcel's 2024 IRP² and Firm Dispatchable³ dockets (IRP/Firm Dispatchable Order) approved a Five-Year Action Plan that identified a need for 3,200 MW of wind, 400 MW of solar, and 600 MW of standalone storage for a total of 4,200 MW of capacity to meet Xcel's near-term needs:

2. Xcel must pursue the acquisition of 3,200 MW of wind to be installed by a target date of end-of-year 2030. To the extent feasible, 2,800 MW of this wind must use the Minnesota Energy Connection transmission line submitted for a certificate of need and route permit in dockets E-002/CN-22-131 and E-002/TL-22-132.

¹ The MNEC Project is a new 345-kilovolt (kV) double-circuit transmission line between the existing Sherco Substation in the city of Becker, Minnesota and a new substation (Terminal Substation) proposed near the town of Garvin in Lyon County, Minnesota.

² Docket No. 24-67.

³ Docket No. 23-212.

3. Xcel must pursue the acquisition of 400 MW of solar to be installed by a target date of end-of-year 2030. To the extent feasible, all 400 MW must use the King Interconnection.

4. Xcel must pursue 600 MW of standalone storage to be installed by a target date of end-of- year 2030. To the extent feasible, 120 MW must use the Minnesota Energy Connection.

To meet its identified resource need, Xcel issued a Request for Proposals (RFP) on June 28, 2024 (2024 RFP), utilizing the Commission’s Modified Track 2 resource acquisition process.⁴ The 2024 RFP was open to wind, solar, standalone storage, and hybrid resources, and it sought 1,600 MW of capacity, up to 800 MW of which would be capable of interconnecting to the MNEC line.

Importantly, the 2024 RFP is intended to complement another resource acquisition process currently underway, Xcel’s Wind Development Transfer RFP,⁵ in which the Company has shortlisted approximately 1,800 MW of wind projects.

Table 1 reflects key dates from the issuance of the 2024 RFP to the filing of the Petition.

Table 1. Key Dates

Date	Milestone
June 28, 2024	RFP issued
Sept. 17-18, 2024	Bidding deadline for self-build and third-party projects
Jan. 10, 2025	Bidders were notified of their shortlist status, and contract negotiations commenced
April 21, 2025	Commission approved 2024 IRP, establishing resource targets
Oct. 31, 2025	Petition filed in Docket No. 24-230

II. RFP Process

The 2024 RFP was designed to meet system needs identified in the Company’s 2024 IRP, and

⁴ The Modified Track 2 process is used when a utility intends to submit its own self-build proposals to compete against third-party bid. To ensure fairness and transparency, the process utilizes an Independent Auditor (IA) and a firewall between internal utility teams. Xcel must submit its self-build proposals one day prior to the deadline for third-party bids to ensure that Xcel cannot adjust its own pricing based on knowledge of competitor bids. The RFP evaluation team assesses all bids based on factors such as levelized cost, financial capability, project risks, site control, etc. Once negotiations are complete, the utility files a petition with the Commission that includes the final contracts, a comparison between third-party and self-build projects, a ranking of all received bids, and a comprehensive report from the IA certifying the fairness of the process.

⁵ Docket No. E-002/M-23-342.

projects were categorized by two main tracks: the Traditional Option and the MNEC Contingent Option. Some parameters of the 2024 RFP included:

- Open to 1,600 MW of wind, solar, standalone storage, and hybrid resources, with up to 800 MW able to interconnect to the MNEC transmission line.
- Encouraged projects that could re-use existing interconnection rights at the Sherco and Blue Lake generating stations due to planned unit retirements.
- New build projects had to be greater than 5 MW, whereas existing projects had to be greater than 1 MW.
- All projects were required to have a Commercial Operation Date (COD) no later than December 31, 2029.

The 2024 RFP attracted a total of 41 bids from 14 different bidders, which offered 30 distinct projects totaling approximately:

- 1,475 MW of solar;
- 410 MW of wind;
- 1,340-1,350 MW of standalone storage; and
- 1,180 MW of solar-plus-storage (hybrid).

Xcel narrowed the 41 initial bids down to an initial shortlist consisting of 17 distinct projects totaling 1,595 MW of solar and 1,056 MW of standalone storage (2,650 MW in total). Staff notes that the purpose of the 2,650 MW initial shortlist (despite identifying a need for 1,600 MW) was to account for several uncertainties. Primarily, these involved:

- potential increases in system capacity and energy needs by 2030 relative to what was forecasted in the IRP;
- creating a buffer to ensure system needs could still be met if developers withdrew or if projects failed;
- industry-wide uncertainties that made project completion uncertain; and
- the uncertain status of the final route of the MNEC line, which created a risk that the approved route may render certain projects uneconomic or unviable.

Ultimately, the final portfolio, which resulted in approximately 768 MW of solar and 855.5 MW of storage, was the outcome of a three-stage process:

1. Completeness review
2. Threshold review
3. Project scoring and EnCompass modeling

The Completeness and Threshold Review stages “provided bidders with opportunities to fix any

deficiencies that would prevent them from moving forward in the evaluation process.”⁶ Once deemed complete, projects proceeded to the scoring stage, which applied three criteria:

- Pricing (55 out of a possible 100 points);
- Capacity and deliverability risk (30 points); and
- Bidder strength and execution (15 points).

Environmental Justice impacts could add or deduct up to 10 points from the bid score.

Step 3 was performed using EnCompass modeling, and it applied a pre-determined, fixed maximum MW of each resource type. This constraint was established “due to the challenge of comparing the economics of standalone solar bids versus standalone storage bids.”⁷ This is because different resource types provide different services to the grid, and Xcel determined simple metrics such as levelized cost of energy, or LCOE, were inadequate.

The baseline scenario modeled an expansion plan with generic resources meeting the capacity needs. To compare the economics of the selected projects to the baseline scenario, Xcel created a “capacity void,” which removed 1,600 MW of generic capacity in 2027 and 2028. The model then filled the capacity void by optimizing additions of the project bids. The reasoning behind this method was to force the model to select actual bids rather than relying on generic resources.

Notably, recent forecasts indicate that capacity needs have continued to increase since the 2024 IRP. To address increases in load, the project evaluation stage considered two different load forecasts. In one scenario, Xcel used the IRP load forecast (“2023v2” forecast). In the second scenario, Xcel used an updated, Fall 2024 version of the IRP forecast (“2024v2” forecast). The updated, 2024v2 forecast projected “significantly more peak demand by 2030 than the original IRP load forecast used to create the 1,600 MW RFP target.”⁸

As will be discussed later, the EnCompass modeling presented in the Petition relied on a third load forecast, the Fall 2025 forecast (the “2025v2” forecast). This forecast showed that the need for renewable resources in the near-term has continued to increase relative to the IRP.

III. Selected Projects

The selected portfolio consists of seven solar projects totaling 768 MW of solar capacity and five standalone BESS projects totaling 855.5 MW / 3,422 MWh of BESS capacity. The portfolio includes a mix of ownership structures and geographic locations across Minnesota, South Dakota, and Wisconsin.

⁶ Petition, p. 27.

⁷ Petition, p. 34.

⁸ Petition, Attachment A, IA Report, p. 4 of 23.

Of the 768 MW of solar, Xcel proposes:

- one self-build project, Sherco Solar 4 (200 MW);
- four PPAs (494 MW); and
- two distributed, build-transfer portfolios (74 MW).

Of the 855.5 MW of BESS, Xcel proposes:

- two self-build projects, Blue Lake (135.5 MW) and Sherco South (300 MW); and
- three PPAs, Crowned Ridge (120 MW), Crane (200 MW), and Mayhew Lake (100 MW).

Tables 2 and 3 below summarize the solar and BESS projects:

Table 2. Selected Solar Projects

Project	Developer	Size (MW)	Interconnection	Type	Location
Sherco Solar 4	Xcel	200	Transmission – MNEC	Self-Build	MN
Fillmore Solar	NGR	15	Transmission	PPA	MN
Grant Solar	NGR	99	Transmission	PPA	SD
Portfolio 1	One Energy	41	Distribution	Build-Transfer	WI
Gopher State	Ranger	200	Transmission	PPA	MN
Lemon Hill	Ranger	180	Transmission	PPA	MN
Portfolio 2	One Energy	33	Distribution	Build-Transfer	WI
Total		768			

Table 3. Selected BESS Projects

Project	Developer	Size (MW)	Interconnection	Type	Location
Blue Lake	Xcel	135.5	Interconnection Reuse	Self-Build	MN
Sherco South	Xcel	300	Sherco Solar Surplus or ERAS	Self-Build	MN
Crowned Ridge	NextEra	120	Transmission	PPA	SD
Crane	Tenaska	200	Transmission	PPA	MN
Mayhew Lake	Ranger	100	Transmission	PPA	MN
Total		855.5			

The projects include various term lengths/project lives, which are summarized in Table 4 below. Staff notes that all projects have a COD between 2027-2029, with the exception of Fillmore Solar, which is already constructed and operational (all other projects are new construction

efforts).⁹ Also, the One Energy distributed build-transfer projects – which will be located in Wisconsin – have an anticipated in-service date, but Xcel did not specify a project life or contract expiration.

Table 4. PPA Term Lengths and Project Lives

Project	Technology	Agreement Type	COD	Term Length / Project Life	PPA Exp. / End of Life
Fillmore	Solar	PPA	Jan. 1, 2026	18 years	Jan. 1, 2044
Grant	Solar	PPA	Nov. 30, 2027	30 years	Nov. 30, 2057
Gopher State	Solar	PPA	Dec. 31, 2029	30 years	Dec. 31, 2059
Lemon Hill	Solar	PPA	Dec. 31, 2028	30 years	Dec. 31, 2058
Crowned Ridge BESS	Storage	PPA	Dec. 15, 2027	15 years	Dec. 15, 2042
Crane BESS	Storage	PPA	Dec. 31, 2028	15 years	Dec. 31, 2043
Mayhew Lake BESS	Storage	PPA	May 1, 2028	15 years	May 1, 2043
Sherco Solar 4	Solar	Self-Build	Oct. 2029	35 years	Oct. 2064
Blue Lake BESS	Storage	Self-Build	Q2 2027	20 years	2047
Sherco South BESS	Storage	Self-Build	Q4 2027	20 years	2047
One Energy Portfolio 1	Distr. Solar	Build-transfer	Q2 2028	N/A (Own. Transfer)	Not specified
One Energy Portfolio 2	Distr. Solar	Build-transfer	Dec. 31, 2027	N/A (Own. Transfer)	Not specified

Xcel identified several overarching benefits of both the solar and BESS projects:

- **Economic and Social Impacts:** All projects are required to employ union labor for construction, and the project scoring considered the impact on Environmental Justice areas and use of Certified Diverse Suppliers.
- **Carbon Reduction:** The portfolio “will deliver clean, renewable energy that reduces carbon emissions and advances state and Company clean energy goals.”¹⁰ Xcel estimates that the portfolio will avoid a cumulative 1.58 million tons of carbon dioxide (CO₂) emissions over the modeling period.
- **Ratepayer Protections:** Among other provisions aimed to reduce ratepayers’ exposure to risk, both the solar and BESS PPAs have several performance-based adjustment mechanisms that “are designed to ensure that the facility delivers reliable, high-quality

⁹ While the Fillmore PPA proposed has an anticipated start date of January 1, 2026, the facility began commercial operation on December 13, 2024.

¹⁰ Petition, p. 3.

service and that payments to the Seller are aligned with actual performance.”¹¹

Xcel also stated that the portfolio will assist in meeting several state energy requirements:

- **Eligible Energy Technology Standard (EETS):** Minn. Stat. § 216B.1691, subd. 2a requires that 55% of Xcel’s electricity must be generated by an eligible energy technology by 2035. Even with the proposed solar PPAs, there remains a need for renewable resources to meet EETS compliance beginning in 2035.
- **Solar Energy Standard (SES):** Xcel estimates that it can meet the statutory goal of generating 10% of retail sales from solar energy by 2030 through 2045.¹²
- **Carbon-Free Standard (CFS):** The CFS requires that 80% of Xcel’s retail sales be generated by carbon-free technologies by 2030 and 100% by 2040.¹³ Xcel’s EnCompass modeling applied a specific constraint to ensure compliance with the 100% by 2040 standard.

As Staff will discuss in the Economic Analysis section of these briefing papers, the proposed portfolio is expected to result in a 2% increase in retail rates on an average annual basis, which is slightly higher than the 1.9% increase estimated for the base case. However, Xcel noted that the resulting rate impact is lower than the national average rate increase forecasted by the Energy Information Administration (EIA).

SUMMARY OF THE ISSUES

I. Intervening Parties and Summary of Recommendations

Xcel filed the Petition on October 31, 2025, and the Commission subsequently issued a *Notice of Comment Period* setting three rounds for comment with the following dates:

- Initial Comments – December 5, 2025
- Reply Comments – December 16, 2025
- Supplemental Comments – December 30, 2025

The Department of Commerce (Department) was the only party who filed comments on the Petition. The Department’s Initial Comments recommended the following Commission actions:

- Approval of the Fillmore, Gopher State, and Lemon Hill solar PPAs and Crowned Ridge and Mayhew Lake BESS PPAs. The Department requested more information on the

¹¹ Petition, pp. 59-60.

¹² Minn. Stat. § 216B.1691 subd. 2f.

¹³ Minn. Stat. § 216B.1691 subd. 2g.

Crane BESS and Grant Solar PPAs before providing a final recommendation.

- Approval of the acquisition and construction of the Company’s Sherco Solar 4, Blue Lake BESS, and Sherco South BESS self-build projects.
- Approval of the Company’s proposed cost recovery method for all projects, except for Blue Lake BESS, Crane BESS, and Grant Solar because the Department needed additional information on these projects before making a recommendation.
- Also on cost recovery, the Department recommended setting a symmetrical cost cap for self-build projects based on bid prices.¹⁴
- Approval of the Company’s acquisition of land rights for Sherco Solar 4.
- Approval of Xcel’s request for a variance of the requirements of Minn. R. 7825.1800, subp. B (Filing Requirements to Acquire Property).

II. Disputed Issues

The Department’s Initial Comments raised concerns and requested additional information on the following ratepayer protection and cost recovery issues:

- **Sherco Solar 4 Tax Credits:** Xcel’s initial analysis assumed utilization of Production Tax Credits (PTCs) for Sherco Solar 4, but the Company later shifted toward using Investment Tax Credits (ITCs). The Department asked Xcel to explain this choice and provide a detailed calculation of the estimated value for both tax credits to determine which is more beneficial for ratepayers.
- **Blue Lake BESS Project:** The Department noted the lack of a direct locational tie between the Blue Lake BESS and a specific renewable energy generator. Minn. Stat. § 216B.1645 (Power Purchase Contracts) requires that storage facilities must provide storage for renewable generation to qualify for cost recovery through the RES Rider. The Department requested that Xcel discuss how the specific, locational aspects of the Blue Lake BESS meets the statutory criteria and explain why these criteria should apply to BESS assets regardless of their physical proximity to renewable generators.
- **Grant Solar PPA:** The Department identified three main areas where it required more clarity regarding the Grant Solar PPA:
 - *Ownership Interest:* The Department requested clarification on the impacts of a

¹⁴ A “symmetrical cost cap” means that if actual costs are below the base cost recovery amount, then the Company keeps those savings. If actual costs are above the base amount, the Company cannot recover those costs.

party with a minority interest taking a majority interest and how that change in control might affect Xcel's option to purchase the project.

- *Collection of Obligations:* The Department requested that Xcel clarify how it would collect money owed in events of default, insurance claims, or bankruptcy when multiple parties are involved.
- *Trade Measures:* Given the volatility of trade policy, the Department asked if the PPA allowed for customers to receive the benefit of a reduced trade barrier, such as a price reduction if tariffs were lowered.
- **Crane BESS PPA:** The Department requested additional information concerning increased capacity payment rates, noting that the extent of financial risk posed by these potential rate increases was unclear.

Xcel's responses to the Department are summarized in the four sections below. Staff notes that much of the information pertaining to the Grant Solar and Crane BESS, both in Xcel's Reply Comments and the Department's Supplemental Comments, was designated as trade secret.

I. Sherco Solar 4 Tax Credits

Xcel provided calculations assuming both PTC and ITC utilization for Sherco Solar 4, which are included as Attachment A of the Company's Reply Comments; however, the calculations were designated as trade secret in their entirety, so they are not shown here.

According to Xcel, the increase in capital costs for the project makes the ITC option more competitive, as the ITC is calculated as a percentage of eligible capital expenditures, which have risen. Importantly, however, the Company emphasized that it is not locked into either the PTC or ITC method until the project is complete and tax credits are first claimed.

In Supplemental Comments, the Department concluded that the Company's calculations were reasonable, and the ITC is the superior choice for the project at this time. Therefore, the Sherco Solar 4 tax credit issue has been resolved.

II. Blue Lake BESS

Xcel rejected the Department's analysis that the Blue Lake BESS is not eligible for cost recovery through the RES Rider based on the criteria established in Minn. Stat. § 216B.1645, specifically regarding the lack of a direct locational tie to a renewable energy generator. Xcel's core justifications include:

- **System-wide benefits:** While the Blue Lake BESS does not have a "direct locational tie" to a specific renewable energy generator, it supports the integration of renewable energy across the grid.

- **Contribution to reliability and efficiency:** Under the statute, recovery is permitted for storage facilities that contribute to the reliability, efficiency, or cost-effectiveness of renewable facilities, which are functions the Blue Lake BESS performs for the system.
- **Advancing research and understanding:** The project meets the statutory criteria to “advance research and understanding of how storage devices may improve renewable energy projects.”
- **Facilitating clean energy goals:** The operational data and experience gained from the project would inform future investments and help the state achieve its carbon-free requirements.¹⁵

The Department disagreed with this interpretation of Minn. Stat. § 216B.1645, applying a two-step inquiry for RES Rider eligibility. The Department stated that eligibility for recovery under the statute requires that expenses must:

1. be directly related to a specific renewable energy project; and
2. meet one of four statutory objectives (improve project economics, ensure project implementation, advance research and understanding, or facilitate coordination with the transmission system).¹⁶

The Department concluded that Xcel failed the first step, as the Blue Lake BESS is primarily designed to replace retiring capacity at the Blue Lake Generating Station. The Department views the project’s renewable benefits as “incidental” rather than its primary focus:

Although the Blue Lake BESS may ultimately be used to store some renewable generation, it is not the focus of the project. Rather, the fact that the Blue Lake BESS may be used for renewable generation is incidental to the aim of the project itself. The assertions that BESS assets will advance the system-wide integration of renewables, facilitate compliance with renewable energy standards, and provide operational data similarly relate to incidental benefits and do not establish that the project is a renewable energy project.¹⁷

Based on this analysis, the Department recommends the Commission find that:

¹⁵ Xcel reply comments, pp. 4-5.

¹⁶ Minn. Stat. § 216B.1645, subd. 2a(a)(3) allows recovery of other expenses incurred that are directly related to a renewable energy project, including expenses for energy storage, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, advance research and understanding of how storage devices may improve renewable energy projects, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market.

¹⁷ Department supplemental comments, p. 4.

Xcel has not made the threshold demonstration that the expenses are “directly related to a renewable energy project” which is necessary for RES Rider recovery.¹⁸

In other words, cost recovery for the Blue Lake BESS through the RES Rider remains a disputed issue.

III. Grant Solar PPA

The Department requested additional information regarding ownership interest, collection of obligations, and trade measures. Xcel’s responses and the Department’s conclusions are summarized below:

A. Ownership Interest

Xcel clarified that a transition from a minority to a majority interest by a partner does not trigger Xcel’s specific purchase option under Section 19.5 of the contract; however, Xcel explained that such a transaction would be considered a “Change of Control,” which triggers Xcel’s Right of First Offer (ROFO) under Section 19.3.

In Supplemental Comments, the Department concluded that the exact legal interpretation of the language remained unclear. Consequently, the Department maintained its recommendation that Xcel provide further clarification to guard against risks that are not in the public interest.

In response, Xcel filed a supplemental letter on January 23, 2026, stating:

the PPA includes multiple complementary provisions that appropriately protect customers. Specifically, the contract includes a Pending Facility Transaction (PFT) provision, a Change of Control provision, and a Good Faith and Fair Dealing provision. These provisions together with the ROFO provision work together to protect the Company’s rights and customer interests when change in ownership transactions occur.¹⁹

B. Nonpayment and Multiple Obligators

Regarding the collection of obligations during default, bankruptcy, or insurance claims involving multiple parties, Xcel stated it reviews these on a “case-by-case basis.” Xcel will consult legal counsel and pursue damages or remedies where appropriate to protect customer interests.

While acknowledging Xcel’s intent to pursue remedies, the Department “remains concerned”

¹⁸ Department supplemental comments, p. 7.

¹⁹ Xcel, January 23, 2026, Letter, pp. 1-2.

that damages might exceed Grant Solar's ability to pay. Specifically, the Department stated that Xcel might only be able to collect money after other parties have been paid, potentially leaving the utility unable to collect the full amount owed.

To address the Department's concerns, Xcel's January 23, 2026, supplemental letter added that "damage caps are a standard feature of project-financed PPAs, as they are typically required by lenders and investors," and Xcel further noted that, under the Grant Solar PPA, damages are not capped prior to reaching COD.²⁰ This aligns with when the customers' risks are far reduced. Also, if an event occurred where the damage cap was exceeded, and the seller was unable pay what was owed, this would lead to a breach of terms and potentially termination of the contract.

C. *Changes in Trade Measures*

Xcel confirmed that the current PPA provisions do not contemplate a price decrease resulting from changes in tax law or tariffs.

The Department highlighted the uncertainty surrounding the constitutionality of tariffs imposed under the Emergency Powers Act, which are currently being considered by the Supreme Court. The Department concluded that without contractual "guardrails associated with a lower payment rate," customers risk losing significant savings if these tariffs are eventually struck down.

The Department did not file a response to Xcel's Grant Solar letter, but as Staff understands it, no Commission action is necessary on the three issues the Department identified.

IV. **Crane BESS PPA**

Many of the specific details regarding the Department's initial concerns and Xcel's responses regarding the Crane BESS PPA were designated as trade secret; however, the overarching concern was the extent of the financial risk posed by increased capacity payment rates, which the Department thought was unclear. Specifically, the Department noted that the potential cost impact of certain rate increases was not fully documented, so the Department requested further information before making a final recommendation.

In response, Xcel clarified the financial structure of the PPA. After reviewing the additional data provided by Xcel, the Department's concerns were resolved, and the Department ultimately recommended that the Commission approve the Crane BESS PPA. The Department also recognized various ratepayer protections in the PPA, such as operational risk mitigation from technical shutdowns and grid congestion, as well as other protections such as performance adjustments and a security fund for the seller to fund.

²⁰ Xcel, January 23, 2026, Letter, p. 2.

The next section will discuss the Petition in greater depth. Sections are organized by topic, and each concludes with the Department's analysis of that topic.

PETITION

The Petition is organized as follows:

- State of the Industry
 - Supply Chain Disruptions and Equipment Availability
 - Generation Capacity Lagging Behind Demand Growth
 - Rising Labor Costs and Workforce Constraints
 - Impact of Elevated Interest Rates on Project Financing
 - Evolving Trade Policies Introduce Volatility in Project Development
 - Modifications to Renewable Energy Tax Credit Provisions
 - MISO Interconnection Challenges: DPP Delays and ERAS Reform
 - Market Trends and Cost Benchmarking
- Resource Acquisition Process
 - Independent Auditor
 - Informational Filing
 - RFP Issuance
 - Self-Build Submission
 - Evaluation Process and Shortlist
 - Five-Year Action Plan
- Contract Negotiations and Final Portfolio
 - Third-Party Shortlisted Projects
 - Selected Projects
- Lease Arrangements
- Solar PPAs (Fillmore Solar, Grant Solar, Gopher State Solar)
- Storage PPAs (Crowned Ridge BESS, Crane BESS, Mayhew Lake BESS)
- PPA Terms
 - Performance Adjustment Mechanisms
 - Key PPA Terms Common Across Project Types
 - Relief Mechanisms Associated with Geopolitical Uncertainty
- Solar Build-Transfers (One Energy Portfolio 1 & 2)
- Company Self-Builds (Blue Lake BESS, Sherco South BESS, Sherco Solar 4)
- Economic Analysis
 - Model Updates Incorporated for Analysis
 - EnCompass Analysis of Portfolio
 - Estimated Customer Bill Impacts of Selected Portfolio
- Near-Terms Resource Procurement
- Regulatory Process and Rider Recovery
 - Sherco Solar 4, Blue Lake BESS, and Sherco South BESS are Eligible for Recovery through the RES Rider
 - PPA Projects are Eligible for Recovery through the Fuel Clause Rider

I. State of the Industry

The Petition characterized the energy industry as a landscape of sustained and overlapping challenges, which introduce significant cost pressures and market uncertainty directly impacting the economics of generation resources. According to Xcel, these dynamics, discussed below, are collectively driving up the cost of project execution and introducing volatility into project pricing and timelines.

The Petition addressed eight main factors impacting the state of the energy industry:

Supply chain disruptions and equipment availability: Global supply chain constraints have resulted in long lead-times and elevated prices for critical components, such as inverters and transformers, which have disrupted project schedules and increased overall costs. Developers are experiencing similar procurement hurdles for solar modules and other high-voltage electrical equipment, further straining project delivery times and budgets.

Generation capacity lagging behind demand growth: The electricity sector is experiencing demand growth at a rate not seen in the past three decades, leading to increased competition for generation resources and rising market prices. Within MISO, the North American Electric Reliability Corporation (NERC) has categorized MISO's risk as "elevated," with expectations for a shift to "high risk" in the 2028-2031 timeframe.²¹

Rising labor costs and workforce constraints: Shortages and competition for skilled workers needed for new energy infrastructure development has led to elevated contractor pricing, greater schedule risks, and increased overall project costs. The cost impact is especially pronounced for battery installations because a significant portion of the work requires higher-skilled electrical expertise. The cost and availability of skilled labor have become central determinants of project feasibility, pricing, and execution timelines for large-scale projects.

Impact of elevated interest rates on project financing: Interest rates have increased borrowing costs and the cost of capital, which poses a challenge for the energy sector due to its reliance on major, capital-intensive investments that often take years to develop. For financing, developers depend on a mix of project debt, equity, and sometimes third-party tax equity or tax credit transfers, all of which have become more expensive.

Evolving trade policies introduce volatility in project development: Federal trade policy changes have continued to affect project costs and introduce volatility over the past year. Government tariffs have directly affected critical materials required for energy infrastructure, such as steel, aluminum, lithium-ion batteries, and solar panels.

Modifications to renewable energy tax credit provisions: The passage of Public Law No. 119-21, known as the One Big Beautiful Bill Act (OBBBA), on July 4, 2025, restructured federal tax

²¹ Petition, p. 10.

incentives through a phasedown of key tax credits. To qualify for full tax credits under the OBBBA, wind and solar projects that do not begin construction by July 4, 2026, must be placed into service by December 31, 2027. Accelerated construction timelines and the elimination of the safe harbor have narrowed the window for eligibility, demanding more rigorous documentation and project execution. The combined effect of these provisions has led to nearly one-third of developers considering suspending or canceling projects, which is expected to tighten supply and further increase PPA prices.

MISO interconnection challenges: MISO interconnection studies through the Definitive Planning Phase (DPP) are experiencing persistent delays and increasing lead-times. DPP studies assign interconnection costs, but the shifting timelines make it difficult for RFP bidders to incorporate accurate cost assumptions. The interconnection cost uncertainty resulting from these delays necessitated the inclusion of conditional pricing mechanisms during the RFP negotiation process.

In response to DPP study delays and resource adequacy concerns, MISO launched the Expedited Resource Addition Study (ERAS) as a temporary process to fast-track interconnection studies for generation projects addressing urgent reliability needs. Unlike the standard DPP queue, ERAS offers a streamlined path to a Generation Interconnection Agreement (GIA) within 3-6 months. The first ERAS cycle began in August 2025.

Market trends and cost benchmarking: Sustained cost pressures have increased prices across the industry. In the MISO region, the median solar PPA price in the second quarter of 2025 was \$72.75/MWh, and prices have exceeded \$95/MWh during the same period.

II. Resource Acquisition Process

A. Xcel

As noted above, Xcel issued the 2024 RFP on June 28, 2024, and it was conducted under the Commission's approved Modified Track 2 acquisition process. The 2024 RFP was based on the resource needs identified in the Five-Year Action Plan approved in the IRP, and it specifically targeted years 2027-2029, which coincides with the scheduled retirements of Sherco Units 1 and 3 in Becker, Minnesota, and the Blue Lake Units in Shakopee, Minnesota.

The 2024 RFP solicited 1,600 MW of wind, solar, storage, and hybrid resources and was structured around two distinct participation tracks:

1. The Traditional Option, which sought resources capable of achieving COD by December 31, 2029; and
2. The MNEC Contingent Option, which sought up to 800 MW of resources specifically designed to interconnect to the proposed MNEC line.

A central component of the Modified Track 2 process is the oversight of the process by an

Independent Auditor (IA). Xcel retained Guidehouse to monitor the process, identify potential bias, and ensure the consistent application of evaluation criteria.

The RFP resulted in 14 bidders submitting 41 bids, and the evaluation was conducted in three stages: 1) Completeness review, 2) Threshold review, and 3) Project scoring/modeling.

Xcel initially shortlisted a total of approximately 2,650 MW of projects—1,595 MW of solar capacity and 1,056 MW of standalone storage. Although the RFP originally sought only 1,600 MW, the shortlist was expanded to account for higher load growth and to provide a buffer to account for uncertainties such as tariffs, tax credit availability, and interconnection delays.

Contract negotiations commenced in January 2025. Due to several external pressures impacting the negotiations, and to mitigate the risk of project failure and maintain the viability of the solicitation, Xcel allowed pricing adjustments during the post-shortlisting phase. Xcel explained that these adjustments “were intended to reflect the real-time cost implications of supply chain volatility, including material cost fluctuations and tariff-related surcharges.”²²

B. Department Comments on Resource Acquisition

The Department’s main comment about the RFP process was that Xcel allowed shortlisted bidders to adjust their prices. However, while the Department generally considers re-pricing a poor practice, Xcel’s decision was reasonable given the significant supply chain volatility, inflation, and other extraordinary economic conditions, as well as the need to preserve project viability. Overall, the Department found the RFP process to be conducted in a reasonable manner.

III. Proposed PPAs

A. Xcel

The proposed portfolio consists of 768 MW of solar capacity and 855.5 MW / 3,422 MWh of BESS capacity. This portfolio includes PPAs, build-transfer projects, and Company self-build projects.

The solar PPAs include four projects totaling 494 MW of generation capacity: Fillmore (15 MW), Grant (99 MW), Gopher State (200 MW), and Lemon Hill (180 MW). The solar PPAs are structured to provide price certainty through fixed payment rates and several performance-based adjustment mechanisms.

Additionally, the projects (with the exception of the already-operational Fillmore Solar) incorporate relief mechanisms to manage geopolitical uncertainty; these allow for rate increases or schedule extensions in response to extraordinary federal actions, new trade measures like tariffs, or significant changes in tax law.

²² Petition, p. 23.

The storage PPAs include three standalone BESS projects totaling 420 MW / 1,680 MWh of capacity: Crowned Ridge BESS (120 MW/ 480 MWh), Crane BESS (200 MW/ 800 MWh), and Mayhew Lake BESS (100 MW/ 400 MWh). The BESS PPAs include several performance-based adjustment mechanisms, such as:

- a Capacity Availability Factor (CAF) adjustment, which ties monthly payments to actual system availability;
- a Round-Trip Efficiency (RTE) adjustment, which penalizes the developer if the battery fails to meet guaranteed efficiency levels; and
- penalties for failing to accurately respond to dispatch notices.

Additionally, the contracts provide for “excess throughput” payments if the battery is discharged beyond its annual planned limit, protecting the longevity of the asset while encouraging availability during high-demand periods.²³

B. Department Comments on PPA Risks

The Department generally divides its analysis of PPAs into two risk categories: financial risks and operational risks. For PPAs, there are two main financial risks that may have negative impacts on Xcel’s ratepayers:

- a Seller default and termination of the PPA before the contract expiration; and
- entitlement by a lender or other party, as a result of the Seller’s failure to pay debt, to take over the project and terminate the PPA.

Under these events, Xcel may be forced to find more costly replacement power when the PPA is terminated. Further, project termination could jeopardize Xcel’s compliance with various statutory requirements and Commission orders.

The operational risks are primarily that a project will not be built and/or operated as expected. These risks include a complete or partial shutdown of the project due to technical problems. In the case of a partial shutdown, ratepayers must be assured that their payments for capacity and energy are reduced accordingly. In the case of a complete shutdown, Xcel may face the risk of non-compliance with the various legislative or Commission requirements and may need to pursue more expensive and/or risky replacement power.

²³ The excess throughput provision stipulates that if a BESS is discharged above its defined annual throughput limit, the Seller is entitled to an additional payment for each MWh of excess energy delivered. This is important because it balances operational flexibility with asset protection; it provides a financial incentive for the Seller to make the system available for use beyond its initially planned throughput level, and it allows Xcel flexibility in how it dispatches and uses the storage system while ensuring the long-term life of the facility is preserved

The Department examined each PPA to determine whether ratepayers are sufficiently protected from financial and operational risks. In the table below, Staff highlighted a few of the ratepayer protections the Department identified in each PPA:

Table 5. Department's Assessment of PPA Risks

Project	Financial Risks & Protections	Operational Risks & Protections
Fillmore	Protects from seller default via security funds and provisions allowing exit for tax law changes	No risk of the project not being built as it is already operational; includes standard performance features
Grant	Protects against unfair pricing due to changes in tax laws or tariffs	Includes performance-based adjustments for committed energy delivery and availability
Gopher State	Includes default provisions and limitations on damages that can be due to Xcel	Includes performance-based adjustments for committed energy delivery and availability
Lemon Hill	Protects against geopolitical uncertainty with a 20% cap on rate increases from new tariffs and exit options for tax law changes	Includes performance-based adjustments for committed energy delivery and availability
Crowned Ridge BESS	Includes a security fund for damages and a 20% cap on increases due to new tariffs	Includes CAF, RTE, and dispatch penalties to ensure payments match performance
Crane BESS	Protects against federal permit denials and changes in tax law	Includes CAF, RTE, and dispatch penalties to ensure payments match performance
Mayhew Lake BESS	Includes security fund for damages and failure to meet COD	Includes CAF, RTE, and dispatch penalties to ensure payments match performance

C. One Energy Portfolios

Staff notes that the portfolio also includes two distributed solar, build-transfer projects developed by One Energy: the One Energy Portfolio 1 (6 facilities, 41 MW total) and One Energy Portfolio 2 (6 facilities, 33 MW total). The projects are still finalizing terms of their build-transfer agreements. Importantly, because the One Energy facilities are located in Wisconsin, Xcel's Wisconsin Operating Company, NSPW, is the party to the projects. NSPW will seek any necessary project approvals from the Public Service Commission of Wisconsin.

The distributed nature of these projects means they will interconnect directly to the distribution system. Portfolio 1's sites will connect to the T-Corners and Grassland substations, while Portfolio 2's sites will connect to the Twin Town, Alma Center, Eau Galle, Ridgeland, Arkansasaw, and Rice Lake substations, all owned by NSPW. The proposed interconnection for

each facility has been approved by NSPW under Chapter PSC 119 of the Wisconsin Administrative Code, contingent upon required distribution system and substation upgrades.

The Department did not provide specific analysis or comments regarding the risks associated with the One Energy agreements, as these projects fall outside the primary scope of the Department's review, for two reasons: 1) the One Energy portfolios are located in Wisconsin and fall under the jurisdiction of the Public Service Commission of, and 2) the projects are being acquired by NSPW.

IV. Lease Arrangement

A. Xcel

According to Xcel, PPAs for resources involving dispatch rights and capacity-based payments can create long-term financial obligations that qualify as operating or finance leases. These lease obligations are often treated as "imputed debt" by credit rating agencies, which effectively increases the Company's reported debt when assessing financial risk. The inclusion of this imputed debt negatively impacts key financial metrics, such as the cash flow to debt ratio, signaling higher financial risk and potentially leading to lower credit ratings and increased borrowing costs on new debt.

The total estimated imputed debt by 2028 from the selected storage PPAs (Crowned Ridge BESS, Crane BESS, and Mayhew Lake BESS) is approximately \$514 million, resulting in an estimated 1.00% negative impact to the Funds from Operations (FFO)-to-Debt ratio. To mitigate this negative impact, the Company intends to propose managing credit quality through an increase in its authorized equity ratio in its next electric rate case filing. Xcel believes this is the most cost-efficient option for reducing the debt proportion and increasing cash flow while displacing interest expense charged to customers.

B. Department

The Department confirmed the Company's estimate of \$514 million for imputed debt, all of which is associated with the BESS PPAs. The Department recognized that increasing the equity ratio to address this debt would represent an additional cost to ratepayers, if approved; however, the Department recommends taking no action on imputed debt in the instant proceeding because: 1) there is currently no specific cost assigned to imputed debt, and 2) Xcel intends to address the mitigation of these costs in a future rate case.

V. Self-Builds

A. Project Details

Xcel requests the Commission approve the acquisition and construction of three Company-owned, self-build projects—Blue Lake BESS, Sherco South BESS, and Sherco Solar 4. The two self-build standalone storage include the Blue Lake BESS (135.5 MW / 542 MWh) and Sherco South BESS (300 MW / 1,200 MWh), both of which are located in Minnesota on

Company-owned property and are intended to replace retiring generation.

The third self-build project is Sherco Solar 4, a 200 MW facility in Clear Lake Township, Minnesota, proposed to interconnect to the MNEC transmission line. Sherco Solar 4 was the sole project selected from the RFP's MNEC Contingent Option.

All solar projects are expected to qualify for the 30% ITC; however, the Sherco South BESS and Sherco Solar 4 may qualify for an additional 10% bonus for being located in an energy community.

B. Sherco Solar 4 Land Acquisition

Xcel requests Commission approval of an Asset Purchase Agreement (APA) for property rights covering 1,132 acres of land, which will be leased for the project and acquired from a subsidiary of NG Renewables. Because this transaction involves the transfer of utility assets, it is subject to Minn. Stat. § 216B.50, which requires any public utility seeking to acquire or lease an operating unit or system with a total consideration exceeding \$1,000,000 to first receive authorization from the Commission.

The Commission's approval is contingent upon two primary factors:

1. the proposed action must be consistent with the public interest; and
2. the Commission must consider the reasonable value of the property or assets being acquired.

Xcel asserts that the acquisition of land rights for Sherco Solar 4 meets these criteria.

Xcel also requests a variance from Minn. R. 7825.1800, subp. B, which requires information regarding capital structure and securities. Minn. R. 7829.3200 allows the Commission to vary its rules if it finds:

- Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- Granting the variance would not adversely affect the public interest; and
- Granting the variance would not conflict with standards imposed by law.

Xcel argued that a variance is appropriate under Minn. R. 7829.3200 because:

1. **Excessive burden:** The required information pertains to the issuance of securities, which is not at issue in this land lease; therefore, providing it would be an unnecessary burden.
2. **Public interest:** Since no securities are being issued, granting the waiver does not adversely affect the public interest.
3. **Legal standards:** There is prior Commission precedent for granting such waivers in similar property acquisition cases, ensuring the variance does not conflict with the law.

C. *Department Comments on Land Acquisition*

The Department found that the Sherco Solar 4 land rights acquisition is consistent with the public interest and recommends Commission approval.

The Department considered financial and operational risks to ratepayers and found the APA adequately protects ratepayers from these risks. The Department stated:

Regarding financial risks, given the early stages of the work being purchased, the relatively small amounts in question, and the APA reaching its end relatively soon, the Department concludes that Xcel's ratepayers are exposed to minimal financial risks via the APA.

In a transaction where land rights are purchased there are no operational risks inherent in the APA because the assets are transferred to Xcel prior to construction and operation of the project.²⁴

The Department also supports Xcel's variance request, agreeing that these rules were intended for security issuances, and enforcing them here would impose an excessive burden.

VI. **Economic Analysis**

A. *Methodology*

1. **Updated Modeling Assumptions**

Xcel's updated EnCompass modeling built upon the modeling previously submitted in the Lyon County CT Certificate of Need (CON) filing, which made some changes to the methodology and input assumptions used in the IRP. For example, Xcel updated the model's firm dispatchable resources from Docket No. 23-212 to include the Lyon County CT, extensions of the Cannon Falls PPA and Mankato Energy Center (MEC) 1 PPA, the MEC BESS, the North Star BESS, and the Sherco West BESS. Plum Creek Wind and Lake Wilson Solar and Storage were removed.

Also, as Staff will discuss in the next section, the analysis used the Company's current, Fall 2025 load forecast, whereas the IRP relied on the Fall 2023 load forecast.

Xcel's generic resource price assumptions incorporated changes due to the OBBBA, as Xcel stated that the IRP pricing no longer reflected current market conditions.

Xcel applied a specific constraint to the model to ensure compliance with the CFS. Xcel stated that this step was necessary because, unlike in the IRP, incorporating the updated assumptions prevented the plan from complying with the CFS.

²⁴ Department, Dec. 5, 2025, initial comments, p. 45.

2. Updated Resource Need

Xcel's most current load forecast indicates that the Company's resource need has increased significantly since the 2024 IRP. Whereas the IRP identified a near-term need for 4,200 MW (consisting of 3,200 MW wind, 400 MW solar, and 600 MW storage), the updated forecast indicates an additional 3,500 MW of incremental wind and solar resources by 2030, even after accounting for the resources selected in the proposed portfolio.

Through the duration of this process (the IRP, the RFP, and the Petition), Xcel applied three different load forecasts at various stages of project evaluation:

- **IRP load forecast (2023v2):** The IRP forecast served as the initial baseline for determining system needs.
- **Fall 2024 load forecast (2024v2):** An updated, Fall 2024 forecast was used during the RFP evaluation process, which served as the basis for creating the final shortlist.
- **Fall 2025 load forecast (2025v2):** Xcel's most recent forecast was used for the updated EnCompass analysis included in the Petition.

The key difference between the IRP forecast and the 2025v2 forecast is that the 2025v2 forecast projects a peak load that is over 1,000 MW higher than the IRP forecast by 2030.

The table below compares the resource need in the IRP forecast (2023v2) to the current forecast (2025v2). As the table shows, the IRP Five-Year Action Plan approved 4,200 MW of new resources, and approximately 716 MW would remain after accounting for resources proposed or selected in various resource acquisition dockets. However, when taking into account the 2025v2 forecast, a need for an additional 3,500 MW by 2030 remains.

Table 6. Updated Need Assessment

Resource	Approved 5-Year Action Plan (MW)	Proposed Portfolio, Dev. Transfer and ERAS Projects (MW)
Standalone Storage	600	916
Wind	3,200	1,800
Solar	400	768
Total	4,200	3,484
Remaining IRP Need for Wind/Solar/Storage		716
Updated Remaining Need for Wind/Solar/Storage		3,500

3. PTC Availability

To isolate the planning impacts of potential tax credit expiration or unavailability, Xcel ran

scenarios where new generic renewable additions did not receive PTCs. This allowed Xcel to determine the value of the selected portfolio if tax credits became unavailable. Of note, while under the “No PTC” runs, EnCompass assumed that PTCs would not be available for any generic resources added after 2030, the projects selected in the 2024 RFP were assumed to qualify for tax credits under all scenarios.

The analysis demonstrated that, under the “No PTC” assumption, when combined with the updated load forecast, the portfolio resulted in net benefits through 2040.

4. Market Purchases

A crucial aspect of the modeling was Xcel’s treatment of the MISO capacity and energy markets. For the baseline plan, Xcel employed a two-phased approach based on the year 2030. Prior to 2030, the model was allowed to purchase capacity at MISO’s current Cost of New Entry (CONE) and energy directly from the spot market. The intent of baseline plan was to allow Xcel to compare the costs of the proposed portfolio to market reliance.

According to Xcel, the “no-build” alternative reflected by the baseline plan is not a reasonable or prudent strategy, as it would significantly increase exposure to market volatility. The Department agreed, which is why the Department stated that “incremental cost of the portfolio case can be viewed as an insurance premium to avoid reliance on the MISO spot market.”²⁵

B. Key Findings

PVSC: The table below shows the PVSC results of the portfolio, using the current load forecast (2025v2), relative to the updated base case. Scenarios were run with and without the availability of the PTC, and Xcel ran the model through 2040 and then through 2050.

On a PVSC basis, and when generic renewables were assumed to use PTCs, the portfolio had a net cost of \$77 million through 2040. However, when the PTC was removed for generic resources under the “No PTC” scenario, the portfolio yielded \$70 in net benefits through 2040. The 2050 modeled time horizon showed that the proposed portfolio results in net costs under both the PTC and No PTC scenarios, which Xcel attributed to differences in expansion plans during the later years of the modeled time horizon.

Table 7. PVSC Results (Current Load Forecast - 2025v2)

Assumption	Delta from Updated Base through 2040 (millions)	Delta from Updated Base through 2050 (millions)
2025v2 Forecast – PTC	\$77	\$321
2025v2 Forecast – No PTC	(\$70)	\$110

PVRR: On a PVRR basis, the portfolio showed net costs across both the 2040 and 2050 runs. The

²⁵ Department Dec. 5, 2025, comments, p. 8.

table below shows the PVRR results using the current load forecast (2025v2) relative to the updated base case:

Table 8. PVRR Results (Current Load Forecast - 2025v2)

Assumption	Delta from Updated Base through 2040 (millions)	Delta from Updated Base through 2050 (millions)
2025v2 Forecast – PTC	\$293	\$537
2025v2 Forecast – No PTC	\$325	\$147

The proposed portfolio is expected to result in an average annual increase in retail rates of 2% across the system, which is slightly higher than the 1.9% increase estimated for the base case. However, because the baseline plan relies on short-term market purchases and is inconsistent with the approved IRP, Xcel believes that foregoing the proposed acquisition is not a reasonable alternative. While the comparison to the baseline provided helpful context regarding cost impacts, the results demonstrate reasonable ratepayer impacts.

C. Sensitivity Analysis

Xcel modeled several sensitivities to assess the impacts of changes in load, fuel prices, and externality/CO₂ regulatory costs. A summary of the results is shown in the table below. Notably, the portfolio provides net benefits under higher fuel price and higher externality/CO₂ regulatory cost scenarios. This indicates that the baseline scenario relied more heavily on carbon-emitting units and market purchases.

Table 9. Scenario and Sensitivity Analysis

PVSC	Delta from Updated Base in NPV 2024-2040 Cost/(Savings) (millions)	Delta from Updated Base in NPV 2024-2050 Cost/(Savings) (millions)
Current Load Forecast (2025v2)	\$77	\$321
Current Load Forecast (2025v2) - No PTC	(\$70)	\$110
IRP Load Forecast (2023v2)	\$170	\$242
IRP Load Forecast (2023v2) - No PTC	(\$25)	(\$41)
Sensitivities - Current Load Forecast (2025v2)		
High Fuel Price	(\$16)	\$237
High Fuel Price - No PTC	(\$160)	\$28
Low Fuel Price	\$153	\$383
Low Fuel Price - No PTC	\$125	\$458
High Externality and Regulatory Costs	(\$204)	\$243
High Externality and Regulatory Costs - No PTC	(\$345)	\$36
Low Externality and Regulatory Costs	\$154	\$493
Low Externality and Regulatory Costs - No PTC	\$10	\$279
PVRR	Delta from Updated Base in NPV 2024-2040 Cost/ (Savings) (millions)	Delta from Updated Base in NPV 2024-2050 Cost/(Savings) (millions)
Current Load Forecast (2025v2)	\$293	\$537
Current Load Forecast (2025v2) - No PTC	\$147	\$325
IRP Load Forecast (2023v2)	\$249	\$349
IRP Load Forecast (2023v2) - No PTC	\$57	\$70

D. Department Comments on Xcel's EnCompass Analysis

Given the time available, the Department did not attempt to run EnCompass for this proceeding. However, the Department reviewed Xcel's modeling process and results.

The Department found that the cost-effectiveness of the portfolio is highly dependent on the study period and specific assumptions. For the 2024-2040 planning period, the PVSC fluctuates and is either higher or lower than the baseline, depending on externalities and fuel forecasts. However, for the 2050 study period, the portfolio is consistently more expensive than the baseline in both PVSC and PVRR runs.

Overall, the Department concluded that substantial additions of solar and BESS resources could still be justified if they qualify for tax credits. In particular, the portfolio avoids over-reliance on the MISO spot market; the Department characterized the portfolio's incremental cost as an "insurance premium," explaining:

Clearly the portfolio case is more expensive than the baseline case for the study period. The only question that remains regards whether the cost increase is a reasonable cost in terms of being an insurance premium or hedge against MISO spot markets.²⁶

VII. Near-Term Resource Procurement

Due to Xcel's updated needs assessment for approximately 3,500 MW of incremental resources, which is in addition to the proposed portfolio in this proceeding, Xcel notified the Commission that:

the Company plans to issue an RFP in the coming months for wind, solar, storage, and hybrid resources. This timing is important to provide an opportunity to secure projects that qualify for expiring federal tax incentives and to meet anticipated load growth.²⁷

Staff notes that on December 12, 2025, in Docket No. 25-429, Xcel made an informational filing initiating the Company's "Near-Term RFP," which targets up to 3,500 MW from wind, solar, hydro, standalone storage, or hybrid capacity that will achieve COD by December 31, 2030. In addition, through a separate Minnesota Distributed Solar Energy Standard (DSES) track, the RFP will seek up to 600 MW of distributed solar or solar-plus-storage hybrid projects.

VIII. Cost Recovery

A. Xcel

Xcel requests two primary mechanisms for cost recovery depending on the project type: 1) the RES Rider for self-build projects and 2) the FCR for PPAs. Xcel's requests the Commission:

1. Approve the acquisition and construction of the Company's self-build projects – Blue Lake BESS, Sherco South BESS, Sherco Solar 4 – and the Company's proposed approach of recovery for these project costs for the Minnesota jurisdiction through the RES Rider; and
 - a. Authorize the Company to propose any changes to its jurisdictional allocation approach in a future RES Rider filing for resources that the Company is not able to obtain approval of in another jurisdiction.
2. Authorize the Company to recover, through the FCR, the Minnesota jurisdictional portion of the costs incurred under the PPAs from Minnesota retail customers.

²⁶ Department, Dec. 5. Comments, p. 8.

²⁷ Petition, pp. 87-88.

1. Statutory Compliance

Below, Staff summarizes Xcel's justifications for its proposed cost recovery methods:

Xcel argues that Sherco Solar 4 is necessary for the Company to achieve compliance with the following Minnesota renewable energy requirements:

- **EETS:** Xcel's modeling suggests that, while current resources satisfy EETS requirements through 2034, Sherco Solar 4 is needed to support compliance beginning in 2035. RECs generated by Sherco Solar 4 will enable the Company to meet its requirement that 55% of electricity be generated by eligible energy technologies by 2035.
- **SES:** The project will also contribute to the State's goal of generating 10% of retail sales from solar energy by 2030. Xcel estimates that with the addition of Sherco Solar 4, it can meet this 10% goal from 2030 through 2045.
- **CFS:** The project contributes to the requirement that 80% of retail sales be generated by carbon-free technologies by 2030 and 100% by 2040.

The BESS projects play a slightly different role; they are designed to support the integration, reliability, and optimization of renewable energy resources. Minn. Stat. § 216B.1645, subd. 2(3) allows for cost recovery of storage facilities if the utility demonstrates that the expenses improve project economics, ensure implementation, or advance research and understanding of how storage supports renewable energy.

According to Xcel, the Blue Lake BESS and Sherco South BESS are eligible for cost recovery under the RES Rider because they "will advance research and understanding of how storage devices may improve renewable energy projects, including:"

- **Integration of renewable energy:** BESS enables higher and more efficient use of existing and new renewable energy sources.
- **Frequency response and regulation:** BESS infrastructure provides moment-to-moment stability for the electrical system more efficiently than existing natural gas resources.
- **Reduce energy waste:** BESS stores energy when there is an excess supply and discharges that energy back onto the grid when supply is low.
- **Grid Resiliency:** BESS can support recovery from storms and other grid emergencies by more efficiently using the operating portions of the grid and providing the grid operator and utility additional flexibility while they work to restore the system.²⁸

²⁸ Petition, p. 93.

2. Jurisdictional Cost Allocation

Xcel requests the Commission authorize the Company to propose changes to its jurisdictional allocation approach in future RES Rider filings for resources that fail to gain approval in other jurisdictions. Xcel explained that this proposal arises from the need to comply with the CFS, which necessitated specific constraints in Encompass modeling that directly influenced the updated expansion plan.

Xcel is currently evaluating an allocation method based on the approach advanced by Otter Tail Power (OTP) in a recent resource acquisition proceeding. If implemented, this framework would enable individual jurisdictions to advance their distinct planning preferences while still maintaining the benefits of the integrated system.

Importantly, Xcel intends to first seek determinations from its North Dakota and South Dakota regulators before requesting changes to the allocation of costs associated with the resources in the Petition.

Regarding the One Energy projects, which are located in Wisconsin, NSPW will seek necessary approvals, although the costs for these resources will be shared across the system through the Interchange Agreement.

B. Department Comments on Cost Recovery

1. Recommendations

On cost recovery, the Department recommends that the Commission:

- authorize the Company to recover the Minnesota jurisdictional portion of the costs incurred under the following PPAs from Minnesota retail customers through the FCR;
- determine the Sherco Solar 4 qualifies for recovery via Xcel's RES Rider;
- determine the Sherco South BESS qualifies for recovery via Xcel's RES Rider;
- set Xcel's base cost recovery at the capital cost bid; and
- take no action regarding the request to propose changes to the jurisdictional allocation approach in a future RES Rider filing for resources Xcel is not able to obtain approval of in another jurisdiction.

2. Statutory Compliance

The Department assessed whether the projects are needed to meet the EETS, SES, and CFS.

The excerpt below provides Department's conclusion on Xcel's EETS obligation:

The Department reviews historical compliance with the RES statute in a biennial report to the legislature. The Department RES Report concluded that, for the year 2023 Xcel was in compliance with the EETS. The Department RES Report forecasted that Xcel would be in compliance through 2040.

The Petition's analysis of the EETS shows that Xcel will be in compliance through approximately 2035. In either analysis Xcel would be short of the necessary renewable energy during the lifetime of the proposed solar projects. The difference in the two dates (2035 vs. 2040) would not impact the overall conclusion and the Department did not pursue an analysis of the difference. Overall, the Department concludes that the solar projects will be used to satisfy the requirements of Minnesota's EETS.²⁹

The next excerpt below provides Department's conclusion on Xcel's SES obligation:

The Department RES Report states that Xcel met SES compliance for 2023. In addition, the Department RES Report states that Xcel forecasts the Company will be able to meet a 10 percent by 2030 goal. In addition Xcel forecasts that the Company will have sufficient solar to satisfy the SES requirements through year 2035 without the use of banked RECs. Xcel's analysis of the SES shows that the Company will be able to meet the 1.5 percent requirement and 10 percent goal irrespective of Sherco Solar 4. Overall, the Department concludes that the solar projects are not necessary to satisfy the requirements of Minnesota's SES.³⁰

Finally, the excerpt below provides Department's conclusion on Xcel's CFS obligation:

Xcel will be able to satisfy CFS compliance requirements through 2037 with current and planned resources being utilized, assuming a four-year shelf life of environmental attribute credits. Overall, the Department concludes that the solar projects will be used to satisfy the requirements of Minnesota's CFS.³¹

In addition to compliance with the EETS, SES, and CFS, the Department analyzed whether the projects meet the six statutory criteria under Minn. Stat. § 216B.1691, subd. 9(a), as well as the IRP/Firm Dispatchable Order, pertaining to economic development. Overall, the Department concluded that the projects meet the six economic development criteria in the statute for the reasons summarized in the table below:

²⁹ Department, Dec. 5. Comments, p. 10.

³⁰ Department, Dec. 5. Comments, p. 10.

³¹ Department, Dec. 5. Comments, p. 11.

Table 10. Economic Development Criteria under Minn. Stat. § 216B.1691, subd. 9(a)

Criteria	How the RFP met the criteria
Creation of high-quality jobs in Minnesota	The RFP mandated that bidders utilize union labor and businesses and included the impact on env. justice areas as a scoring criterion.
Rights of workers to organize and unionize	
Workers have the tools, opportunities, and assistance to adapt during the energy transition, particularly in env. justice areas	
All Minnesotans share the benefits of, and opportunity to participate in, the clean energy economy	The RFP included small projects, which allowed a broader range of Minnesotans to participate in the clean energy economy.
Statewide air emissions are reduced, particularly in env. justice areas	The portfolio will reduce statewide CO ₂ emissions.
Provision of affordable electric service	The projected nominal rate increase of approx. 2%/yr over 15 years aligns with the expected rate of inflation.

3. Self-Build Projects/RES Rider

The Department’s analysis of cost recovery for the self-build projects was guided by Minn. Stat. § 216B.1645, which allows for the automatic adjustment of charges to recover prudently incurred costs for facilities that satisfy state renewable or carbon-free standards. The Department concluded the following for each self-build project:

- **Sherco Solar 4** qualifies for RES Rider recovery because the project is consistent with the public interest.
- **Sherco South BESS** qualifies for RES Rider recovery because it is located between Sherco Solar 1 and 2, so it is “directly related to a renewable energy project.”
- **Blue Lake BESS** does not qualify for RES Rider recovery because Xcel has not demonstrated that the project is “directly related to a renewable energy project.” Rather, it is designed to replace retiring capacity.

4. Symmetrical Hard Cap

The Department recommends that the Commission set the base cost recovery for Xcel’s self-build projects at the capital cost amount bid into the RFP. As part of this recommendation, the Commission would impose a “symmetrical hard cap,” which is symmetrical because:

- if actual construction costs are lower than the bid, Xcel retains the benefit; but

- if actual costs exceed the bid, Xcel (not ratepayers) bears the loss.

The Department's rationale for a symmetrical hard cap is that Xcel's self-build projects competed against third-party bids, and allowing Xcel to pass unknown or additional costs to ratepayers would be unfair to other bidders, as well as expose ratepayers to undue risk.

The Department also suggested that Xcel be granted the same three relief mechanisms as the PPAs: 1) tax law changes; 2) extraordinary federal actions; and 3) new trade measures.

Finally, the Department noted that Xcel initially planned to utilize PTCs for Sherco Solar 4; however, the Company has since shifted to assuming ITCs. The Department recommended that Xcel explain this change in its Reply Comments and provide a detailed calculation comparing the estimated values of both PTCs and ITCs for the project.

5. Jurisdictional Cost Allocation

The Department recommends the Commission take no action on this request because the Company already has the ability to propose changes to jurisdictional allocations in RES Rider filings.

C. Xcel Response

In Reply Comments, Xcel addressed the following topics:

- Sherco Solar 4 tax credits
- Blue Lake BESS cost recovery
- Grant Solar clarifications
- Crane BESS

Sherco Solar 4: Xcel explained that the increase in capital costs for Sherco Solar 4 made the ITC more competitive; because the ITC is calculated as a percentage of eligible capital expenditures, as construction costs rise, the total value of the credit increases. That said, Xcel clarified that it is not yet locked into a specific method, and the final decision between PTCs or ITCs will not be made until the project is complete and the credits are first claimed.

Blue Lake BESS: Xcel defended the Blue Lake BESS's eligibility for the RES Rider, arguing that, even though the facility lacks a direct physical tie to a specific renewable site, it qualifies because it supports the integration of intermittent renewable energy system-wide and advances the grid's overall reliability and efficiency.

Grant Solar: Xcel responded to three Department inquiries regarding the Grant Solar PPA:

- *Ownership changes:* Xcel clarified that a minority interest owner acquiring a majority interest does not trigger Xcel's purchase option (Section 19.5), but it does trigger the Right of First Offer (Section 19.3) regarding a "Change of Control."

- *Collection of obligations:* Xcel stated that issues regarding insurance, default, and bankruptcy involving multiple parties are handled on a case-by-case basis to protect customer interests.
- *Price adjustments:* Xcel confirmed that the PPA does not allow for energy price reductions resulting from new trade measures, tariffs, or changes in tax law.

As discussed previously, on January 23, 2026, Xcel filed a response further addressing the Department's concerns regarding the Grant Solar PPA. Xcel defended the PPA's structure, specifically the provisions regarding ownership change ("Change of Control") and damage caps ("Nonpayment with Multiple Obligators").

The letter explained that, while minority owners could gain control without triggering the ROFO provision, the PPA includes provisions that act as a safety net to protect customer interests.

Also, the use of damage caps is a standard requirement for securing project financing; however, damages are uncapped prior to the COD to mitigate risks before the project goes online.

Finally, Xcel opposed the Department's recommendation to modify the "Change in Trade Measures" provision to allow for rate decreases, arguing that reopening negotiations could lead to higher pricing, construction delays, and the loss of tax credits.

Crane BESS: The specific details of Xcel's responses to the Department's requests for more information regarding the Crane BESS PPA were designated as trade secret. Nevertheless, the Department supports Commission approval of the Crane BESS PPA.

Symmetrical cost cap: Staff notes that, while Xcel's Reply Comments acknowledged the Department's recommendation to set base cost recovery at the capital cost bid, the Company did not specifically address whether it supports or opposes the symmetrical cost cap. To provide clarity on this issue, Staff sent Xcel an information request asking the Company to elaborate on its position. Xcel stated in its response:

We do not support applying a symmetrical hard cap. Considering the current market conditions and industry challenges, the Company proposes that the Commission preserve the opportunity for the Company to seek recovery of additional costs if certain market dynamics arise – such as changes in tariff laws that impact the global supply chain and to provide any savings achieved to customers. This is in addition to the complexities and difficulty in establishing comparable performance adjustments for Company-owned assets noted by the Department.³²

³² Xcel response to PUC IR 1.

STAFF DISCUSSION

I. Justifications for Project Approval

Based on Staff's review of the record, there is sufficient evidence for the Commission to approve the proposed portfolio. Justifications for a public interest finding could include:

- **IRP Need:** The portfolio helps fulfill the resource acquisition targets established in the Commission's 2024 IRP/Firm Dispatchable Order, which identified a near-term need for 4,200 MW of capacity, including substantial solar and standalone storage.
- **Reliability:** The projects provide capacity, energy, and reliability services. For example, the BESS resources can provide, among other benefits, (1) grid flexibility, such as frequency response and regulation, and (2) grid resiliency, such as support during storms and emergencies. Additionally, the integration of BESS enables more efficient use of renewable energy.
- **Risk management:** Xcel argued that the no-build alternative unreasonably relies on MISO markets, which carries risks related to price volatility and potential capacity shortfalls. The Department agreed, viewing the incremental cost of the portfolio as a necessary "insurance premium" to avoid excessive market reliance.
- **Economic and ratepayer benefits:** The portfolio will capture time-sensitive federal tax credits. In addition, the Sherco projects will receive a 10% bonus for being located in an energy community. Moreover, according to the Department's analysis, the portfolio meets statutory economic development criteria by requiring the use of union labor, creating high-quality jobs, and generating local economic benefits.
- **Statutory compliance:** The solar projects will contribute to Xcel's EETS and CFS requirements.
- **Fair bidding process:** The portfolio was selected through a Commission-approved Modified Track 2 acquisition process, which the Department determined was conducted reasonably.
- **Competitive pricing:** Despite market volatility, the final negotiated prices for the PPA are likely competitive with comparable projects.

In addition to these overarching benefits of the proposed portfolio, Staff notes there are specific provisions within the PPA to insulate ratepayers from various risks, also lending support for approving the Petition:

- **Price certainty:** The PPAs establish fixed energy and capacity payment rates, protecting ratepayers from future fluctuations in fuel prices.

- **Performance provisions:** The solar PPAs have a “committed energy” amount for each year, and if the Seller fails to deliver a specified percentage, the energy payment rate is reduced. Also, Sellers must maintain a “minimum equivalent availability,” which serves as a contractual guarantee that facilities remain operational.
- **BESS performance:** The BESS PPAs have a “Capacity Availability Factor,” meaning capacity payments are adjusted based on the actual availability of the storage system; for example, the payment is reduced for underperformance. Also, the “Round-Trip Efficiency” provisions require BESS facilities to meet committed efficiency levels.

II. The Commission Can Deny the Petition

While no party opposed the Petition, the Commission may find that the Company’s economic modeling failed to demonstrate that the portfolio is in the public interest. The modeling generally showed that the portfolio case was consistently more expensive than the baseline case (which relied on market purchases), regardless of the time horizon modeled.

Specifically, under the current load forecast, Xcel’s modeling resulted in a PVSC increase of \$77 million in the 2040 scenario (with PTCs) and \$321 million in the 2050 scenario (with PTCs). Under the PVRR (no externalities/CO₂ regulatory costs) runs, the portfolio case increased costs by \$293 million in the 2040 scenario and \$537 million in the 2050 scenario.

The Commission may also question some aspects of the negotiation process. Xcel explained that, due to global supply chain disruptions, labor shortages, and evolving federal trade policies, Xcel allowed bidders to submit re-priced adjustments after the initial shortlist was announced. To be clear, Staff agrees with the Department that this was appropriate given recent and current volatility. At the same time, Staff agrees with the Department that “the re-pricing of bids is a poor practice in RFPs.”³³

Finally, ratepayers remain vulnerable to geopolitical risk and federal trade policy. Under the terms of the proposed PPAs, a cost increase of up to 20% is triggered by a New Trade Measure Event, which allows for a rate adjustment if a new or modified import tariff is imposed on a project’s major components.³⁴

III. Cost Recovery for the Blue Lake BESS through the RES Rider

Minn. Stat. § 216B.1645, subd. 1, grants the Commission authority to approve expenditures that satisfy renewable energy standards, including investments made to “provide storage facilities for renewable energy generation facilities that contribute to the reliability, efficiency,

³³ Department comments, p. 18.

³⁴ Any requested increase is subject to verification by the Independent Auditor. The auditor would review the Seller’s major equipment to determine the validity of the new tariff and the accuracy of the calculated impact.

or cost-effectiveness of the renewable facilities.”

Furthermore, Subd. 2a(a)(3) allows for the recovery of expenses “directly related to a renewable energy project,” provided the utility demonstrates that the storage expenses “advance research and understanding of how storage devices may improve renewable energy projects” or improve project economics.

The eligibility for cost recovery of the Blue Lake BESS through the RES Rider primarily relies on the interpretation of Minn. Stat. § 216B.1645, subd. 2a(a)(3), specifically whether the project’s system-wide benefits satisfy the statutory requirement that storage expenses be “directly related to a renewable energy project.” Xcel and the Department differ in the interpretation of whether the statute necessitates a physical or locational nexus between a storage facility and a specific renewable generator.

One interpretation favoring cost recovery, as argued by Xcel, suggests that the Blue Lake BESS qualifies because it advances system-wide integration of renewables and provides operational data, despite not having a physical connection to a specific generator. Even though the Blue Lake BESS lacks a direct locational tie to a renewable generator, Xcel argued that it will store excess electricity – including renewable generation – and discharge it when demand increases. Therefore, Xcel interprets the statute as meaning the benefits of reliability and efficiency realized across the entire system make the specific location relative to generation less relevant than the storage resource’s function in facilitating renewable energy integration and policy requirements.

Conversely, the Department interprets the term “directly related” to mean a physical connection to specific renewable projects rather than broad utility objectives. The Department noted that, unlike the Sherco South BESS, the Blue Lake project does not have a “locational nexus” to renewable generation, which calls into question whether it provides storage for renewable facilities as required by the statute. The Department concluded that Xcel failed the threshold demonstration for RES Rider eligibility because the primary purpose of the Blue Lake BESS is to replace retiring peaking capacity, making the storage of renewable generation merely “incidental to the aim of the project itself.”

Staff does not take a position on the interpretation of the statute, but notes that, while Xcel makes several claims about storage facilities generally improving the cost-effectiveness of renewable energy projects, there is no apparent evidence on this record to support the conclusion that the Blue Lake BESS improves the economics of any specific solar facility. In other words, it does not appear that any of the solar PPAs or self-build projects in this portfolio, for example, benefit directly from the Blue Lake BESS. While Staff does not dispute the argument that storage will provide system-wide benefits, in terms of the economic analysis on this record, all solar-related input assumptions appear to be entirely independent of the Blue Lake BESS.

IV. Symmetrical Cost Cap

Staff believes the Department's recommendation to set a symmetrical cost cap is reasonable because it (1) treats Xcel consistently with third-party bidders, and (2) aligns with past Commission orders. As some examples (provided by Xcel in response to PUC IR 1.b.), Xcel identified three cases in which the Commission set a symmetrical cost cap when Xcel submitted a bid for a self-build project:

- 1,550 MW Wind Acquisition Portfolio (Docket 16-777);
- Dakota Range I & II (Docket No. 17-694); and
- Sherco Solar 3 (Docket No. 22-403).

Under the structure of a symmetrical cost cap, Xcel absorbs any capital cost overruns while retaining any savings. From Staff's perspective, this protects ratepayers from unknown financial risks while maintaining a fair playing field in the competitive bidding process, since allowing one bidder to pass on extra costs while others cannot could be seen as undermining the competitive nature of the process. Ultimately, holding all participants to their evaluated bid prices ensures both fairness for competing bidders and protection for ratepayers.

As it relates to the Decision Options, Staff notes that the Department's recommendation from its December 30, 2025, Supplemental Comments recommend the Commission "set Xcel's base cost recovery at the capital cost bid." However, since this recommendation does not explicitly refer to the symmetrical cost cap, Staff added language from the Commission's October 25, 2023, Order approving the Sherco Solar 3 project and the Apple River Solar PPA in Docket No. 22-403. The re-worded Decision Option 6 now states:

Limit cost recovery to a symmetrical capital cost cap for Xcel's proposed Sherco Solar 4 and Sherco Solar BESS projects with the capital cost recovered being set at the cost bid by Xcel to request Commission approval to exceed the symmetrical cost cap if it can show that any costs it incurred above the cap are the result of a government action (e.g. tariff, trade investigation, etc.) that causes a meaningful disruption to solar panel supplies and market prices.

Importantly, in response to PUC Information Request 1.b., Xcel clarified that it opposes the symmetrical cost cap because the Company wishes to "preserve the opportunity for the Company to seek recovery of additional costs if certain market dynamics arise – such as changes in tariff laws that impact the global supply chain and to provide any savings achieved to customers." Consistent with the Sherco Solar 3 Order, the language in Decision Option 6 authorizes Xcel to request Commission approval to exceed the symmetrical cost cap if it can show that any cost it incurred above the cap are the result of a government action (e.g. tariff, trade investigation, etc.) that causes a meaningful disruption to solar panel supplies and market prices. Therefore, Staff believes Decision Option 6 sufficiently addresses Xcel's concern.

V. New Trade Measure Event

In Xcel's recent request to procure 800 MW of firm dispatchable capacity, the Office of the Attorney General (OAG) made a recommendation to ensure the Commission and stakeholders would be informed about costs resulting from a triggering of the New Trade Measure Event provision. The OAG recommended requiring Xcel to make a compliance filing showing that any increased costs are just and reasonable for ratepayers to bear. Xcel did not oppose such a filing requirement. The Commission's February 17, 2026, Order in that proceeding determined that this "filing requirement will ensure transparency should such an event occur and protect ratepayers' interests" and adopted the following language:

With a triggering of a New Trade Measure Event, Xcel must include in its fuel clause filing a showing that it is just and reasonable for ratepayers, rather than Xcel's shareholders, to bear the increased costs.³⁵

To be consistent with the Commission's recent order, Staff added Decision Option 10 to incorporate the filing requirement related to the triggering of a New Trade Measure Event.

VI. Jurisdictional Issues

The disagreement between Xcel and the Department regarding jurisdictional cost allocation is procedural rather than substantive. However, Staff notes that Xcel's plan to implement a cost allocation method similar to one used by OTP – where the costs of resources procured to meet policy objectives in one jurisdiction are assigned to that jurisdiction – is noteworthy and could be quite significant in the future. Therefore, the Commission may or may not wish to address this issue in this proceeding.

Xcel referred to OTP's approach as the basis for developing a new jurisdictional cost recovery method. While Xcel cited the Solway Solar case,³⁶ OTP's allocation of costs and benefits has roots in the Hoot Lake Solar proceeding,³⁷ wherein the Commission approved OTP's cost recovery method, but also requested more information on how it planned to address the cost and benefits in future proceedings. Order Point 5 of the Commission's April 29, 2021, Order approving the Hoot Lake petition stated:

Otter Tail Power shall make a compliance filing detailing its jurisdictional allocation and cost recovery proposal to provide the full benefits to Minnesota ratepayers for this solar facility. Otter Tail Power shall make the compliance filing describing its cost allocation and cost recovery, including capacity values and SREC management strategy, in detail on or before April 23, 2021.

³⁵ Order Point 3, Commission order, Docket Nos. 23-212 and 24-67.

³⁶ Docket No. 24-404.

³⁷ Docket No. 20-844.

Staff acknowledges that requiring a similar compliance filing here could be premature. However, the Commission could address the issue in some capacity if it would like to have more oversight throughout the development of Xcel's jurisdictional cost allocation proposal, whether through filing requirements as in OTP's case or another avenue.

One option could be akin to the Commission's requirement in Xcel's 2024 IRP to "consult with the Department and consider filing a voluntary carbon-free electricity procurement program." Working with the Department at the outset may enable the parties to identify issues in advance before a proposal is made; again, this may be premature since Xcel does not provide many details about the proposal or when it might be filed.

DECISION OPTIONS

Approval

1. Approve the following proposed solar and standalone storage PPAs:
 - a. Fillmore Solar,
 - b. Gopher State Solar,
 - c. Lemon Hill Solar,
 - d. Crowned Ridge BESS, and
 - e. Mayhew Lake BESS. *(Xcel, Department)*
2. Approve the acquisition and construction of the following proposed self-build projects:
 - a. Blue Lake BESS,
 - b. Sherco South BESS, and
 - c. Sherco Solar 4 self-build projects. *(Xcel, Department)*

Or

3. Deny the Petition.

Cost Recovery – RES Rider

4. Approve the Company's proposed approach of recovery for the Blue Lake BESS, Sherco South BESS, and Sherco Solar 4 project costs for the Minnesota jurisdiction through the RES Rider. *(Xcel)*

Or

5. Approve the Company's proposed approach of recovery for the Sherco South BESS and Sherco Solar 4 project costs for the Minnesota jurisdiction through the RES Rider. *(Department) (Staff notes that the difference between DOs 4 and 5 is that DO 5 does not include the Blue Lake BESS.)*

And

6. Limit cost recovery to a symmetrical capital cost cap for Xcel's proposed Sherco Solar BESS and Sherco Solar 4 projects with the capital cost recovered being set at the cost bid by Xcel. Authorize Xcel to request Commission approval to exceed the symmetrical cost cap if it can show that any costs it incurred above the cap are the result of a government action (e.g. tariff, trade investigation, etc.) that causes a meaningful disruption to solar panel supplies and market prices. *(Staff interpretation of the Department's recommendation.)*

And

7. Authorize the Company to propose any changes to its jurisdictional allocation approach in a future RES Rider filing for resources that it is not able to obtain approval of in another jurisdiction. *(Xcel)*

Or

8. Take no action regarding the request to propose changes to the jurisdictional allocation approach in a future RES Rider filing for resources that Xcel Energy is not able to obtain approval of in another jurisdiction. *(Department)*

Cost Recovery – FCR

9. Authorize the Company to recover, through the Fuel Clause Rider, pursuant to Minn. Stat. § 216B.16 subd. 7(3), the Minnesota jurisdictional portion of the costs incurred under the PPAs from Minnesota retail customers. *(Xcel, Department)*

And

10. With a triggering of a New Trade Measure Event, Xcel must include in its fuel clause filing a showing that it is just and reasonable for ratepayers, rather than Xcel's shareholders, to bear the increased costs. *(Staff)*

Land Rights

11. Approve the Company's acquisition of land rights for the Sherco Solar 4 project. *(Xcel, Department)*

And

12. Approve the Company's request for a variance of the requirements of Minn. R. 7825.1800, subp. B. *(Xcel, Department)*