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Rebuttal Testimony and Schedules
Lisa R. Peterson

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Petition of the City of Slayton for the Determination of Compensation for City Acquisition of Xcel Energy Electric Service Territory

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870

Rebuttal Testimony of Lisa R. Peterson

January 9, 2026

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Lisa R. Peterson. I am the Director of Regulatory Pricing and Analysis for Northern States Power Company d/b/a Xcel Energy (Xcel Energy or the Company).

Q. ARE YOU THE SAME LISA R. PETERSON WHO PREVIOUSLY PROVIDED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. My Direct Testimony was filed on November 21, 2025.

Q. PLEASE DESCRIBE YOUR DIRECT TESTIMONY.

A. In my Direct Testimony, I explained the Company's just compensation calculation under Minn. Stat. § 216B.45 and recommended that just compensation is approximately $44,640,878.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of the City of Slayton's (City or Slayton) witness David A. Berg.

Q. PLEASE PROVIDE A SUMMARY OF YOUR TESTIMONY.

A. In my Rebuttal Testimony, I respond to the Direct Testimony of City witness Berg and explain the areas where I agree or disagree with his analysis and recommendations. I also provide additional information about the possible impacts of Slayton's decision to exit the system on the interconnection queue in the Slayton area.

II. RESOLVED ISSUES

Q. ARE THERE ANY ITEMS THAT HAVE BEEN RESOLVED?

A. Yes, City witness Berg and I agree on the value of the first just compensation factor, "the original cost of the property less depreciation" or "value of property." The Company appreciates City witness Berg's acceptance of the value of its property.

III. JUST COMPENSATION

A. Summary and Overall Response

Q. HOW DOES THE COMPANY'S JUST COMPENSATION CALCULATION COMPARE WITH THE CITY'S?

A. City witness Berg recommends a just compensation amount that is much lower than the Company's recommendation. The primary difference is related to the calculation of lost revenue, which I discuss more below. City witness Berg calculates a lost revenue amount of 4.2 mills per kWh for 5 years, which is equivalent to $0.0042 per kWh.[1] Based on the amount of kWh sales used in witness Berg's Direct Testimony,[2] this would result in an annual lost revenue amount of approximately $82,380 per year, for a total of $411,904 over five years.

Q. IS THE RESULT OF CITY WITNESS BERG'S ANALYSIS REASONABLE?

[1] Direct Testimony of David Berg on Behalf of the City of Slayton at 31 (Nov. 21, 2025) (Berg Direct).
[2] It appears that witness Berg relied on the Company's response to City Information Request No. 5, which states that there were 19,614,508 kWh consumed by customers in Slayton during 2024.

A. No. While I am not an attorney, I am aware that Minnesota law requires Slayton to pay the Company for "loss of revenue to the utility."[3] The Company currently receives approximately $2.9 million in revenue from customers in Slayton each year.[4] City witness Berg is proposing that only 2.8 percent of those revenues should be included in just compensation.

I will explain in the rest of my testimony why City witness Berg's analysis is incorrect, but it is also important to recognize that the results of his analysis are extreme.

Q. ARE THE RESULTS OF CITY WITNESS BERG'S ANALYSIS CONSISTENT WITH OTHER DECISIONS OF THE COMMISSION?

A. No. While the Commission has not decided a just compensation case under Minn. Stat. § 216B.45, it has decided several cases under section 216B.44. These cases also involved the calculation of lost revenues. As displayed in Table 1, City witness Berg's recommendation would set a lost revenue amount that is far lower than what has been approved in the past.

[3] Minn. Stat. § 216B.45.

[4] Direct Testimony of Lisa A. Peterson, Schedule 3 (Nov. 21, 2025) (Peterson Direct) indicates that the Company is expected to receive $2.9 million in revenue from Slayton in 2025.

Table 1
Summary of Cases under Minn. Stat. § 216B.44

Case	Docket	Lost Revenues	Customers
Redwood Falls[5]	05-1274	29.7 mills	19 existing
Grand Rapids[6]	03-896	30 mills	134 existing[7]
Buffalo[8]	03-989	17.9 mills for existing customers; 28 mills for new customers	8 existing, approx. 400 future[9]
Rochester[10]	93-498	$0.2 million for existing customers; 12.2 mills for future customers	46 existing[11]
Olivia[12]	85-93	$0.3 million	38 existing

I note that the figures in Table 1 have not been updated to account for changes in rates or inflation.

Q. ARE THERE DISTINGUISHING FACTS IN THESE CASES?

[5] *In the Matter of the Application of the City of Redwood Falls to Extend its Assigned Service Area into the Area Presently Served by Redwood Electric Cooperative*, Docket No. E135, 298/SA-05-1274, ORDER DETERMINING COMPENSATION (June 27, 2007).
[6] *In the Matter of the Application of the Grand Rapids Public Utilities Commission to Extend its Assigned Service Area into the Area Presently Served by Lake Country Power*, Docket No. E243, 106/SA-03-896, ORDER DETERMINING COMPENSATION (Sept. 29, 2005).
[7] Docket No. E243, 106/SA-03-896, Findings of Fact, Conclusions, and Recommended Order at 5–6, 8 (Jan. 1, 2005).
[8] *In the Matter of the Application of the City of Buffalo to Extend its Assigned Service Area into the Area Presently Assigned to Wright-Hennepin Cooperative Electric Association*, Docket No. E221, 148/SA-03-989, ORDER DETERMINING COMPENSATION AND REQUIRING COMPLIANCE FILING (Apr. 1, 2005).
[9] Docket No. E221,148/SA-03-989, Findings of Fact, Conclusions, and Recommended Order at 9 (Jan. 3, 2005).
[10] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association, Inc.*, Docket No. E299, 132/SA-93-498, ORDER DETERMINING COMPENSATION AND DENYING MOTION TO DISMISS (Nov. 30, 1995).
[11] Docket No. E-299, 132/SA-93-498, Findings of Fact, Conclusions and Recommended Order at ¶ 13 (May 31, 1995).
[12] *In the Matter of the Application of the City of Olivia to Extend its Municipal Electric Service Area into an Area Served by Renville-Sibley Cooperative Power Association*, Docket No. E288, 136/SA-85-93, ORDER AFTER REHEARING (Oct. 1, 1986).

A. Yes, and the factual differences indicate that the lost revenues for Slayton should be more than these cases, not less. For example, in Docket No. E243, 106/SA-03-896, Docket No. E221, 148/SA-03-989, and Docket No. E135, 298/SA-05-1274, the dispute over lost revenues involved fewer customers and less infrastructure.

In Docket No. E243, 106/SA-03-896, the Grand Rapids Public Utilities Commission extended its assigned service area to include two areas within city limits.[13] These areas were within the assigned service area of Lake Country Power and involved 134 customers.[14]

In Docket No. E221, 148/SA-03-989, the City of Buffalo sought to extend municipal electric service to seven areas recently annexed by the City. These areas were within the Wright Hennepin Cooperative Electric Association's service area. The City of Buffalo acquired the Cooperative's property which provided electric service to eight customers.[15]

In Docket No. E135, 298/SA-05-1274, the City of Redwood Falls sought to extend municipal electric service to several annexed areas that lay within the assigned service area of the Redwood Electric Cooperative. The transaction

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[13] *In the Matter of the Application of the Grand Rapids Public Utilities Commission to extend its Assigned Service Area into the Area Presently Served by Lake Country Power*, Docket No. E243, 106/SA-03-896, ORDER DETERMINING COMPENSATION at 1 (Sept. 29, 2005).
[14] *In the Matter of the Application of the Grand Rapids Public Utilities Commission to extend its Assigned Service Area into the Area Presently Served by Lake Country Power*, Docket No. E243, 106/SA-03-896, Findings of Fact, Conclusions, and Recommended Order at 10 (Jan. 1, 2005).
[15] *In the Matter of the Application of the City of Buffalo to Extend its Assigned Service Area into the Area Presently Assigned to Wright-Hennepin Cooperative Electric Association*, Docket No. E221, 148/SA-03-989, Findings of Fact, Conclusions, and Recommended Order at 8 (Jan. 3, 2005).

involved the Cooperative's property which provided service to nineteen customers.[16]

In contrast, this matter involves approximately 1,200 existing customers and fully developed infrastructure to serve the entire City of Slayton. Given the infrastructure and established revenue stream of these existing customers, loss of revenue to the utility should be larger, not smaller, than previous cases decided under section 216B.44.

Q. WHAT WOULD BE THE IMPACT OF ADOPTING CITY WITNESS BERG'S RECOMMENDATION?

A. Adopting City witness Berg's recommendation would have negative impacts on Xcel Energy's other customers because one purpose of the lost revenue calculation is to protect our other customers from cost increases if Slayton exits the system.. The Company currently receives approximately $2.9 million in revenue each year from customers in Slayton, the vast majority of which are related to the shared costs of the entire Xcel Energy system. Adopting City witness Berg's recommendation would mean that Slayton's share of system costs, representing millions of dollars, would be shifted to Xcel Energy's other customers.

Further, adopting City witness Berg's recommendation could have negative policy implications. As explained in the Direct Testimony of Company witness Allen D. Krug, this is the first case in which the Commission will determine the

[16] *In the Matter of the Application of the City of Redwood Falls to Extend Its Assigned Service Area into the Area Presently Served by Redwood Electric Cooperative*, MPUC Docket No. E135, 298/SA-05-1274, ORDER DETERMINING COMPENSATION at Order Point 4 (June 27, 2007).

just compensation calculation for the formation of a new municipal utility. It has also been many years since the Commission considered just compensation for an expanding municipal utility, and this case involves far more customers and revenue than prior cases under section 216B.44. As a result, the method approved by the Commission could impact decisions made by other communities. Adopting a methodology in which only 2.8 percent of lost revenues are the responsibility of the community leaving the system could encourage other communities to consider leaving the Xcel Energy system. This could create challenges for system planning and increase the financial impacts on our other customers.

Q. WHAT COULD HAPPEN IF ESTABLISHING A LOST REVENUE CALCULATION THAT IS TOO LOW ENCOURAGED A LARGER COMMUNITY TO EXIT XCEL ENERGY'S SYSTEM?

A. Applying City witness Berg's analysis to Slayton would shift millions of dollars to our remaining customers annually. Applying this method to a larger community could have more extreme impacts. For example, the population of Slayton is approximately 2,000 people, and Slayton generates revenues of approximately $2.9 million per year. If a community such as Marshall, with around seven times the population, were to exit the system, the revenue impacts would probably be seven times that of Slayton — more than $20 million per year. If a larger town like Mankato, with around twenty times the population of Slayton, were to exit our system, the revenue impacts could be greater than $50 million per year. While the municipalities we serve have the right to exit the system to form municipal utilities, it is important to accurately calculate lost revenue in order to protect our other customers. City witness Berg's

recommendation produces lost revenue amounts that are so low it could have significant impacts on our remaining customers.

B. Lost Revenue

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO LOST REVENUES?

A. As I described above, City witness Berg developed a method for calculating lost revenues that results in more than 95 percent of the lost revenues being excluded from just compensation. While I believe that, in general, City witness Berg followed the same five steps outlined in my Direct Testimony, I disagree with many of the assumptions and conclusions in his analysis.

In particular, I disagree with City witness Berg's analysis on the following topics:

- The relevant time period;
- The calculation of revenue and sales from Slayton customers;
- Which costs are avoidable;
- City witness Berg's adjustment for load density;
- City witness Berg's adjustment for a specific Xcel Energy employee; and
- The use of a mill rate to recover just compensation costs.

I also want to make sure that the record is clear about how lost revenues will be used by the Company. As explained in the Direct Testimony of witness Krug, any just compensation payments collected from Slayton,[17] including lost

[17] Krug Direct at 7:2–6.

revenues, will be credited to our remaining customers to protect them from rate increases if Slayton leaves the system.

1. Relevant Time Period for Lost Revenue

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION FOR THE RELEVANT TIME PERIOD FOR LOST REVENUE?

A. City witness Berg recommends evaluating lost revenue for only five years.[18] In this section, I will explain why the lost revenue time period should be longer, consistent with the 20-year time period I recommended in Direct Testimony.

Q. WHAT IS THE BASIS FOR WITNESS BERG'S RECOMMENDATION?

A. City witness Berg argues that the Company can adjust to the loss of revenue from Slayton in five years. In presenting his argument, City witness Berg states that the Commission has previously established that "a 10-year compensation period, and no more, as a sufficient time to give [the utility] a 'reasonable opportunity' to adjust and mitigate," citing to the Commission's decision in *In re City of Rochester*, Docket No. E299, 132/SA-93-498.[19] According to City witness Berg, Xcel Energy can quickly adjust to the loss of sales in Slayton because of Slayton's relatively small size compared to the Company's entire system,[20] and because there is relatively low expected load growth in Slayton.[21]

I do not agree with City witness Berg's analysis.

[18] *See* Berg Direct at 37:14–48:19.
[19] *Id.* at 38:11–12.
[20] *Id.* at 42:3–43:14.
[21] *Id.* at 43:12–14.

Q. HOW DOES CITY WITNESS BERG EXPECT XCEL ENERGY TO ADJUST FOLLOWING THE LOSS OF SLAYTON?

A. It is not clear. Based on the discussion on pages 43 to 44 of City witness Berg's testimony, City witness Berg seems to think that Xcel Energy will lay off employees to "adjust" to Slayton's exit. As I explained in my Direct Testimony, the Company does not anticipate that any employees will be laid off if Slayton exits the system, as there are no employees directly assigned to serve only the customers in Slayton. City witness Berg also suggests that the Company can sell extra capacity into the regional market, which I discuss in more detail below and which was addressed in the Direct Testimony of Company witness Bixuan Sun. Apart from those two suggestions, City witness Berg does not explain how he thinks the Company should adjust or what such an adjustment would involve.

Q. CAN THE COMPANY "ADJUST" TO AVOID THE LOST REVENUES FROM SLAYTON?

A. The revenues from Slayton represent Slayton's share of the costs to build and maintain the grid and deliver electricity to customers. It includes the cost of power plants and lines currently installed, and the people and technology to build, operate, and manage them. The Company made these investments with the expectation that Slayton would continue to be part of its system, and cannot "adjust" its way out of the investments it has already made.

Q. WILL ADJUSTMENTS IN THE FUTURE IMPACT THE COSTS INCLUDED IN THE LOST REVENUE CALCULATION?

A. When Slayton leaves the system, there will not be any immediate impact on costs for the existing system. Moving forward, the Company will make adjustments for future planning. These adjustments are not likely to lead to reductions in lost revenue for several reasons. First, Slayton is comparatively

small and it is not likely that Slayton's absence would impact the size, type, or timing of generation or other major investments selected in the future. Second, even if there were impacts, there is no principled way to estimate what the cost impacts would be. Third, the costs included in the lost revenue calculation are related to investments that have already been made – future investments are not included in the lost revenue calculation, so changes to those future investments should not have an impact on the lost revenue amount.

Q. HOW IS XCEL ENERGY DIFFERENT FROM THE COOPERATIVES THAT CITY WITNESS BERG REFERS TO?

A. City witness Berg relies extensively on old Commission proceedings involving cooperatives, but does not acknowledge two major differences with this case. First, most of the cases City witness Berg relies on involve small numbers of customers, as noted in Table 1 above, or areas in which there were few customers but expected increased sales in the future. That is not the case here, where the Company has a long-standing relationship with approximately 1,200 customers in Slayton. If anything, it will take longer to adjust to the loss of Slayton because it involves the loss of far more customers, more sales, and more extensive infrastructure than the cases City witness Berg points to.

Second, City witness Berg does not adequately address the fact that electric cooperatives primarily provide distribution services, while Xcel Energy is responsible for providing distribution, generation, and transmission service. This distinction is important because generation and transmission assets make up most of the Company's cost of providing service. As shown in Schedule 3 to my Direct Testimony, the costs of the distribution system represent

approximately 8.6 percent of total costs for customers.[22] In comparison, the costs for generation and transmission assets represents approximately 80 percent of total costs for customers.[23]

City witness Berg has not identified any way that the Company can "adjust" its existing generation assets, and I do not believe it is possible. Slayton's exit will not allow the Company to get rid of or eliminate any of its existing generation, it will just provide a smaller customer base over which to recover the costs.

To the extent that City witness Berg is arguing the Company can adjust by building less generation in the future, this argument should not impact the lost revenue calculation. The costs included in the lost revenue analysis are the embedded costs of the existing utility system. While the Company may be able to reduce future resource procurements, these future costs that are not included in the revenue requirement that I (or City witness Berg) used to calculate the lost revenue amounts.

Q. DO YOU AGREE THAT SLAYTON'S SIZE COMPARED TO THE SYSTEM AND ITS EXPECTED LOAD GROWTH ARE RELEVANT TO HOW QUICKLY THE COMPANY CAN ADJUST?

A. No. City witness Berg does not clearly explain how it would be possible for a utility to adjust more quickly to the loss of a small community. Rather, he conclusively states that "[a] small load area with limited growth potential (like

[22] Distribution costs of 322,948 divided by total revenue requirement of 3,713,015. Peterson Direct, Exhibit___(LRP-1), Schedule 3 at 6. Numbers are in thousands.
[23] Variable production (1,692,348) + fixed production (893,802) + transmission (398,439) divided by total revenue requirement of 3,713,015. Exhibit___(LRP-1), Schedule 3 at 6. Numbers are in thousands.

Slayton) lends itself to a shorter period for adjustment."[24] City witness Berg does not provide any analytical or factual basis for this conclusion, and I do not agree with it.

Q. HAS CITY WITNESS BERG PROVEN THERE WILL BE NO FUTURE GROWTH IN SLAYTON?

A. No. City witness Berg appears to base his conclusion primarily on Slayton's 2016 Land Use Plan.[25] But this document is almost ten years old and is likely out of date. The Company requested that the City provide any information it had about future economic development, and the City confirmed that the 2016 plan was the most recent relevant document.[26] Additional discovery responses indicate that the City has seen new housing developments since the plan was originally issued,[27] suggesting that modest future growth – like what is included in my model – is reasonable. I further note that there have been recent news reports about the possibility for major infrastructure investments in southwest Minnesota,[28] where Slayton is located, which could lead to more growth in Slayton than previously expected. Absent any specific, recent evidence to support City witness Berg's conclusion that there will be no growth in Slayton, I believe that it is most reasonable to assume that growth in Slayton will be consistent with the average growth expected in our entire Minnesota service territory, which includes many communities similar to Slayton.

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[24] Berg Direct at 43:12–14.
[25] Berg Direct at 21:10–11 (stating that "[n]o growth is expected in Slayton sales going forward . . . ." but providing no citation).
[26] Exhibit___(LRP-2), Schedule 1 (XE IR 16).
[27] Exhibit___(LRP-2), Schedule 2 (XE IR 18).
[28] *Minnesota Star Tribune*, "In Minnesota farm country, a plan for a $4 billion data center takes root with vast wind, solar, and battery projects," Nov. 26, 2025, https://www.startribune.com/in-minnesota-farm-country-a-plan-for-a-4-billion-data-center-takes-root-with-vast-wind-solar-and-battery-projects/601512205.

Q. WOULD IT BE REASONABLE TO CALCULATE LOST REVENUES USING DIFFERENT METHODOLOGIES BASED ON THE SIZE OF THE COMMUNITY?

A. No, and doing so could lead to negative policy outcomes. As I explain above, this is a matter of first impression for the Commission and could impact how other communities evaluate section 216B.45. Using a different lost revenue calculation methodology for smaller communities, like Slayton, could establish an unreasonable precedent. There should not be a difference in calculating lost revenue based on the size of the community, unless there are specific facts to incorporate into the analysis. City witness Berg has not identified any here.

Q. SHOULD THE POSSIBILITY OF FUTURE LOAD GROWTH IMPACT THE LOST REVENUE CALCULATION FOR SLAYTON?

A. No. City witness Berg argues that the possibility that Xcel Energy may experience future load growth in other parts of its system means that the Company should receive less lost revenues.[29] I disagree for several reasons.

First, while I am not an attorney, I note that Minn. Stat. § 216B.45 says that Slayton is required to pay for "loss of revenue to the utility," not loss of revenue to the utility minus sales growth entirely unrelated to the lost revenue. The statute does not provide for the offset that City witness Berg suggests.

Second, City witness Berg has not identified any realistic way in which future load growth can reduce the costs of Xcel Energy's system. In fact, it is likely that significant load growth — like the addition of data center customers — will

[29] Berg Direct at 46:13–16.

require the addition of generation assets. Whether Slayton is on or off the system will not have any meaningful impact on the type or size of new generation assets needed to serve data center customers, but it will impact whether or not customers in Slayton are contributing to the shared costs of the system as it exists today. Further, to the extent that future load growth does reduce the costs of Xcel Energy's system, our customers should see the full benefit of those changes and not have them diluted as a result of Slayton's choice to exit the system.

Third, City witness Berg presents a false comparison. The analysis should not be focused on whether Xcel Energy might develop new revenue sources completely unrelated to Slayton in the future. Instead, the analysis should compare the impact to customers if Slayton is either on or off the system and load growth is experienced. To provide a simple example, consider a scenario involving $10 in revenue from new sales growth plus $3 in existing revenue from Slayton. City witness Berg is arguing that the $3 in lost revenue does not matter because there is $10 in new revenue from other customers. Yet the correct analysis is to compare the $10 in revenue without Slayton to the $13 in revenue with Slayton. Existing customers would unambiguously be better off with the $13 in revenue than the $10. In other words, the new revenue from sales growth does not change the fact that there is lost revenue from Slayton.

Q. WHAT IS YOUR RECOMMENDATION FOR THE LOST REVENUE TIME PERIOD?

A. I continue to recommend a lost revenue time period of 20 years. The time period should be based on Xcel Energy's various planning horizons, and the expected life of the assets that the revenues are related to. These investments and plans were developed with the expectation that Xcel Energy would

continue to provide service to Slayton. City witness Berg has not identified any way that the Company can adjust to reduce the cost of these investments.

Q. WHAT ARE THE APPROPRIATE PLANNING HORIZONS TO CONSIDER?

A. City witness Berg relies on the wrong planning horizons. City witness Berg suggests that the planning horizon for distribution assets is five years,[30] but that is not correct. While the Integrated Distribution Planning process includes a five-year budget, the planning horizon required by the Commission is ten years.[31] More importantly, Xcel Energy conducts integrated resource planning for its generation assets on a 30-year horizon, and transmission planning on a 20-year horizon.[32] The time horizons for generation and transmission planning are the most important because most of the embedded costs included in rates are related to generation and transmission.

2. Calculation of Sales and Percentage of Slayton Sales

Q. HOW DID CITY WITNESS BERG DETERMINE THE COSTS THAT SLAYTON CUSTOMERS ARE RESPONSIBLE FOR?

A. City witness Berg backed into the Slayton cost responsibility, starting with the Company's overall 2026 revenue requirement and cost function which was based on the currently-pending rate case. He then calculated an average rate for each cost function in each rate class. Lastly, City witness Berg weighted each average rate by the 2024 Slayton class sales as a percentage of total 2024 Slayton

[30] Berg Direct at 47:5–14.
[31] Direct Testimony of Bixuan Sun at 4:5–6 (Sun Direct); *see also In the Matter of Xcel Energy's 2025 Integrated Distribution Plan*, Docket No. E002/M-25-142, XCEL ENERGY 2025 INTEGRATED DISTRIBUTION PLAN at 6 (evaluating a 10 year forecast period), and 9 (discussing a 30 year analysis for DERs) (Oct. 31, 2025).
[32] Sun Direct at 3:22–4:12.

sales, and summed the class results to come up with a Slayton-specific total average rate for each cost function.

Q. DO YOU AGREE WITH CITY WITNESS BERG'S CALCULATION?

A. Not entirely. The Company's rate case is currently pending. City Witness Berg relied on the Class Cost of Service Study (CCOSS) filed on November 1, 2024 with the Company's Direct Testimony.[33] This information was provided to the City in September 2025. On November 25, 2025, the Company filed Rebuttal Testimony in the rate case, reducing its overall rate request. As a result, City witness Berg's analysis is based on a revenue requirement that is no longer being requested. My analysis avoids this problem, because it uses revenue data based on existing rates, rather than proposed rates not authorized by the Commission.

I also note that City witness Berg uses Slayton sales for the 2024 actual year. A single year of actual sales may contain weather anomalies that alter the class sales mix compared to normal weather conditions. For this reason, I recommend using a multiple-year average of class usage per customer to create Slayton's sales forecast. My methodology avoids these two issues that are present in City witness Berg's analysis.

3. Avoided and Non-Avoided Costs

Q. HOW DID CITY WITNESS BERG DEVELOP HIS RECOMMENDATION RELATED TO AVOIDED COSTS?

[33] Docket No. E002/GR-24-320.

A. As discussed above, City witness Berg calculated an average rate for each cost category in the Company's class cost of service analysis, and then weighted each average rate by the 2024 class sales mix for Slayton. After this step, City witness Berg evaluated whether costs in each category could be avoided, and excluded avoidable costs from his lost revenue calculation.

Q. DID YOU AND CITY WITNESS BERG ANALYZE THE SAME TYPES OF COSTS?

A. Yes. City witness Berg focused his analysis on subcategories of costs, while I focused on larger cost function categories. In this rebuttal, I focus on the broader categories (while indicating which subcategories are related), because there is not a material difference in the subcategories that make up the larger categories.

Q. DO YOU AGREE WITH CITY WITNESS BERG'S ANALYSIS?

A. No. I will provide my response to specific categories of costs below, but I also disagree with two foundational components of City witness Berg's analysis. The first is his focus on impacts to the Company rather than impacts on other customers, and the second is his discussion regarding the Company's ability to respond to the loss of customers in Slayton.

Q. WHAT ARE YOUR CONCERNS WITH FOCUSING ON THE COMPANY RATHER THAN OTHER CUSTOMERS?

A. The lost revenue analysis should identify and seek to avoid impacts on our other customers, not just evaluate impacts to the Company. The Company is subject to cost-based ratemaking under Minnesota law.[34] Rates are set by recovering the

[34] Minn. Stat. § 216B.16.

Company's total cost to provide service from all customers. In the long run, any costs that the Company does not collect from Slayton customers will be collected from other customers instead. While it is important to evaluate revenue impacts on the Company, it is also important to evaluate revenue impacts on other customers because one purpose of the lost revenue requirement is to ensure that Slayton's decision does not negatively impact rates for other customers.

Q. WHAT ARE YOUR CONCERNS WITH CITY WITNESS BERG'S ANALYSIS ABOUT THE COMPANY'S ABILITY TO ADJUST TO SLAYTON'S EXIT?

A. City witness Berg repeatedly minimizes the impact of lost revenues by discussing how quickly he believes the Company can adjust to the loss of Slayton. I addressed this argument above as it relates to the time period for lost revenue. As it relates to lost revenue, City witness Berg's analysis does not appropriately recognize that the vast majority of costs included in rates are embedded costs.

Embedded costs are costs associated with investments that have already been made. These costs cannot be easily reversed. For example, the Company cannot cancel small parts of power purchase contracts or eliminate fractions of its nuclear power plants or the staff that run them. The Company cannot set aside parts of the cost for software to operate its advanced grid technology or the mobile apps used by customers. As such, arguments that the Company should be able to "adjust" are not relevant to the avoidable cost analysis. Further, City witness Berg has not identified specific actions he thinks would allow the Company to avoid embedded costs. Rather than generic, conclusory statements and assumptions about the Company's ability to adjust, the analysis of whether

costs are avoidable should focus on whether Slayton's exit will directly result in any reduced costs, or whether Slayton's exit will result in a new revenue stream to offset the loss of revenue from Slayton customers. As I explain below, those opportunities are limited.

a. Fixed Production

Q. WHICH SUBCATEGORIES FROM CITY WITNESS BERG'S TESTIMONY ARE RELATED TO THE FIXED PRODUCTION CATEGORY?

A. City witness Berg addresses fixed production costs as a group beginning on page 24 of his testimony. This fixed production category covers the energy-related production and both winter- and summer-peak capacity related production subcategories discussed by City witness Berg. Fixed production costs are related to generation that we use to produce electricity for customers, including our nuclear plants, thermal generators, and renewable wind and solar farms.

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION REGARDING FIXED PRODUCTION COSTS?

A. City witness Berg recommends that fixed production costs are 100 percent avoidable because the Company will replace future capacity additions or sell the excess capacity in the regional market.[35]

Q. DO YOU AGREE WITH CITY WITNESS BERG'S RECOMMENDATION?

A. No. I further disagree with City witness Berg's assertions that the Company will replace future capacity additions or sell the excess capacity in the regional market.

[35] Berg Direct at 26:11–27:19.

Q. WHY DO YOU DISAGREE WITH CITY WITNESS BERG'S ASSERTION REGARDING REPLACING FUTURE CAPACITY ADDITIONS?

I disagree with City witness Berg's assertion for two reasons. First, as noted above, Slayton's exit will not reduce generation costs because Slayton is not large enough that its exit would change the size, type, or timing of generation additions.

Second, the costs in the fixed production category are related to existing generation units, not future generators that have not been selected or constructed. The Company's existing generation units were planned and constructed with the expectation that customers in Slayton would 1) be part of Xcel Energy's system, and 2) contribute to system costs. The Company cannot eliminate components of its existing generation system after Slayton leaves. Instead, costs for existing generation units would be shifted to other customers. In order to protect our remaining customers from a cost shift, fixed production costs need to be included in lost revenue.

Q. WHY DO YOU DISAGREE WITH CITY WITNESS BERG'S CLAIM THAT THE COMPANY CAN SELL THE EXCESS CAPACITY IN THE MISO MARKET?

A. City witness Berg argues that the Company can sell Slayton's capacity on the markets of the Midcontinent Independent System Operator (MISO).[36] Company witness Sun analyzed this possibility in her Direct Testimony, and concluded that it would not be possible to offset the lost revenue through

[36] Berg Direct at 27:3–19.

capacity sales. Witness Sun further concluded that it would not be able to predict the amount of revenues received in any year in the future, and that even if the maximum possible amount of revenues were received it would offset only a small portion of the fixed production lost revenues from Slayton.[37] In contrast, City witness Berg has not provided any evidence to support his claim that the lost revenue related to fixed production costs can be fully offset by revenues from the MISO market.

Q. IS THE ROCHESTER CASE CITY WITNESS BERG RELIES ON RELEVANT HERE?

A. I do not believe so. In Docket No. E299, 132/SA-93-498, the Commission considered just compensation when the City of Rochester expanded its service territory inside city limits, which had been served by People's Cooperative Power Association.[38] The cooperative argued that it should be compensated for an increase in wholesale rates that would result from the loss of load.[39]

The Commission rejected that argument, explaining that there would not be an increase in wholesale rates because the generation and transmission co-operative, Dairyland Power Cooperative (Dairyland), did not have abundant capacity. City witness Berg argues that this is comparable to Xcel Energy, but ignores several distinguishable facts.

First, in Rochester, the Commission was evaluating the possibility that Rochester's expansion in service territory could increase wholesale rates from

[37] Sun Direct at 10:5–12:22.
[38] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association, Inc.*, Docket No. E299, 132/SA-93-498 ORDER DETERMINING COMPENSATION AND DENYING MOTION TO DISMISS (Nov. 30, 1995).
[39] *Id.*

Dairyland to the distribution utility. City witness Berg is attempting to apply reasoning about speculative wholesale rate increases with costs related to existing, already-built and already-running generation. The costs at issue here are not speculative.

Second, the utility's generation capacity position was relevant in *Rochester* because the dispute was about undeveloped areas that were not already being served.[40] The Commission noted that the case was "no longer [about] . . . losing an opportunity to spread sunk costs over more kilowatt hours of sales," because the utility would have had to build a new power plant to serve the area in question.[41] In contrast, this case is directly about the opportunity to spread sunk costs over the sales from Slayton. As a result, the analysis in the *Rochester* case is not a good comparison.

Q. WHAT IS YOUR CONCLUSION REGARDING FIXED PRODUCTION COSTS?

A. The costs related to embedded, already-constructed generating units (which make up the fixed production category) cannot be avoided, and there is no alternative revenue stream to offset the loss of revenue. Fixed production costs should be included in the lost revenue amount.

[40] The area being annexed by Rochester involved 2,683 acres of land but only 46 customers with an annual energy consumption of 837,753 kWh (approximately 4 percent of Slayton's annual consumption). *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association, Inc.*, Docket No. E299, 132/SA-93-498, FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDED ORDER of the ALJ at 4 (May 31, 1995).

[41] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association, Inc.*, Docket No. E299, 132/SA-93-498, ORDER AFTER RECONSIDERATION at 5 (Apr. 24, 1996).

b. Variable Production

Q. WHICH SUBCATEGORIES FROM CITY WITNESS BERG'S TESTIMONY ARE RELATED TO THE VARIABLE PRODUCTION CATEGORY?

A. The variable production category covers the on-peak and off-peak revenue requirements discussed by City witness Berg. City witness Berg combines these categories in his analysis.[42]

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO VARIABLE PRODUCTION?

A. City witness Berg argues that all variable production costs are avoidable.[43]

Q. DO YOU AGREE WITH CITY WITNESS BERG'S RECOMMENDATION?

A. I agree with City witness Berg that fuel costs will be reduced after Slayton's exit and did not include them in the lost revenue amount in my Direct Testimony. I do not agree that the other costs in the variable production category can be avoided. City witness Berg does not provide any analysis for his conclusion, just a conclusory statement that "[a]ll energy-related costs will be completely avoided for the energy currently delivered to Slayton customers because Xcel will no longer be required to deliver energy to Slayton."[44]

As I noted in my Direct Testimony, the costs included in the variable production category include purchased power, sales and economic development, administrative and general expenses, conservation improvement program expenses, amortizations, payroll taxes, non-plant related deferred

[42] Berg Direct at 24:7–11.
[43] *Id.*
[44] *Id.* at 24:9–11.

income taxes, and other expenses. The Company has not identified any of these, other than fuel, that will be reduced if Slayton exits the system, and neither has City witness Berg.

Other than fuel, the largest component of variable production costs is related to power purchase agreements. Power purchase agreements are contracts to purchase the electricity generated by power plants owned by third parties. The Company cannot cancel or modify these contracts after Slayton leaves the system and does not anticipate that costs related to existing power purchase agreements will be reduced.

Q. WHAT IS YOUR CONCLUSION REGARDING VARIABLE PRODUCTION COSTS?

A. I agree with City witness Berg that fuel costs will be reduced because the Company will no longer burn fuel to provide electricity to Slayton. That adjustment is already included in my lost revenue calculation. The other costs are not avoidable and should be included in the lost revenue amount.

c. Transmission

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO TRANSMISSION COSTS?

A. City witness Berg recommends that costs for the transmission system are fully avoidable and should be excluded from the lost revenue calculation.[45] I disagree.

Q. WHY DO YOU DISAGREE WITH CITY WITNESS BERG'S RECOMMENDATION REGARDING TRANSMISSION COSTS?

[45] Berg Direct at 27:21–28:8.

A. City witness Berg has not provided sufficient analysis or explanations to support his argument that transmission costs are avoidable. Instead, City witness Berg relies primarily on conclusory statements that Xcel Energy will receive its full transmission costs from MISO if Slayton exits the system.

Further, City witness Berg's analysis also does not incorporate the fact that, according to discovery responses from Slayton, Slayton would no longer be a transmission customer of Xcel Energy. In fact, it appears that Slayton intends to bypass Xcel Energy's existing transmission system in favor of a transmission extension from Great River Energy (GRE).[46] If a new GRE transmission line is constructed for Slayton, it would increase costs for transmission in the entire MISO zone unless the costs for the new line are directly assigned to Slayton. The Company cannot estimate the potential impact of this cost increase and the ultimate impact on rates, which will depend on the location, cost, and cost-allocation plans for the GRE transmission extension. The Company requested information about Slayton's transmission plans, but Slayton objected and did not provide any details other than the statement that it would be "served by a [GRE] transmission line extension."[47]

Q. WHAT IS YOUR CONCLUSION REGARDING TRANSMISSION COSTS?

A. In the absence of analysis to support City witness Berg's arguments, I continue to support the recommendation in my Direct Testimony. In addition, to the extent that Slayton's proposal requires the construction of new transmission

[46] Direct Testimony of Allen D. Krug, Exhibit___(ADK), Schedule 8 (Nov. 21, 2025) (Krug Direct).
[47] *See* Exhibit___(LRP-2), Schedule 3 (XE IR 9). The Company requested information about transmission service in XE IR 9. The City objected to and referred to XE IR 8, which is attached to the Direct Testimony of Company witness Allen D. Krug as Exhibit ___(ADK-1), Schedule 8.

lines that increase costs for Xcel Energy customers, the Company proposes that any increased costs should be included in the just compensation amount as an "other relevant factor." Finally, I anticipate that City witness Berg will provide additional analysis on this topic in his Rebuttal Testimony. I will evaluate that information and provide the Company's final recommendation in my Surrebuttal Testimony.

d. Distribution

Q. WHICH SUBCATEGORIES FROM CITY WITNESS BERG'S TESTIMONY ARE RELATED TO THE DISTRIBUTION CATEGORY?

A. The distribution category covers the Primary Distribution Substation, Primary Distribution Lines, and Secondary Distribution/Transformers subcategories discussed by City witness Berg.

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION REGARDING DISTRIBUTION COSTS?

A. City witness Berg argues that nearly all of distribution costs are avoidable.[48] I do not agree.

Q. WHAT IS THE BASIS OF YOUR DISAGREEMENT WITH CITY WITNESS BERG'S POSITION?

A. As with the costs discussed above, the costs in the distribution category represent Slayton customers' share of the embedded costs of the Company-wide distribution system.

[48] Berg Direct at 28:9–16, 30:4-8.

City witness Berg argues that costs should be removed to account for the minimum system and service drop, and secondary and primary distribution system, because Slayton will purchase them. As I explained in my Direct Testimony, I have removed the costs of the distribution system that will be purchased by Slayton in performing my calculation.[49] As such, this adjustment is already incorporated into my analysis. The remaining costs reflect Slayton customers' portion of the shared costs of the distribution system and are appropriately included in the lost revenue calculation.

Q. WHY DOES IT MAKE SENSE FOR SLAYTON TO CONTRIBUTE TO DISTRIBUTION COSTS FOR OTHER COMMUNITIES?

A. Utility customers in Minnesota do not directly pay for the specific infrastructure used to deliver them service. Instead, they share in the costs of the entire system. The customers in, for example, Marshall, Mankato, and St. Paul currently share in the costs of the distribution system in Slayton, just as customers in Slayton share in the costs of the distribution systems in Marshall, Mankato, and St. Paul. The evaluation of lost revenues must be based on the fact that utility rates, and therefore revenues, are based primarily on the shared costs of the distribution system.

Q. ARE THERE ANY OTHER ISSUES RELATED TO DISTRIBUTION COSTS?

A. Yes. In preparing to respond to City witness Berg, I identified a miscalculation in my Direct Testimony. As I explained in my Direct Testimony, in order to calculate the lost revenues related to distribution costs, it is appropriate to

[49] Peterson Direct at 23:3–24.

remove the costs related to the distribution assets that Slayton will purchase. For that reason, I calculated that 1.4 percent of the distribution costs should be avoided by removing the net book value of the Slayton distribution assets from the distribution amounts.

The adjustment in my Direct Testimony, however, compares the net book value of the Slayton distribution assets to a revenue requirement figure that includes both net book value and depreciation. In order to ensure a direct, apples-to-apples comparison, the net book value of the Slayton distribution assets should be compared to Distribution Plant, which does not include Distribution Depreciation Reserve. This calculation results in a slightly lower avoided cost percentage for distribution costs, and increases the lost revenue lump sum amount by approximately $55,000. I have provided the calculations for this adjustment as Exhibit___(LRP-2), Schedule 4.

e. Customer Costs

Q. WHICH SUBCATEGORIES FROM CITY WITNESS BERG'S TESTIMONY ARE RELATED TO THE CUSTOMER COSTS CATEGORY?

A. Customer costs include service drops, meters, meter reading, customer service, back-office support, and portions of distribution lines and conductors. The customer costs category covers the Energy Services subcategory discussed by City witness Berg, which includes meter reading, billing, customer service, and back office support, and the subcategory of Minimum System and Service Drop, which includes the costs of meters and service drops, and portions of the primary and secondary conductors, transformers, and other distribution facilities.

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO CUSTOMER COSTS?

A. City witness Berg recommends that these costs are fully avoidable and does not include any customer costs in his lost revenue calculation.[50]

Q. DO YOU AGREE WITH CITY WITNESS BERG'S ASSESSMENT?

A. In part. As noted above, I have removed the costs of meters and service drops in Slayton from the avoided cost calculation.[51] However, this category also includes other costs which, as I describe in my Direct Testimony, will not be avoided.[52] If Slayton exits the system, the Company does not expect to reduce its budget for customer service or back-office support. The Company will continue to incur the same amount of cost for these functions and, as a result, these costs will not be avoided.[53]

4. Downward Adjustment for Load Density

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO LOAD DENSITY?

A. City witness Berg argues that there should be a downward adjustment to the lost revenue calculation because of comparatively low load density in Slayton, which he suggests means that it costs the Company more to serve Slayton than the Company receives in revenue.[54] City witness Berg's analysis is primarily based on an analysis of sales per mile of utility line.[55]

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[50] Berg Direct at 23:16–20.
[51] Peterson Direct at 22:14–16.
[52] *Id.* at 22:25–23:24.
[53] *Id.* at 22:20–23.
[54] Berg Direct at 31:11–12.
[55] *Id.* at 34:9–17.

Q. DO YOU AGREE WITH CITY WITNESS BERG'S ANALYSIS AND RECOMMENDATION?

A. No. City witness Berg has not provided any evidence to support his claim that it costs more to serve Slayton than other parts of our system, and even if he had, it would not justify his recommendation.

Q. DO YOU AGREE THAT THE COST TO SERVE SLAYTON IS HIGHER THAN THE REST OF XCEL ENERGY'S SYSTEM?

A. No. City witness Berg has not presented any evidence to support his claim. City witness Berg's claim is based entirely on an overly simplified economic analysis about the "dollars per mile of line".[56] That analysis does not provide any useful information about how much it costs to provide service in Slayton compared to the rest of our system.

Q. WHAT IS WRONG WITH CITY WITNESS BERG'S ANALYSIS ABOUT "DOLLARS PER MILE OF LINE"?

A. First, the "dollars" per mile of line that City witness Berg refers to appear to be the amount of kWh sales in Slayton.[57] But there is no basis to assume that the amount of kWh sales from Slayton has a direct relationship to how much it costs to provide service specifically in Slayton. The Company's rates are the same for each customer class across the entire state and are not differentiated between different geographic areas or communities. The variables in City witness Berg's analysis are related to 1) how much it costs to provide service to

[56] *Id.* at 34:1–4.
[57] *Id.* at 32:15–20.

the entire service territory, and 2) how much energy is used by customers in Slayton. Those data points do not provide useful information about how much it costs to provide service in Slayton.

Second, the "mile of line" part of City witness Berg's analysis is entirely focused on distribution lines and ignores all other assets necessary to provide electric service. It is not reasonable to ignore the generation and transmission investments needed to provide service. It is also not reasonable to ignore the rest of the distribution system. For example, while Slayton may have lower sales per mile of distribution line than communities with higher population density, denser communities generally require larger, more expensive transformers and substations. None of these costs are captured in City witness Berg's analysis. Providing electricity to customers is a very complex endeavor and, by looking only at kWh sales and miles of distribution line, City witness Berg's analysis is so over-simplified that it does not provide useful information.

Third, it is not reasonable to assume that it costs the same amount to build one mile of distribution line in every part of the Company's system. Even if Slayton has lower sales per mile of distribution line, it may be less expensive to construct distribution lines in the Slayton area than in more densely populated communities. Without detailed cost information, it would not be reasonable to draw conclusions about the comparative cost to provide distribution service in different parts of the Company's service territory.

Q. DOES THE COMPANY ANALYZE ITS COSTS, REVENUES, OR CUSTOMERS BASED ON THE AMOUNT OF SALES PER MILE OF UTILITY LINE?

A. No. City witness Berg states that "[t]he expense of owning and operating a distribution system is generally measured on a dollars per mile of line basis."[58] The Company does not analyze its system in this way. While I cannot speak for all of the Company's professionals, I have consulted with engineering and economic analysts in the Company. Based on those discussions, I do not agree that "dollars per mile of line" is a "generally" used method of analysis for any of the Company's decisions.

The Company does not gather information about how much it costs to serve different communities in its service territory because that is not how rates are set nor is it how the Company makes decisions about what is needed to provide safe and reliable service. The Company has an obligation to provide service to all customers in its service territory and does not evaluate the amount of sales per mile of line for any customers.

Q. DOES XCEL ENERGY CHARGE DIFFERENT RATES TO ITS CUSTOMERS BASED ON WHERE THEY LIVE?

A. No. As with all investor-owned utilities in Minnesota, Xcel Energy groups its customers into rate classes. The same rate is charged to all customers within that rate class. Xcel Energy's residential customers pay the same rate regardless of where they live. As City witness Berg notes,[59] the Company does not track which communities cost more or less to serve, and I am not aware of any existing data that could be used to complete such an analysis.

[58] Berg Direct at 34:1–2.
[59] *Id.* at 9:10–13.

Q. IF SUCH DATA EXISTED, WOULD THERE BE A REASONABLE BASIS TO REDUCE LOST REVENUES?

A. No. While I am not an attorney, I note that section 216B.45 provides that the utility is entitled to be compensated for its "loss of revenue," not its loss of revenue after being adjusted based on population density. It is undisputed that if Slayton leaves the system, the Company will no longer receive approximately $3 million in annual revenue from customers in Slayton. City witness Berg has not identified any specific evidence of new revenues that could be obtained, or costs that would be reduced, as a result of population or load density.

5. Downward Adjustment for District Representative

Q. WHAT IS CITY WITNESS BERG'S ADJUSTMENT RELATED TO A SPECIFIC COMPANY EMPLOYEE?

A. City witness Berg argues that one employee, who happens to live in Slayton, is retiring, and that the Company will save costs by not re-hiring for that position.[60] City witness Berg does not incorporate this adjustment into his recommendation but seems to suggest that he may do so in the future.[61]

Q. IS CITY WITNESS BERG'S ANALYSIS CORRECT?

A. No, it is based on incorrect facts. Company witness Krug addresses this recommendation in more detail in his Rebuttal Testimony, and explains why City witness Berg is incorrect and why there will be no reduction in system costs related to this position.

[60] Berg Direct at 35:3–11, 36:2–9.
[61] *Id.* at 36:10–15.

Q. DO YOU AGREE WITH HOW CITY WITNESS BERG CALCULATED HIS ADJUSTMENT?

A. No. The costs for the district representative are part of the Company's embedded cost of service. City witness Berg recommends that all costs are avoidable except primary distribution substation costs. This category contains approximately 1.3 percent of labor costs allocated to Minnesota. That means that City witness Berg has removed approximately 98.7 percent of labor costs, including the costs related to the district representative, from his lost revenue calculation. Making a further adjustment would be double counting.

6. Use of a Mill Rate

Q. WHAT FORM OF PAYMENT FOR JUST COMPENSATION DOES CITY WITNESS BERG RECOMMEND?

A. City witness Berg recommends that the Commission set a "mill rate" for loss of revenue. It appears that City witness Berg's argument is based primarily on decisions from the Commission in previous cases under a different statute.[62] In particular, City witness Berg cites the Commission's Order from *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association*.[63] In footnote 14 on page 15 of his Direct Testimony, City witness Berg quotes the Order, which provides "[a] mill rate is an effective way to tie compensation for future growth to actual growth, without sacrificing finality and certainty. It protects against egregious differences

[62] Berg Direct at 15:4–11.

[63] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association*, Docket No. E299, 132/SA-93-498, ORDER DETERMINING COMPENSATION AND DENYING MOTION TO DISMISS (Nov. 30, 1995) (hereinafter "*Rochester* Order").

between compensation and actual losses, should future growth turn out to be dramatically higher or lower than expected."[64]

Q. ARE YOU FAMILIAR WITH THE *ROCHESTER* CASE?

A. Yes, while I am not an attorney, I did review the *Rochester* Order cited by City witness Berg.

Q. DO YOU AGREE WITH CITY WITNESS BERG'S ASSESSMENT OF *ROCHESTER?*

A. No. City witness Berg does not fully explain what happened in the *Rochester* case. While City witness Berg suggests that the *Rochester* case used a mill rate, the Commission actually ordered a combination of a lump sum and a mill rate payment.

The service area in *Rochester* differed significantly from Xcel Energy's service area in Slayton. As I discussed above, in *Rochester*, the City of Rochester sought to extend its assigned service area to areas that were largely undeveloped, with only 46 existing customers.[65] Large portions of the annexed areas were expected to be developed over the next ten years, producing additional electric customers or "future customers".[66]

The Commission used a mill rate to recover lost revenue for the future customers, but used a lump-sum payment to recover lost revenue for the

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[64] Berg Direct at 15:7, n.14 (citing *Rochester* Order at 8–9 (Nov. 30, 1995)).
[65] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association, Inc.*, Docket No. E299, 132/SA-93-498, FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDED ORDER at ¶ 13 (May 31, 1995).
[66] *Id.* at ¶ 15.

already-existing customers.[67] This treatment was confirmed by the Commission following a petition for reconsideration.[68]

Q. HOW DO CUSTOMERS IN SLAYTON COMPARE TO THE "EXISTING CUSTOMERS" OR "FUTURE CUSTOMERS" IN *ROCHESTER*?

A. The customers in Slayton are already on the system and are not speculative. The Company has historical billing data for the customers and can readily estimate the revenues expected from these customers in the future. As a result, customers in Slayton are more comparable to the "existing customers" in *Rochester*, the group where the Commission required a lump-sum payment for lost revenues.

Q. HAS THE COMMISSION REQUIRED A MILL RATE IN ALL CASES UNDER SECTION 216B.44?

A. No. As noted in Table 1, above, the Commission ordered a lump sum or partial lump sum payment in the *Rochester* and *Olivia* cases.

Q. ARE THERE ANY OTHER REASONS THAT A MILL RATE SHOULD NOT BE USED?

A. As I explained in my Direct Testimony, if the Commission requires a payment over time, it is preferable to use a scheduled payment rather than a mill rate. Using a mill rate would expose both customers in Slayton and the Company to fluctuation in the amount of recovery, and would almost certainly result in a

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[67] *Rochester* Order at 7.

[68] *In the Matter of the Application by the City of Rochester for an Adjustment of its Service Area Boundaries with People's Cooperative Power Association*, Docket No. E299, 132/SA-93-498, ORDER AFTER RECONSIDERATION at 5–6 (Apr. 24, 1996) (adopting a compensation including a lump sum, representing amounts attributable to current customers, and a mill rate, representing amounts attributable to the loss of future customers).

lost revenue payment that is either larger or smaller than what is ordered by the Commission.

C. Integration Expenses

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO INTEGRATION COSTS?

A. City witness Berg indicated that he did not yet have enough information to evaluate potential integration costs. I will respond to any Rebuttal Testimony provided by City witness Berg on this issue in my Surrebuttal Testimony.

Q. DO YOU HAVE ANY ADDITIONAL INFORMATION REGARDING INTEGRATION COSTS?

A. Yes. As I discussed in my Direct Testimony, there are potential integration issues related to community solar gardens (CSGs) near Slayton. As discussed by City witness Berg, there are currently several CSGs interconnected to the Slayton West (SLW) substation.[69] Because of the distributed energy resources (DERs) already interconnected in the area, Slayton's exit from the system would likely require engineering studies, which may identify necessary system upgrades to ensure safety and reliability. The Company requests that the cost of these studies and any required system upgrades be included in the cost of just compensation, and that the proposed purchase not take place until after the upgrades have been completed.[70]

[69] Berg Direct at 29:3–30:2.
[70] Peterson Direct at 38:13–17.

City witness Berg attached our revised response to Slayton Information Request 37, which provides information about these solar gardens, to his Direct Testimony.[71] In that response, the Company noted that there are 15 MW of DERs in the queue for the SLW substation. The "queue" is the interconnection queue required by the Minnesota Distributed Energy Resources Interconnection Process (MN DIP).[72] Pursuant to MN DIP, developers can propose DER projects by submitting an application and joining the queue. There are currently 3 DER projects in the interconnection queue at SLW.[73] Given the complexity of the situation, the Company has continued to evaluate engineering issues, and has identified potential impacts related to the DERs in the interconnection queue. Slayton's decision to exit our system will likely have impacts on these projects, and could potentially lead to increased costs for either the Company or the developers.

Q. WHAT ARE THE POSSIBLE IMPACTS ON DERS IN THE INTERCONNECTION QUEUE?

A. At the outset, I note that the Company has never seen a situation involving simultaneous proposals to add new DERs and remove load from the same substation. It presents a unique engineering and administrative challenge that the Company is learning about as the process moves forward.

[71] The information requests are not individually paginated, but Slayton Information Request 37 is located at PDF page 152 of witness Berg's Direct Testimony.
[72] MN DIP is approved by the Commission. The version of MN DIP in force at the time of this Rebuttal Testimony can be found at https://mn.gov/puc/assets/MN%20DIP%202025%20Clean%20April%2024%202025_tcm14-623149.pdf.
[73] Xcel Energy's Monthly Interconnection Queue Report can be downloaded at https://mn.my.xcelenergy.com/s/renewable/developers/interconnection.

At this time, the Company has identified several potential impacts to the interconnection of DERs in the queue as a result of Slayton's exit: impacts on engineering studies, impacts on system upgrade costs, and who bears them.

Q. WHAT ARE THE POTENTIAL IMPACTS RELATED TO ENGINEERING STUDIES?

A. Every project in the interconnection queue requires engineering studies to confirm whether system upgrades are needed to interconnect the project safely and reliably. Xcel Energy typically conducts engineering studies based on the existing system. But a study based on the existing system and a study conducted after Slayton exits the system would produce very different results. The MN DIP process does not provide clear guidelines for whether a study should be conducted now (which would become invalid if Slayton leaves), if a study should assume that Slayton leaves (which might not be the case), or whether the interconnection process should be delayed because of Slayton. The Company is coordinating with the first developer in the interconnection queue to evaluate options. If restudies are required because of Slayton's decision to exit the system, it could result in additional study costs and costs for the upgrades identified in these studies.

Q. WHAT ARE THE POTENTIAL IMPACTS RELATED TO SYSTEM UPGRADE COSTS?

A. Slayton's exit could impact the type and cost of system upgrades required to interconnect, and who pays for them. Typically, if system upgrades are required in the normal course of business for existing load customers, they would be included in rates and paid for by all customers. However, if proposed DERs require system upgrades, these upgrades must be paid for by the developer. In the present case, if system upgrades are required because Slayton exits the

system and Slayton does not pay for them, these costs should be included in just compensation as an integration expense.

Initial analysis indicates that whether Slayton's load is on the system could impact which DER in the queue triggers system upgrades and who is responsible for the costs. While the Company has not yet completed engineering studies, preliminary analysis indicates that 1) one or more of the DERs in the queue could trigger significant system upgrades if Slayton stays on the system; 2) which project in the queue triggers those upgrades could be different depending on whether Slayton remains on Xcel Energy's system; and 3) if the DERs in the queue interconnect and Slayton then exits the system, the DERs might need to be disconnected until additional upgrades can be completed to ensure safety and reliability. If the third scenario arises, the system upgrades would be caused by Slayton and should be included in the just compensation payment. It is not clear which of these scenarios will ultimately occur.

Q. WHAT IS YOUR RECOMMENDATION RELATED TO DER INTEGRATION COSTS?

A. The Company has interconnected many DERs, but is not aware of any precedent guiding this scenario. As a result, it is not clear whether there will be integration expenses or what they will be. For that reason, the Company requests that the Commission authorize it to track any integration expenses caused by Slayton related to the DERs currently in the interconnection queue, including increased engineering study costs and system upgrades needed to maintain a safe and reliable system, and recover them from Slayton as just compensation.

D. Other Relevant Factors – SLW Substation

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION REGARDING OTHER RELEVANT FACTORS?

A. City witness Berg does not identify any "other relevant factors" that should be included in just compensation.[74] I will respond to any Rebuttal analysis City witness Berg provides on this topic in my Surrebuttal.

Q. IS ANY OF CITY WITNESS BERG'S OTHER TESTIMONY RELEVANT?

A. Yes. In my Direct Testimony, I identified stranded costs associated with the Slayton substation as an "other relevant factor" that should be included in just compensation. While City witness Berg does not directly address this recommendation, he does acknowledge that there will be stranded costs associated with the SLW substation.[75]

Q. WHAT IS CITY WITNESS BERG'S RECOMMENDATION RELATED TO THE SLW SUBSTATION?

A. City witness Berg acknowledges that there will be capacity in the SLW substation "that Slayton will no longer utilize," which will be "a stranded cost." Witness Berg suggests that this stranded cost should be included in the lost revenue calculation in the amount of $0.0042/kWh.

Q. HOW DOES CITY WITNESS BERG'S RECOMMENDATION FOR THE SLW SUBSTATION COMPARE TO YOURS?

[74] Berg Direct at 13:15–18.
[75] *Id.* at 28:10–16.

A. In my Direct Testimony, I explained that the SLW substation would be a stranded asset because it was built only to serve the load in Slayton and would not have been built otherwise. As a result, the entire SLW substation is a stranded asset that should be paid for by Slayton. I included the current book value of SLW substation, $1,131,354, in the just compensation amount.[76] In comparison, City witness Berg recommends a stranded cost of $0.0042/kWh. Using the amount of sales to Slayton customers in 2024,[77] this would result in approximately $82,000 per year. Because City witness Berg recommends using only a five-year period to recover costs, this would result in a total recovery of approximately $412,000, around 36 percent of the current book value of the SLW substation.

Q. IS CITY WITNESS BERG'S REASONING SOUND?

A. No, for at least two reasons. First, City witness Berg admitted that the SLW substation is a stranded asset. As a result, the existing book value of the SLW should be used in the just compensation calculation, not a mill rate that recovers only a fraction of its value. As I explained previously, SLW was built only to serve the load in Slayton, and would not have been built absent the load in Slayton. As such, it is a stranded asset and its full book value (accounting for depreciation since it was placed in service) should be included in just compensation.

Second, City witness Berg's calculation is unsound. The vast majority of costs paid by customers are shared system costs. The "Primary Distribution

[76] Peterson Direct at 43:19–21.

[77] It appears that City witness Berg relied on the Company's response to City Information Request 5, which states that there were 19,614,508 kWh consumed by customers in Slayton during 2024.

Substation" costs indicated in Table 3 of City witness Berg's Direct Testimony are not directly related to the SLW substation. Instead, the "Primary Distribution Substation" category represents the amount that customers in Slayton contribute to all of the distribution substations on the system. While that cost should be included in just compensation (and is part of my lost revenue calculation), it is not the correct way to estimate the cost of the stranded SLW substation.

Q. DO YOU AGREE WITH CITY WITNESS BERG'S TESTIMONY REGARDING THE RELATIONSHIP BETWEEN SLW AND DERS IN THE AREA?

A. No. City witness Berg suggests that there is excess capacity on the Slayton substation because the Company designed the substation to have sufficient capacity for planned solar generation resources. That is not the case.

The SLW substation was placed in service in 2006 and 2007. As I explained in my Direct Testimony, the purpose of the project was to increase capacity and improve voltage in the area.[78] This was accomplished by replacing the existing substation in Slayton, which had an operating voltage of 4kV and a transformer size of 5.25 MVA, with a new substation (SLW) that has a higher operating voltage of 13.8kV and a transformer size of 14MVA. As noted by City witness Berg, the peak load of the SLW substation has been in excess of 4 MW in recent years,[79] indicating that the Company correctly predicted that a substation upgrade was required.

[78] Peterson Direct at 41:11–15.
[79] Berg Direct at 29:5–6.

The Company did not select a 14MVA substation to provide extra capacity for DERs. It was selected because that is the next standard size of equipment.

Q. DOES CITY WITNESS BERG PROPERLY RECOGNIZE THE COST ISSUES RELATED TO DERS?

A. No. The Company does not make money when DERs connect to the system. While the Company supports the interconnection of DERs, they do not generate additional revenue for the Company. To the extent that Slayton's exit would allow the interconnection of more DERs, that would not result in any new revenues to offset the stranded costs of the SLW substation. In fact, the Company is required to pay above-market rates for energy produced by community solar gardens like those in the Slayton area and in the SLW interconnection queue.[80]

Q. WOULD REDUCING LOAD AT THE SLW SUBSTATION ALLOW THE INTERCONNECTION OF MORE DER GENERATION?

No. City witness Berg's assumption that reducing load at the SLW substation will allow the interconnection of more DER generation is not correct.[81] If Slayton exits the system there will be more energy production than consumption at the SLW substation. This imbalance will almost certainly trigger a MISO transmission study and will require system upgrades to maintain safety

[80] *Compare* Xcel Energy Tariff Sheet 99.15 (establishing that the price for LMI CSGs is $161.70 per MWh, and the price for standard residential subscribers is $137.45/MWh) *with* TRIO, Global Renewables Market Report: Second Half 2025 at 12, *available at* https://www.trioadvisory.com/resources/global-renewables-market-report-second-half-2025?utm_source=website&amp%3Bamp%3Bamp%3Butm_medium=renewables_publication_landing_page&amp%3Bamp%3Bamp%3Butm_campaign=global_renewables_report_second_half_2025&amp%3Bamp%3Bamp%3Butm_term=global_renewables_report_second_half_2025 (noting that solar power purchase agreements cost approximately $70.50 per MWh in MISO during Q3 2025).

[81] Berg Direct at 29:17–30:2.

and reliability. The Company cannot allow more DERs to interconnect until these safety and reliability issues, and any required upgrades, are resolved. Removing the Slayton load would only allow the interconnection of more DER generation after an expensive and time consuming study and required upgrades. Accordingly, the substation should be treated as a stranded asset.

Q. WHAT IS YOUR RECOMMENDATION RELATED TO THE STRANDED COSTS OF THE SLW SUBSTATION?

A. I continue to recommend that the book value of $1,131,354 for the SLW substation is a stranded cost that should be included in just compensation.

IV. CONCLUSION

Q. WHAT IS YOUR RECOMMENDATION FOR JUST COMPENSATION?

A. After incorporating the update related to distribution costs, I recommend a lost revenue lump sum amount of $40,189,171, which results in a just compensation payment as described in Table 2.

Table 2
Just Compensation

Value of Property	$3,220,653
Loss of Revenue*	$40,189,171
Meter Integration Expense	Est. $140,000
Continued Service Integration Expense	Est. $15,000
DER Integration Expense	To Be Identified
Stranded Slayton West Substation	$1,131,354
Total	$44,696,178
*Or $3,650,641 per year over 2026-2045	

In addition, as I have described in my Direct and Rebuttal Testimonies, just compensation should be updated in the future to include the costs of any required engineering studies or system upgrade costs caused by Slayton's exit.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Northern States Power Company, doing business as Xcel Energy
Information Request

Information Request No. 16

Docket No.:	E002, PT7157/SA-25-129
Response To:	City of Slayton
Requestor:	Xcel Energy
Date Received:	September 3, 2025

Question:

Identify all existing plans related to future economic development inside Slayton City limits.

Response: See the City's Comprehensive Land Use Plan from 2016, produced at Slayton 0000064 to Slayton 0000238. This document, in general, lays out where the City expects there to be residential, commercial, and industrial development in and around the City. At the time of this request, the City has no "existing plans" other than the document referenced for specific future economic development.

Preparer:	Josh Malchow
Title:	City Clerk /Administrator
Department:	Administration
Telephone:	Contact through Counsel
Date:	September 16, 2025

Northern States Power Company, doing business as Xcel Energy
Information Request

Information Request No. 18

Docket No.:	E002, PT7157/SA-25-129
Response To:	City of Slayton
Requestor:	Xcel Energy
Date Received:	September 3, 2025

Question:

Identify all efforts Slayton has taken to increase economic development in Slayton City Limits.

Response: The City of Slayton City Council and Economic Development Authority have generally taken the approach in the last 20 years of focusing on retaining and supporting the housing market, industrial development, and commercial development that already exist in the city, rather than pursuing new or increased development opportunities. There have been exceptions to this however, such as when the City deemed it necessary to fill a void, such as pursuing a new elder care facility to be constructed, following the closure of the nursing home in 2018, and the City purchasing land and constructing its own 27 lot housing development in 2019 when it was clear that there was a lack of land to build on within the city. At this time, the City Council and Economic Development Authority have not identified any new economic development projects that are presently being pursued.

Preparer:	Josh Malchow
Title:	City Clerk / Administrator
Department:	Administration
Telephone:	Contact through Counsel
Date:	September 16, 2025

Northern States Power Company, doing business as Xcel Energy
Information Request

Information Request No. 9

Docket No.:	E002, PT7157/SA-25-129
Response To:	City of Slayton
Requestor:	Xcel Energy
Date Received:	September 3, 2025

Question:

Please explain how the City intends to obtain transmission service if the purchase is completed.

Response: The City of Slayton objects to this request as beyond the scope of proceedings for determining just compensation as specified by Minn. Stat. § 216B.45 and the Notice of and Order for Hearing of the Public Utilities Commission dated June 2, 2025; not relevant to any party's claim or defense in this case; overly broad, unduly burdensome, and not proportional to the needs of the case; and further reserves the right to state additional objections at such time as they may be identified.

Subject to and without waiving the foregoing objections, the City answers as follows:

See response to Information Request No. 8.

Preparer:	Joshua P. Weir
Title:	Attorney
Department:	Kennedy & Graven, Chartered
Telephone:	(612) 337-9212
Date:	September 16, 2025 Supplemented: Sept. 26, 2025.

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary

	Res	Non-Dmd	Demand	Ltg	Total
Total Rev in 2025	$1,463,026	$268,047	$1,181,452	$1,696	$2,914,221
Avoided Costs in 2025	$277,372	$55,653	$234,227	$453	$567,706
Lost Rev Value in 2025	$1,185,654	$212,394	$947,225	$1,243	**$2,346,515**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
		Total Revenues					Lost Revenues					
Year	Year No.	Res	Non-Dmd	Demand	Ltg	Total	Res	Non-Dmd	Demand	Ltg	Total	Levelized Payment
2025												
2026	1	$1,552,828	$277,281	$1,222,154	$1,760	$3,054,023	$1,258,430	$219,711	$979,857	$1,289	$2,459,287	$3,650,641
2027	2	$1,648,143	$286,834	$1,264,258	$1,826	$3,201,061	$1,335,674	$227,280	$1,013,614	$1,338	$2,577,906	$3,650,641
2028	3	$1,749,308	$296,716	$1,307,812	$1,894	$3,355,730	$1,417,660	$235,110	$1,048,534	$1,388	$2,702,692	$3,650,641
2029	4	$1,856,683	$306,938	$1,352,867	$1,965	$3,518,453	$1,504,678	$243,210	$1,084,656	$1,440	$2,833,984	$3,650,641
2030	5	$1,970,648	$317,512	$1,399,474	$2,039	$3,689,673	$1,597,036	$251,589	$1,122,023	$1,494	$2,972,142	$3,650,641
2031	6	$2,091,609	$328,450	$1,447,687	$2,116	$3,869,862	$1,695,065	$260,256	$1,160,678	$1,550	$3,117,549	$3,650,641
2032	7	$2,219,994	$339,766	$1,497,561	$2,195	$4,059,516	$1,799,110	$269,222	$1,200,664	$1,608	$3,270,604	$3,650,641
2033	8	$2,356,260	$351,471	$1,549,153	$2,277	$4,259,161	$1,909,541	$278,497	$1,242,027	$1,669	$3,431,734	$3,650,641
2034	9	$2,500,890	$363,579	$1,602,522	$2,363	$4,469,354	$2,026,751	$288,091	$1,284,816	$1,731	$3,601,389	$3,650,641
2035	10	$2,654,398	$376,105	$1,657,730	$2,452	$4,690,685	$2,151,156	$298,016	$1,329,079	$1,796	$3,780,047	$3,650,641
2036	11	$2,817,328	$389,062	$1,714,839	$2,544	$4,923,773	$2,283,196	$308,283	$1,374,866	$1,864	$3,968,209	$3,650,641
2037	12	$2,990,259	$402,465	$1,773,917	$2,639	$5,169,280	$2,423,342	$318,904	$1,422,231	$1,933	$4,166,410	$3,650,641
2038	13	$3,173,805	$416,330	$1,835,029	$2,738	$5,427,902	$2,572,089	$329,890	$1,471,228	$2,006	$4,375,213	$3,650,641
2039	14	$3,368,617	$430,673	$1,898,247	$2,841	$5,700,378	$2,729,967	$341,255	$1,521,913	$2,081	$4,595,216	$3,650,641
2040	15	$3,575,387	$445,510	$1,963,643	$2,948	$5,987,488	$2,897,536	$353,011	$1,574,344	$2,159	$4,827,050	$3,650,641
2041	16	$3,794,849	$460,858	$2,031,292	$3,058	$6,290,057	$3,075,390	$365,173	$1,628,581	$2,241	$5,071,385	$3,650,641
2042	17	$4,027,781	$476,735	$2,101,271	$3,173	$6,608,960	$3,264,161	$377,753	$1,684,686	$2,325	$5,328,925	$3,650,641
2043	18	$4,275,011	$493,159	$2,173,661	$3,292	$6,945,123	$3,464,520	$390,767	$1,742,725	$2,412	$5,600,424	$3,650,641
2044	19	$4,537,416	$510,148	$2,248,545	$3,416	$7,299,525	$3,677,176	$404,229	$1,802,763	$2,502	$5,886,670	$3,650,641
2045	20	$4,815,929	$527,723	$2,326,009	$3,544	$7,673,205	$3,902,886	$418,155	$1,864,869	$2,596	$6,188,506	$3,650,641
2046												
2047												
2048												
2049												
Total		$53,161,214	$7,269,592	$32,041,662	$47,536	$92,520,004	$43,082,478	$5,760,247	$25,689,285	$34,826	$74,566,836	$73,012,817

Total Revenue **$92,520,004**

Total Lump Sum Payment **$40,189,171**

Value of Levelized Payments **$40,189,171**

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary - Residential Customers

Average Annual Use per Customer (kWh)	9,205
Average Annual Revenue per Customer	$1,490
Number of Customers	982
Total Revenue in 2025	$1,463,026
Avoided Costs in 2025	$277,372
Lost Revenue Value in 2025	$1,185,654

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Year	Existing Customer Sales Growth	Customer Additions	Utility Price Growth	Annual Change Factor	Year No.	Total Revenue	**Lost Revenue**	Discount Rate	**Discounted Lost Revenue**	**Levelized Payment**
2025	1.000	1.000	1.000	1.000						
2026	1.024	1.007	1.029	1.061	1	$1,552,828	$1,258,430	1.0651	$1,181,501	$2,076,540
2027	1.049	1.014	1.059	1.127	2	$1,648,143	$1,335,674	1.1345	$1,177,364	$2,076,540
2028	1.074	1.021	1.091	1.196	3	$1,749,308	$1,417,660	1.2083	$1,173,242	$2,076,540
2029	1.100	1.028	1.122	1.269	4	$1,856,683	$1,504,678	1.2870	$1,169,133	$2,076,540
2030	1.126	1.035	1.155	1.347	5	$1,970,648	$1,597,036	1.3708	$1,165,039	$2,076,540
2031	1.153	1.043	1.189	1.430	6	$2,091,609	$1,695,065	1.4601	$1,160,960	$2,076,540
2032	1.181	1.050	1.224	1.517	7	$2,219,994	$1,799,110	1.5551	$1,156,894	$2,076,540
2033	1.209	1.057	1.260	1.611	8	$2,356,260	$1,909,541	1.6564	$1,152,843	$2,076,540
2034	1.238	1.065	1.297	1.709	9	$2,500,890	$2,026,751	1.7642	$1,148,806	$2,076,540
2035	1.268	1.072	1.335	1.814	10	$2,654,398	$2,151,156	1.8791	$1,144,783	$2,076,540
2036	1.298	1.080	1.374	1.926	11	$2,817,328	$2,283,196	2.0014	$1,140,774	$2,076,540
2037	1.329	1.087	1.414	2.044	12	$2,990,259	$2,423,342	2.1318	$1,136,780	$2,076,540
2038	1.361	1.095	1.456	2.169	13	$3,173,805	$2,572,089	2.2706	$1,132,799	$2,076,540
2039	1.394	1.103	1.498	2.302	14	$3,368,617	$2,729,967	2.4184	$1,128,832	$2,076,540
2040	1.427	1.110	1.542	2.444	15	$3,575,387	$2,897,536	2.5759	$1,124,879	$2,076,540
2041	1.462	1.118	1.587	2.594	16	$3,794,849	$3,075,390	2.7436	$1,120,940	$2,076,540
2042	1.497	1.126	1.634	2.753	17	$4,027,781	$3,264,161	2.9222	$1,117,014	$2,076,540
2043	1.532	1.134	1.682	2.922	18	$4,275,011	$3,464,520	3.1125	$1,113,103	$2,076,540
2044	1.569	1.142	1.731	3.101	19	$4,537,416	$3,677,176	3.3151	$1,109,205	$2,076,540
2045	1.607	1.150	1.782	3.292	20	$4,815,929	$3,902,886	3.5310	$1,105,321	$2,076,540
2046	1.646	1.158	1.834	3.494						
2047	1.685	1.166	1.888	3.708						
2048	1.725	1.174	1.943	3.936						
2049	1.767	1.182	2.000	4.177						
						$57,977,143	$46,985,364		$22,860,211	$41,530,799

Total Lump Sum Payment **$22,860,211**

Value of Levelized Payments **$22,860,211**

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary - Small Commercial Non-Demand Customers

Average Annual Use per Customer (kWh)	10,359
Average Annual Revenue per Customer	1,514
Number of Customers	177
Total Revenue in 2025	$268,047
Avoided Costs in 2025	$55,653
Lost Revenue Value in 2025	$212,394

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Year	Existing Customer Sales Growth	Customer Additions	Utility Price Growth	Overall Factor	Year No.	Total Revenue	**Lost Revenue**	Discount Rate	**Discounted Lost Revenue**	**Levelized Payment**
2025	1.000	1.000	1.000	1.000						
2026	1.001	1.004	1.029	1.034	1	$277,281	$219,711	1.0651	$206,280	$287,992
2027	1.002	1.008	1.059	1.070	2	$286,834	$227,280	1.1345	$200,342	$287,992
2028	1.003	1.012	1.091	1.107	3	$296,716	$235,110	1.2083	$194,575	$287,992
2029	1.004	1.016	1.122	1.145	4	$306,938	$243,210	1.2870	$188,974	$287,992
2030	1.005	1.020	1.155	1.185	5	$317,512	$251,589	1.3708	$183,534	$287,992
2031	1.006	1.024	1.189	1.225	6	$328,450	$260,256	1.4601	$178,251	$287,992
2032	1.007	1.028	1.224	1.268	7	$339,766	$269,222	1.5551	$173,120	$287,992
2033	1.008	1.032	1.260	1.311	8	$351,471	$278,497	1.6564	$168,136	$287,992
2034	1.009	1.037	1.297	1.356	9	$363,579	$288,091	1.7642	$163,296	$287,992
2035	1.010	1.041	1.335	1.403	10	$376,105	$298,016	1.8791	$158,596	$287,992
2036	1.011	1.045	1.374	1.451	11	$389,062	$308,283	2.0014	$154,030	$287,992
2037	1.012	1.049	1.414	1.501	12	$402,465	$318,904	2.1318	$149,597	$287,992
2038	1.013	1.053	1.456	1.553	13	$416,330	$329,890	2.2706	$145,290	$287,992
2039	1.014	1.057	1.498	1.607	14	$430,673	$341,255	2.4184	$141,108	$287,992
2040	1.015	1.062	1.542	1.662	15	$445,510	$353,011	2.5759	$137,046	$287,992
2041	1.016	1.066	1.587	1.719	16	$460,858	$365,173	2.7436	$133,101	$287,992
2042	1.017	1.070	1.634	1.779	17	$476,735	$377,753	2.9222	$129,269	$287,992
2043	1.018	1.075	1.682	1.840	18	$493,159	$390,767	3.1125	$125,548	$287,992
2044	1.019	1.079	1.731	1.903	19	$510,148	$404,229	3.3151	$121,934	$287,992
2045	1.020	1.083	1.782	1.969	20	$527,723	$418,155	3.5310	$118,424	$287,992
2046	1.021	1.087	1.834	2.037						
2047	1.022	1.092	1.888	2.107						
2048	1.023	1.096	1.943	2.179						
2049	1.024	1.101	2.000	2.254						
						$7,797,315	$6,178,402		$3,170,450	$5,759,847

Total Lump Sum Payment **$3,170,450**

Value of Levelized Payments **$3,170,450**

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary - Demand Customers

Average Annual Use per Customer (kWh)	131,674
Average Annual Revenue per Customer	16,184
Number of Customers	73
Total Revenue in 2025	$1,181,452
Avoided Costs in 2025	$234,227
Lost Revenue Value in 2025	$947,225

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Year	Existing Customer Sales Growth	Customer Additions	Utility Price Growth	Overall Factor	Year No.	Total Revenue	**Lost Revenue**	Discount Rate	**Discounted Lost Revenue**	**Levelized Payment**
2025	1.000	1.000	1.000	1.000						
2026	1.001	1.004	1.029	1.034	1	$1,222,154	$979,857	1.0651	$919,958	$1,284,375
2027	1.002	1.008	1.059	1.070	2	$1,264,258	$1,013,614	1.1345	$893,476	$1,284,375
2028	1.003	1.012	1.091	1.107	3	$1,307,812	$1,048,534	1.2083	$867,757	$1,284,375
2029	1.004	1.016	1.122	1.145	4	$1,352,867	$1,084,656	1.2870	$842,777	$1,284,375
2030	1.005	1.020	1.155	1.185	5	$1,399,474	$1,122,023	1.3708	$818,516	$1,284,375
2031	1.006	1.024	1.189	1.225	6	$1,447,687	$1,160,678	1.4601	$794,955	$1,284,375
2032	1.007	1.028	1.224	1.268	7	$1,497,561	$1,200,664	1.5551	$772,071	$1,284,375
2033	1.008	1.032	1.260	1.311	8	$1,549,153	$1,242,027	1.6564	$749,846	$1,284,375
2034	1.009	1.037	1.297	1.356	9	$1,602,522	$1,284,816	1.7642	$728,261	$1,284,375
2035	1.010	1.041	1.335	1.403	10	$1,657,730	$1,329,079	1.8791	$707,297	$1,284,375
2036	1.011	1.045	1.374	1.451	11	$1,714,839	$1,374,866	2.0014	$686,937	$1,284,375
2037	1.012	1.049	1.414	1.501	12	$1,773,917	$1,422,231	2.1318	$667,163	$1,284,375
2038	1.013	1.053	1.456	1.553	13	$1,835,029	$1,471,228	2.2706	$647,958	$1,284,375
2039	1.014	1.057	1.498	1.607	14	$1,898,247	$1,521,913	2.4184	$629,306	$1,284,375
2040	1.015	1.062	1.542	1.662	15	$1,963,643	$1,574,344	2.5759	$611,190	$1,284,375
2041	1.016	1.066	1.587	1.719	16	$2,031,292	$1,628,581	2.7436	$593,597	$1,284,375
2042	1.017	1.070	1.634	1.779	17	$2,101,271	$1,684,686	2.9222	$576,509	$1,284,375
2043	1.018	1.075	1.682	1.840	18	$2,173,661	$1,742,725	3.1125	$559,914	$1,284,375
2044	1.019	1.079	1.731	1.903	19	$2,248,545	$1,802,763	3.3151	$543,796	$1,284,375
2045	1.020	1.083	1.782	1.969	20	$2,326,009	$1,864,869	3.5310	$528,142	$1,284,375
2046	1.021	1.087	1.834	2.037						
2047	1.022	1.092	1.888	2.107						
2048	1.023	1.096	1.943	2.179						
2049	1.024	1.101	2.000	2.254						
						$34,367,671	$27,554,154		$14,139,425	$25,687,499

Total Lump Sum Payment **$14,139,425**

Value of Levelized Payments **$14,139,425**

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary - Lighting Customers

[PROTECTED DATA BEGINS

Average Annual Use per Customer (kWh)	
Average Annual Revenue per Customer	
Number of Customers	

PROTECTED DATA ENDS]

Total Revenue in 2025	$1,696
Avoided Costs in 2025	$453
Lost Revenue Value in 2025	$1,243

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Year	Existing Customer Sales Growth	Customer Additions	Utility Price Growth	Overall Factor	Year No.	Total Revenue	**Lost Revenue**	Discount Rate	**Discounted Lost Revenue**	**Levelized Payment**
2025	1.000	1.000	1.000	1.000						
2026	1.000	1.008	1.029	1.038	1	$1,760	$1,289	1.0651	$1,210	$1,734
2027	1.000	1.016	1.059	1.076	2	$1,826	$1,338	1.1345	$1,179	$1,734
2028	1.000	1.024	1.091	1.117	3	$1,894	$1,388	1.2083	$1,149	$1,734
2029	1.000	1.032	1.122	1.159	4	$1,965	$1,440	1.2870	$1,119	$1,734
2030	1.000	1.041	1.155	1.202	5	$2,039	$1,494	1.3708	$1,090	$1,734
2031	1.000	1.049	1.189	1.247	6	$2,116	$1,550	1.4601	$1,062	$1,734
2032	1.000	1.057	1.224	1.294	7	$2,195	$1,608	1.5551	$1,034	$1,734
2033	1.000	1.066	1.260	1.343	8	$2,277	$1,669	1.6564	$1,008	$1,734
2034	1.000	1.074	1.297	1.393	9	$2,363	$1,731	1.7642	$981	$1,734
2035	1.000	1.083	1.335	1.446	10	$2,452	$1,796	1.8791	$956	$1,734
2036	1.000	1.092	1.374	1.500	11	$2,544	$1,864	2.0014	$931	$1,734
2037	1.000	1.100	1.414	1.556	12	$2,639	$1,933	2.1318	$907	$1,734
2038	1.000	1.109	1.456	1.614	13	$2,738	$2,006	2.2706	$883	$1,734
2039	1.000	1.118	1.498	1.675	14	$2,841	$2,081	2.4184	$860	$1,734
2040	1.000	1.127	1.542	1.738	15	$2,948	$2,159	2.5759	$838	$1,734
2041	1.000	1.136	1.587	1.803	16	$3,058	$2,241	2.7436	$817	$1,734
2042	1.000	1.145	1.634	1.871	17	$3,173	$2,325	2.9222	$796	$1,734
2043	1.000	1.154	1.682	1.941	18	$3,292	$2,412	3.1125	$775	$1,734
2044	1.000	1.163	1.731	2.014	19	$3,416	$2,502	3.3151	$755	$1,734
2045	1.000	1.173	1.782	2.090	20	$3,544	$2,596	3.5310	$735	$1,734
2046	1.000	1.182	1.834	2.168						
2047	1.000	1.192	1.888	2.249						
2048	1.000	1.201	1.943	2.334						
2049	1.000	1.211	2.000	2.421						
						$51,080	$37,422		$19,085	$34,672

Total Lump Sum Payment **$19,085**

Value of Levelized Payments **$19,085**

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Class Cost of Service Study Summary

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870
Exhibit___(LRP-2), Schedule 4

Total Retail Revenue Requirement	MN	Res	Sm Non-D	Demand	St Ltg	Percentage Avoidable
Total Customer	405,478	335,540	24,302	20,215	25,421	27.1%
Variable Production	1,692,348	537,234	49,816	1,099,312	5,986	36.4%
Fixed Production	893,802	326,389	25,316	540,925	1,172	0.0%
Transmission	398,439	157,052	11,011	230,376	0	0.0%
Total Distribution	322,948	156,591	8,706	156,274	1,376	0.1%
Costs Avoided	726,473	286,810	24,739	405,845	9,079	
Costs NOT Avoided	2,986,542	1,225,996	94,413	1,641,256	24,877	
Total Revenue Requirement	3,713,015	1,512,806	119,152	2,047,102	33,955	
% of Costs Avoided	**19.57%**	**18.96%**	**20.76%**	**19.83%**	**26.74%**	