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Direct 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

Direct Testimony of
Lisa R. Peterson

November 21, 2025

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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. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. As the Director of Regulatory Pricing and Analysis, I oversee rate design, rate-revenue determinations, class cost allocations, and other pricing functions for the Company. My statement of qualifications is included as Exhibit___(LRP-1), Schedule 1.

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

A. The purpose of my testimony is to explain the just compensation that should be paid by Slayton to purchase Xcel Energy's property located in the City of Slayton.

Q. PLEASE PROVIDE A SUMMARY OF YOUR TESTIMONY.

A. I explain the basis for calculating just compensation and how it should be paid to the Company. The Company recommends that just compensation is approximately \$44,640,878, but could be different depending on the timing of the proposed purchase, the final cost of estimated items, and the form of payment.

Q. HOW IS YOUR TESTIMONY STRUCTURED?

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1 A. I will first provide background information about just compensation calculation
2 related to a municipal purchase of public utility property. Then, I will address
3 each of the factors of the just compensation calculation.

4
5 Q. ARE ANY OTHER WITNESSES ADDRESSING ISSUES RELATED TO JUST
6 COMPENSATION?

7 A. Yes. Company witness Allen D. Krug provides testimony about the policy
8 issues surrounding just compensation and why properly establishing just
9 compensation is critical for protecting our other customers. Company witness
10 Bixuan Sun provides testimony about how the markets of the Midcontinent
11 Independent System Operator (MISO) are relevant to the calculation of lost
12 revenues, and about Xcel Energy's planning horizon. I incorporate Company
13 witness Sun's analysis into my overall recommendation on just compensation.

14
15 **II. BACKGROUND**

16
17 Q. WHAT IS JUST COMPENSATION?

18 A. While I am not an attorney, I understand that Minnesota law allows
19 municipalities, in certain circumstances, to establish a municipal utility by
20 purchasing the property of a public utility, like Xcel Energy. In these situations,
21 the municipality is required to pay "just compensation."¹

22
23 Minnesota Statutes § 216B.45 provides, "In determining just compensation, the
24 commission shall consider the original cost of the property less depreciation,
25 loss of revenue to the utility, expenses resulting from integration of facilities,

¹ Minn. Stat. § 216B.45.

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1 and other appropriate factors.” In combination, these four factors result in a
2 just compensation amount that the municipality must pay to purchase the public
3 utility’s property.

4
5 Q. HAS THE COMMISSION DETERMINED JUST COMPENSATION BEFORE?

6 A. The Commission has determined a compensation amount in several other
7 proceedings in which a pre-existing municipal utility was expanding into service
8 territory held by another utility. Those cases were decided under a different law
9 related to the expansion of pre-existing municipal utilities, not the formation of
10 a new municipal utility.²

11
12 Q. HOW IS THIS CASE DIFFERENT FROM PAST CASES?

13 A. There are several differences. First, it has been more than 15 years since a
14 compensation matter was before the Commission and there have been changes
15 in the utility industry in that time. Second, the background facts in this matter
16 are different from prior cases, which have generally involved a pre-existing
17 municipal utility taking the property of a cooperative utility. There is a difference
18 between an existing municipal utility annexing a small area near its existing
19 service territory, and a municipality forming a municipal utility for the first time.
20 While cooperatives and Xcel Energy are each electric utilities, there are
21 differences between how electric cooperatives plan and operate their business
22 when compared to Xcel Energy. Also, this case appears to involve far more
23 customers and utility property than have been involved in previous cases. The
24 application of a different statute, the length of time since prior cases were

² Compare Minn. Stat. § 216B.44 with Minn. Stat. § 216B.45.

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1 decided, and the different situation mean that the just compensation
2 determination in this case should be decided based on the facts in this record.

III. JUST COMPENSATION

6 Q. WHAT ARE THE FACTORS USED TO CALCULATE JUST COMPENSATION?

7 A. When determining just compensation, the Commission must consider four
8 factors, one of which is a catch-all:

- 9 • The original cost of the property less depreciation;
- 10 • Loss of revenue to the utility;
- 11 • Expenses resulting from integration of facilities; and
- 12 • Other relevant factors.

13
14 In combination, these factors ensure that the Commission can consider any
15 relevant cost that is needed to make Xcel Energy and our customers whole
16 when Slayton purchases the Company's property. Company witness Krug
17 provides testimony about why it is important that Slayton's decision to exit our
18 system does not have any negative impacts on our remaining customers.

19
20 **A. Value of Property**

21 Q. WHAT IS THE FIRST FACTOR TO CONSIDER IN DETERMINING JUST
22 COMPENSATION?

23 A. The first factor is "the original cost of the property less depreciation."³ In this
24 testimony, I refer to this factor as the "value of property."

³ Minn. Stat. § 216B.45.

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Q. HOW DID THE COMPANY CALCULATE THE VALUE OF PROPERTY THAT SLAYTON WILL PURCHASE?

A. Identifying precisely which Xcel Energy property Slayton would purchase, and its value, involved multiple steps: (1) determining the geographic area where Slayton would purchase our property; (2) identifying the property in the identified area to be purchased; (3) determining the value of the property to be purchased; and (4) determining how much the property has been depreciated.

Q. HOW DID THE COMPANY DETERMINE THE GEOGRAPHIC AREA WHERE SLAYTON WILL PURCHASE XCEL ENERGY'S PROPERTY?

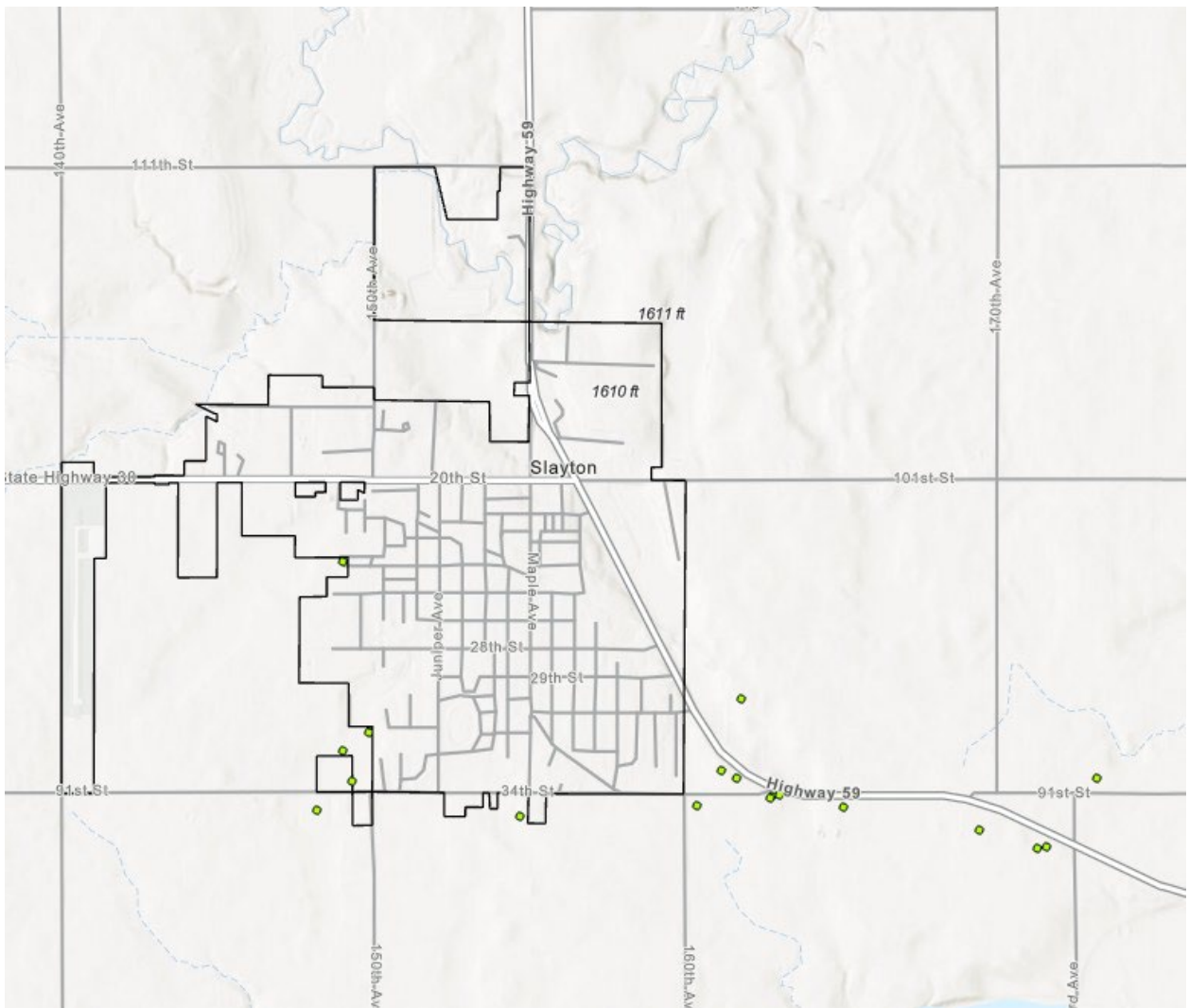
A. It is my understanding that Slayton intends to purchase Xcel Energy's distribution equipment and provide service to customers inside the City limits, which are described in Figure 1 below.

Q. HOW DOES THE COMPANY PROPOSE TO HANDLE CUSTOMERS THAT LIVE OUTSIDE OF CITY LIMITS?

A. In addition to identifying property inside City limits, the Company has evaluated how the proposed purchase would affect nearby customers who are outside of City limits. The locations of these customers are shown in Figure 1:

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Figure 1
Map of Slayton Area



In this map, the dark black lines indicate Slayton city limits. The green dots indicate customers who receive service from the Slayton West substation, but who appear to be located outside of City limits.

Q. WHY DO YOU SAY THAT THE CUSTOMERS APPEAR TO BE LOCATED OUTSIDE OF CITY LIMITS?

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1 A. I stated that the customers appear to be outside of City limits because in some
2 situations our GIS maps do not fully indicate the precise location of customer
3 premises. For example, the green dot could be located on a customer's property
4 outside City limits, while the actual point of service connection could be in a
5 customer building inside City limits. As a result, this map provides useful
6 information but may not be one hundred percent accurate. If Slayton moves
7 forward with the proposed purchase, the Company anticipates that more details
8 will be developed during the transfer process.

9
10 Q. WHAT DOES THE COMPANY RECOMMEND SHOULD HAPPEN FOR CUSTOMERS
11 INDICATED IN FIGURE 1?

12 A. The Company intends to continue to provide service to existing Xcel Energy
13 customers located outside City limits in the southern areas of the map in Figure
14 1, including those near 34th Street and along Highway 59. The map indicates
15 that there is one customer near the west-central border of Slayton that is located
16 outside City limits but served by distribution equipment inside City limits. The
17 Company proposes that the City provide service to this customer and any
18 similarly situated customers that are identified, and the Company understands
19 that the City is agreeable.

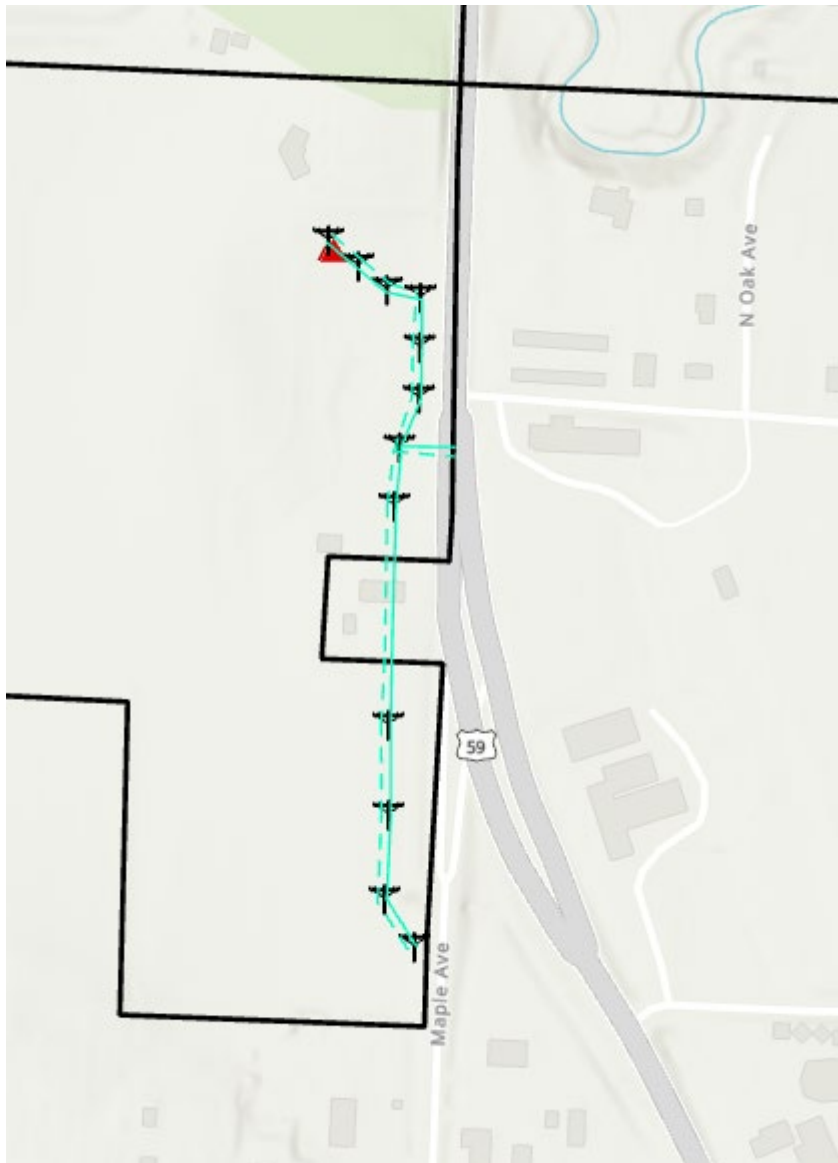
20
21 Q. DOES XCEL ENERGY HAVE ANY PROPOSALS RELATED TO DISTRIBUTION
22 FACILITIES OUTSIDE OF THE CITY LIMITS?

23 A. Yes. The Company has identified a small number of distribution poles and
24 conductors that appear to be outside City limits, but which are used to provide
25 service to customers inside the City. One example is included in Figure 2.

26

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Figure 2
Distribution Asset Map in Slayton



From Figure 2, it appears that a small amount of Xcel Energy distribution facilities are outside City limits. In situations like these, the Company proposes that Slayton purchase these facilities to ensure that all customers can continue to receive service.

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1 Q. DOES THE COMPANY HAVE A SPECIFIC LIST OF AFFECTED EQUIPMENT?

2 A. Not at this time. Our GIS maps are not sufficiently precise to determine exactly
3 which equipment falls in and outside of City limits. If Slayton moves forward
4 with the proposed purchase, more details will be developed about any affected
5 facilities. The Company requests that the just compensation determination
6 should include incidental distribution facilities outside City limits that are
7 necessary to provide service to customers inside City limits and will work with
8 the City to identify those facilities if the proposed purchase moves forward.

9
10 Q. HOW WILL XCEL ENERGY SERVE CUSTOMERS OUTSIDE CITY LIMITS AFTER THE
11 PURCHASE?

12 A. To continue providing service to these customers outside City limits, Xcel
13 Energy will retain the overhead distribution line that runs east-west along 34th
14 Street on the south side of Slayton. This distribution line is an underbuild
15 transmission line, meaning that it is a distribution line hanging from an Xcel
16 Energy transmission line that is inside City limits. Because Xcel Energy will
17 retain the distribution line, it is not included in the cost estimate for just
18 compensation.

19
20 If Slayton were to purchase the transmission underbuild line, Xcel Energy
21 would need to construct alternate facilities to serve its customers and would
22 include the costs of the facilities in the just compensation determination.

23
24 In addition to the transmission underbuild, Xcel Energy will need to install
25 some additional infrastructure to continue to serve the customers located
26 outside City limits on the south side of Slayton. The costs for that infrastructure
27 are discussed in more detail in the Integration Expenses section below.

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Q. DOES XCEL ENERGY INTEND TO RETAIN ANY OTHER PROPERTY LOCATED
INSIDE CITY LIMITS?

A. Yes. We propose that Slayton purchase only distribution infrastructure. Xcel
Energy intends to retain all transmission infrastructure, including the 69 kV
transmission line running east-west on the north side of 34th Street on the south
side of Slayton. The City of Slayton is not authorized to own or operate
transmission infrastructure, nor does it have the capability to do so.

Q. BASED ON THE FOLLOWING ANALYSIS, WHAT IS THE VALUE OF PROPERTY THAT
SLAYTON WOULD PURCHASE?

A. The type of property and its value are described in Exhibit____(LRP-1),
Schedule 2. The original installed cost of the property is \$4,714,674.

Q. DO YOU PROPOSE ANY ADJUSTMENTS TO THE INSTALLED COST TO CALCULATE
THE VALUE OF PROPERTY?

A. Yes. As with all equipment, the value of the property is reduced over time as it
is depreciated. Schedule 2 also includes the amount of depreciation for the
property, and the net book value. The net book value represents its original
install cost minus depreciation, and this figure is the “value of property” that
should be used in determining just compensation – consistent with the statutory
requirement to consider “the original cost of the property less depreciation.”

Q. WHAT IS YOUR CURRENT RECOMMENDATION REGARDING THE VALUE OF
PROPERTY?

A. The value of property is \$3,220,653.

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1 Q. IS THIS THE FINAL AMOUNT THAT SLAYTON SHOULD PAY TO PURCHASE XCEL
2 ENERGY'S PROPERTY?

3 A. No. First, this amount needs to be combined with the other factors to produce
4 the total just compensation amount.

5
6 Second, this amount reflects the value of property at a specific point in time. If
7 Slayton decides to move forward with its proposal to purchase Xcel Energy's
8 property, it will likely not take place for some time. The final value of property
9 will need to be updated to reflect additional depreciation for the equipment
10 currently installed, and the possibility that new equipment will be needed to
11 continue to provide safe and reliable service to Slayton customers while the
12 purchase is pending.

13
14 Q. HOW DO YOU PROPOSE TO UPDATE THE VALUE OF PROPERTY?

15 A. I propose that the Commission approve the methodology I have used to
16 calculate the value of property, and that the current estimate is \$3,220,653. The
17 final cost will be calculated at the time of transfer based on this methodology.

18
19 **B. Lost Revenue**

20 Q. WHAT IS THE SECOND JUST COMPENSATION FACTOR?

21 A. The second factor to be considered in establishing just compensation is "loss
22 of revenue to the utility."⁴

23
24 Q. HOW DID YOU CALCULATE THE LOST REVENUE AMOUNT?

⁴ Minn. Stat. § 216B.45.

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1 A. My analysis involves several steps, which I will describe in turn: (1) determine
2 the relevant time period to be evaluated for lost revenue; (2) determine the
3 amount of revenue from Slayton customers during the relevant time period; (3)
4 determine the amount of that revenue that is “lost”; (4) determine the amount
5 of lost revenue during each year of the relevant period; and (5) adjust the lost
6 revenue as needed to account for the method of recovery. These calculations
7 are included in Exhibit____(LRP-1), Schedule 3.

8
9 *1. Relevant Time Period for Lost Revenue*

10 Q. WHAT IS THE FIRST STEP IN CALCULATING LOST REVENUE?

11 A. The first step is to determine the relevant time period to be evaluated for lost
12 revenue.

13
14 Q. WHAT IS A RELEVANT TIME PERIOD WHEN CALCULATING JUST COMPENSATION?

15 A. The length of time, in years, that Xcel Energy will lose revenue from Slayton is
16 the relevant time period when calculating just compensation.

17
18 Q. HOW LONG WILL XCEL ENERGY LOSE REVENUE FROM SLAYTON CUSTOMERS?

19 A. When Slayton customers leave Xcel Energy’s system, they will stop paying
20 revenue to Xcel Energy which will result in lost revenues for the Company.
21 That revenue will be lost forever.

22
23 Q. DO YOU RECOMMEND CALCULATING THE LOST REVENUE AMOUNT BASED ON
24 AN INFINITE TIME PERIOD?

25 A. No. It would be challenging to calculate lost revenues for an infinite number of
26 years accurately.

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1 Q. HOW DO YOU RECOMMEND THAT THE RELEVANT TIME PERIOD SHOULD BE
2 IDENTIFIED?

3 A. I recommend that the time period be identified by evaluating the following
4 factors. First, the relevant time period should be based on the time horizon of
5 the utility's planning processes. Second, the relevant time period should be
6 based on the expected life of utility assets. I also identify several federal
7 regulatory proceedings that provide information about calculating similar time
8 periods.

9
10 Q. WHAT IS THE TIME HORIZON OF XCEL ENERGY'S PLANNING PROCESS?

11 A. Company witness Sun discusses the time horizons used in the Company's
12 various planning processes in her testimony. Company witness Sun explains
13 that Xcel Energy's planning horizon is between 10 and 30 years. This indicates
14 that the relevant time period for calculating lost revenue should be no less than
15 10 years and no more than 30 years. I note that our most expensive assets,
16 including generation assets and transmission assets, have longer planning
17 horizons of 20 to 30 years.

18
19 Q. WHY IS THE EXPECTED LIFE OF THE ASSETS RELEVANT?

20 A. Utility operations are infrastructure-intensive and require significant
21 investments in long-lived capital projects including distribution poles,
22 transmission lines, and power plants. The costs of these investments are
23 recovered from our customers over their useful lives. Right now, Slayton
24 customers are paying their share of these investments and will continue to do
25 so until they are fully depreciated. The time period for lost revenue should be
26 based on the timeline over which utility costs are recovered to ensure that our
27 other customers are not harmed if Slayton exits the system.

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1
2 Q. WHAT EXPECTED LIFE SHOULD BE CONSIDERED WHEN EVALUATING THE TIME
3 PERIOD FOR LOST REVENUES?

4 A. Different types of utility investments have different expected useful lives, and
5 each group of assets has a remaining life based on when it was placed in service.
6 The Commission approves standard useful lives for different types of
7 equipment, and the remaining life of specific equipment is updated on a regular
8 basis. The most recent remaining lives petition for the Company is in Docket
9 No. E,G002/D-23-356, and the most recent depreciation study for
10 transmission, distribution and general assets was filed in Docket No.
11 E,G002/D-22-299.

12
13 The five-year depreciation study filed in Docket No. E,G002/D-22-299
14 indicates that the useful life for distribution poles, towers, and fixtures is 44
15 years.⁵ The useful life for overhead conductors is 37 years, and 67 years for
16 underground conduit.⁶ For the transmission system, the expected life of the
17 assets is generally between 50 and 74 years.⁷

18
19 Remaining life for generation units is more specific to each unit. Information
20 filed in Docket No. E,G002/D-23-356 indicates our most recently installed
21 wind resources have expected lives greater than 30 years, and recent solar
22 projects have expected lives of 35 years. Our Angus Anson and Black Dog

⁵ 2022 *Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities & for Transmission, Distribution, and General Accounts & Five-Year Transmission, Distribution, and General Depreciation Study*, Docket No. E,G002/D-22-299, SUPPLEMENT TO ANNUAL UPDATE, Schedule J, Appendix C (Nov. 10, 2022).

⁶ *Id.*

⁷ 2024 *Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and Gas Storage Facilities*, Docket No. E,G002/D-23-356, COMPLIANCE FILING, Attachment A (Jan. 31, 2025).

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1 plants have remaining lives of approximately 20 and 30 years.⁸ Our nuclear
2 plants were constructed in the 1970s and were recently approved for life
3 extensions until 2030 and 2050, indicating that their expected lives are many
4 decades.

5
6 The investments we have made in our system, which were made with the
7 understanding that Slayton would be part of our system, will last for decades.
8 Distribution, Generation, and Transmission assets can have expected lives of
9 between 30 and 74 years.

10
11 Q. IS THERE EXISTING REGULATORY GUIDANCE ON THE APPROPRIATE TIMELINE
12 FOR LOST REVENUES?

13 A. Yes. The Federal Energy Regulatory Commission (FERC) has a rule about
14 recovering stranded costs from customers that leave a utility system. Under
15 FERC Order 888 and related regulations, when a retail customer becomes a
16 wholesale customer, such as through municipalization, and there are stranded
17 costs, the utility is permitted to seek recovery of stranded costs through an
18 action under the Federal Power Act.⁹ One of the factors in calculating stranded
19 costs is the length of the cost obligation. While I am not an attorney, I
20 understand that the FERC has decided two cases under these stranded cost
21 provisions. In the first, related to the City of Las Cruces, New Mexico, the
22 FERC established a recovery period of 20 years based on the utility's planning
23 horizons.¹⁰ The FERC also noted that the utility had made large capital
24 expenditures based on its expectation that it would continue to serve Las

⁸ *Id.*

⁹ 18 C.F.R. § 35.26.

¹⁰ *City of Las Cruces, New Mexico v. El Paso Electric Company*, 87 FERC ¶ 61,201, 61,750 (May 26, 1999).

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1 Cruces, and that its expectation of continuing to serve Las Cruces was
2 reasonable because it was not subject to competition for customers. In the
3 second case, related to the City of Alma, Michigan, the FERC determined that
4 the reasonable time period should be 15 years because the utility historically
5 relied upon a load planning forecast of 15 years.¹¹ In both cases, the FERC
6 indicated that determining the length of stranded cost obligations is a fact-
7 specific analysis.

8
9 Q. WHAT CONCLUSION DO YOU DRAW FROM GUIDANCE FROM THESE FERC
10 CASES?

11 A. The FERC process for stranded cost recovery related to municipalization is
12 similar to the Minnesota process for just compensation in a municipalization,
13 and FERC's guidance on the relevant time period is that the appropriate time
14 period is between 15 and 20 years.

15
16 Q. WHAT TIME PERIOD DO YOU RECOMMEND FOR THE LOST REVENUE
17 CALCULATION?

18 A. I recommend a time period of 20 years. Our largest investments are in
19 transmission and generation resources, with planning horizons of at least 20 and
20 30 years, respectively, as discussed by Company witness Sun. And once
21 constructed, those assets have useful lives of 30 to 74 years. Based on this
22 information, I conclude that a lost revenue period of 20 years is reasonable
23 based on how Xcel Energy plans its system and the expected life of its major
24 investments. A 20-year lost revenue period is also consistent with the FERC
25 decision related to Las Cruces. While our loss of revenue will continue forever,

¹¹ *City of Alma, Michigan*, 96 FERC ¶ 61,163, 61,714 (July 30, 2001).

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1 a 20-year time period is a reasonable balance that will protect our continuing
2 customers from some, but not all, of the costs for shared infrastructure.

3
4 2. *Amount of Revenue from Slayton Customers*

5 Q. WHAT IS THE SECOND STEP IN CALCULATING LOST REVENUE?

6 A. The second step is to determine how much revenue Xcel Energy would
7 otherwise receive from Slayton customers.

8
9 Q. HOW DID YOU DETERMINE HOW MUCH REVENUE SLAYTON WOULD RECEIVE
10 FROM XCEL ENERGY CUSTOMERS?

11 A. The Company does not have a precise method to determine exactly how much
12 the customers in Slayton would pay in each year going forward. That type of
13 analysis would be heavily dependent on sales forecasts at the individual
14 customer level, which is information that the Company does not have.

15
16 Instead, the lost revenue calculation is based on a series of reasonable
17 assumptions related to energy consumption, customer counts, and rates.

18
19 Q. WHAT ASSUMPTIONS ARE MADE RELATED TO ENERGY CONSUMPTION?

20 A. The lost revenue calculation assumes that each customer in Slayton will
21 consume an average amount of energy, based on historical averages for their
22 customer class located in Slayton.

23
24 Q. HOW MUCH ENERGY DO CUSTOMERS CONSUME EACH MONTH ON AVERAGE?

25 A. The average consumption of different customer classes is displayed in Table 1.

26

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Table 1
Average Consumption by Customer Class in Slayton

Class	Average Monthly Consumption
Residential	767 kWh
Commercial Non-Demand	863 kWh
Commercial Demand Billed	10,973 kWh
Lighting	[PROTECTED DATA BEGINS PROTECTED DATA ENDS]

These figures were developed based on the three-year average usage for each class.

Q. WHAT ASSUMPTIONS ARE MADE RELATED TO AVERAGE USAGE AND CUSTOMER COUNTS?

A. The lost revenue calculation assumes the Company's average use per customer growth rates and customer count growth rates apply to Slayton's existing customers. Use per customer growth rates of 2.4 percent, 0.1 percent, and 0.0 percent were applied to the Residential, Non-Demand/Demand, and Lighting classes, respectively. Customer count growth rates of 0.7 percent, 0.4 percent, and 0.8 percent were applied to the Residential, Non-Demand/Demand, and Lighting classes, respectively. Table 2 below shows this information in tabular form.

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Table 2
Growth Rates

	Residential	Non-Demand /Demand	Lighting
Use Per Customer	2.4%	0.1%	0.0%
Customer Count	0.7%	0.4%	0.8%

Q. WHAT IS THE SOURCE OF DATA FOR THESE USE PER CUSTOMER AND CUSTOMER COUNT ASSUMPTIONS?

A. These assumptions are based on Xcel Energy's most recent sales forecast, which was filed in our pending rate case with the Rebuttal Testimony of Company witness Benjamin S. Levine.¹²

Q. WHAT ASSUMPTIONS ARE MADE RELATED TO RATES?

A. For the first year of the lost revenue period, the calculation uses current rates as of November 1, 2025. The lost revenue calculation assumes that rates will grow at 2.93 percent per year. To determine a reasonable level of rate growth for this analysis, the Company relied on historical data from the Energy Information Administration from 2014 to 2024.¹³ It is reasonable and conservative to assume that rates will continue to increase at the same rate they have been increasing over the last ten years.

Q. HOW MUCH REVENUE WOULD XCEL ENERGY RECEIVE FROM SLAYTON CUSTOMERS IN THE FIRST YEAR?

¹² *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E002/GR-24-320, REBUTTAL TESTIMONY OF BENJAMIN S. LEVINE (Oct. 10, 2025).

¹³ Data for this analysis was taken from EIA Form EIA 861M (formerly EIA-826), IOUs for the time period 2014 – 2024.

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1 A. Using the method described here, I calculated an annual revenue amount for
2 each year of the relevant time period. In the first year, I estimate that Xcel
3 Energy would receive \$3,054,023 from Slayton customers. The amounts in
4 future years are described in Exhibit____(LRP-1), Schedule 3.

5
6 *3. Identify Avoided and Non-Avoided Costs*

7 Q. WHAT IS THE THIRD STEP IN YOUR LOST REVENUE ANALYSIS?

8 A. The third step is to determine how much of the lost revenue from Slayton
9 customers can be avoided.

10
11 Q. WHAT ARE AVOIDABLE COSTS?

12 A. Avoidable costs are those that will be avoided if Slayton leaves the system. For
13 example, some of the costs incurred to provide service related to Slayton are for
14 fuel. If Slayton leaves the system, the Company will use slightly less fuel to
15 produce energy – the cost of that fuel will be avoided and should not be
16 included in the lost revenue calculation.

17
18 Q. ARE AVOIDABLE COSTS INCLUDED IN THE “LOST REVENUE” CALCULATION?

19 A. No. As discussed below, I evaluated the categories of costs associated with
20 serving Slayton and identified the avoidable and unavoidable costs. In the lost
21 revenue calculation, revenues are adjusted downward in acknowledgement of
22 costs that are not incurred (avoided) due to the Slayton load leaving the system.

23
24 Q. WHAT CATEGORIES OF COSTS DID YOU EVALUATE?

25 A. Our cost model includes the cost components identified in Table 3.

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Table 3
Cost Components

Cost Component
Fixed Production
Variable Production
Transmission
Distribution
Customer Costs

Q. WHICH COSTS DID YOU DETERMINE ARE AVOIDABLE?

A. A portion of the costs related to variable production costs, customer costs, and distribution are avoidable and should not be included in the lost revenue calculation. The remaining costs are not avoidable and should be included in the lost revenue calculation.

Q. WHAT VARIABLE PRODUCTION COSTS ARE AVOIDABLE?

A. Variable production costs include fuel, purchased power, sales and economic development, administrative and general expenses, conservation improvement program expenses, amortizations, payroll taxes, non-plant related deferred income taxes, and other expenses. From this list, fuel expenses are avoidable. The Company will burn slightly less fuel after Slayton leaves the system, so fuel should be treated as an avoided cost. Fuel makes up approximately 36.4 percent of the variable production category, so the Company has treated 36.4 percent of the category as avoidable for the lost revenue calculation.

Q. WHAT VARIABLE PRODUCTION COSTS ARE NOT AVOIDABLE?

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1 A. The remaining costs are not avoidable. The Company does not expect any
2 changes related to its purchased power costs, sales and economic development
3 expense, administrative and general expenses, conservation improvement
4 program expenses, amortizations, payroll taxes, non-plant related deferred
5 income taxes, or other items in the variable category as a result of Slayton exiting
6 the system. As a result, these costs are not avoidable.

7
8 Q. WHAT IS INCLUDED IN THE CUSTOMER COSTS CATEGORY?

9 A. Customer costs include costs related to service drops, meters, meter reading,
10 customer service, back-office support, and portions of distribution lines and
11 conductors.

12
13 Q. WHAT CUSTOMER COSTS ARE AVOIDABLE?

14 A. Customer costs that will no longer be incurred after Slayton exits the system
15 include service drops and meters for Slayton customers. These costs represent
16 27.1 percent of the customer costs in the lost revenue analysis.

17
18 Q. WHAT CUSTOMER COSTS ARE NOT AVOIDABLE AND, THEREFORE, INCLUDED IN
19 THE LOST REVENUE CALCULATION?

20 A. The Company does not expect to reduce the budget for customer service or
21 back-office support. The Company will continue to incur the same amount of
22 cost for these functions if Slayton exits the system, and as a result they will not
23 be avoided.

24
25 Further, the Company will continue to own all of the distribution lines, poles,
26 and transformers that are partially included in the customer cost component, as
27 described below.

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1
2 Q. WHAT DISTRIBUTION COSTS ARE AVOIDABLE?

3 A. Just as with transmission lines, the Company constructs many types of
4 distribution infrastructure that are necessary to deliver electricity to our
5 customers. This infrastructure includes distribution substations, primary
6 distribution lines (which carry higher-voltage electricity from a substation to a
7 distribution transformer), and secondary distribution lines (which carry lower-
8 voltage electricity from a transformer to our customers).

9
10 Our customers in Slayton do not just pay for the distribution equipment located
11 in Slayton, but for a percentage of overall system costs for these categories of
12 distribution infrastructure. While Slayton will purchase the specific
13 infrastructure located within City limits, Slayton customers will also stop
14 contributing to the overall system distribution costs. The Company will no
15 longer receive revenues from Slayton customers related to overall system
16 distribution costs, and there is no alternative source of revenue for these costs.
17 As a result, these costs are unavoidable.

18
19 The distribution system, however, will be slightly smaller once Slayton leaves
20 the system. As discussed above, the purchase price for the distribution system
21 in Slayton is \$3,220,653. Additionally, as discussed below, stranded costs for the
22 Slayton Substation are \$1,131,354. Together, these represents 1.4 percent of our
23 total distribution function costs.¹⁴ If Slayton customers exit the system, 1.4
24 percent of distribution costs will be avoided, while the rest will not.

¹⁴ Based on our 2024 Class Cost of Service Study, our distribution system includes approximately \$323 million in rate base.

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1
2 Q. PLEASE EXPLAIN WHY FIXED PRODUCTION COSTS ARE NOT AVOIDABLE.

3 A. Fixed production costs are related to the generation units that Xcel Energy uses
4 to create electricity, including our solar, wind, hydro, gas, coal, and nuclear
5 power stations. In particular, “fixed” production costs are the costs for
6 generation units that do not change based on usage. This is compared to
7 variable costs that do change depending on how much the generation units are
8 operated. Fixed production costs include, for example, the rate base value of
9 power plants.

10
11 These costs are not avoidable. As explained in more detail in the Direct
12 Testimony of Company witness Sun, Xcel Energy plans its system to meet the
13 needs of its customers for the long-term. Generation units are long-term
14 infrastructure projects, and once they are built, the costs of the projects must
15 be recovered in rates. It is not possible to, for example, get rid of a small sliver
16 of a nuclear plant because Slayton customers leave the system. While we will
17 adjust our future planning to account for the loss of Slayton customers, our
18 existing power plants are already constructed and operating, and their costs
19 cannot be avoided.

20
21 Q. DOES XCEL ENERGY HAVE ANY ALTERNATIVE REVENUE SOURCE FOR THE
22 FIXED PRODUCTION COSTS?

23 A. Not in any meaningful way. As explained in the Direct Testimony of Company
24 witness Sun, the Company bids its generation units into the regional markets of
25 MISO. As Company witness Sun explains, the additional revenue from MISO
26 markets would not meaningfully offset the lost revenue from fixed production
27 costs and it is not possible to predict how much additional revenue would be

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1 obtained in any particular year in the future. As such, the fixed production costs
2 cannot be avoided on the basis of MISO market revenue.

3
4 Q. PLEASE EXPLAIN WHY TRANSMISSION COSTS ARE NOT AVOIDABLE.

5 A. The Company constructs, owns, and operates transmission lines to deliver
6 power from generation units to our customers, and to interconnect to the
7 regional energy grid. These investments are critical to ensuring the reliability of
8 both our grid and the regional grid.

9
10 Transmission lines are significant investments that take many years to plan and
11 construct. The International Energy Agency estimates that it takes
12 approximately seven years to plan and permit a transmission line, and another
13 four years to construct it.¹⁵ Once a transmission line is constructed, its costs are
14 recovered from customers over decades. Slayton customers contribute to those
15 costs, and there is no alternative source of that revenue once Slayton customers
16 exit the system.

17
18 4. *Calculate Percentage of Revenues that are “Lost”*

19 Q. WHAT IS THE FOURTH STEP IN YOUR LOST REVENUE DETERMINATION?

20 A. After determining which costs are avoidable and unavoidable, I use that
21 information to determine a percentage of overall revenues that are avoidable.

22
23 Q. HOW DO YOU ESTIMATE THE PERCENTAGE OF AVOIDABLE COSTS?

¹⁵ International Energy Agency, Average lead times to build new electricity grid assets in Europe and the United States, 2010–2021, <https://www.iea.org/data-and-statistics/charts/average-lead-times-to-build-new-electricity-grid-assets-in-europe-and-the-united-states-2010-2021> (last accessed Nov. 20, 2025).

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1 A. In general rate case proceedings, the Company uses a tool called a Class Cost
2 of Service Study (CCOSS) to allocate costs between groups of customers. The
3 CCOSS also functionalizes costs into the categories of costs that correspond to
4 the cost categories discussed above. Here, I used the CCOSS to identify the
5 total amount of cost for the system, and the amount of costs for each of the
6 relevant cost categories. This calculation is presented in Exhibit____(LRP-1),
7 Schedule 3.

8
9 Q. WHAT ARE THE RESULTS OF YOUR CALCULATION?

10 A. I estimate that 19.64 percent of the total costs are avoidable, with slightly
11 different percentages for each class, while the rest are not avoidable. In the
12 second step, described above, I estimated that the annual revenue recovered
13 from Slayton would be \$3,054,023 in the first year. The unavoidable lost
14 revenue from Slayton in the first year is \$2,455,960.

15
16 5. *Adjust for Method of Recovery*

17 Q. WHAT IS THE FIFTH STEP IN DETERMINING THE LOST REVENUES?

18 A. It may be necessary to adjust the lost revenue amount depending on the method
19 of recovery.

20
21 Q. WHAT METHOD OF RECOVERY FOR LOST REVENUES DOES XCEL ENERGY
22 PROPOSE?

23 A. The Company proposes that Slayton provide a lump sum payment for the lost
24 revenues, after applying an appropriate discount rate.

25
26 Q. WHY DOES XCEL ENERGY PROPOSE A LUMP SUM PAYMENT FOR LOST
27 REVENUES?

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1 A. The Company proposes a lump sum payment because it is most consistent with
2 the language of Minnesota Statute § 216B.45. While I am not an attorney, I note
3 that statute provides that a utility “shall be deemed to have consented to the
4 purchase by the municipality, for just compensation, of its property.” This
5 language suggests that the municipality is not eligible to purchase the utility’s
6 property until it has paid just compensation, which is defined to include lost
7 revenues. Because this is primarily a legal issue, the Company anticipates that it
8 will be explored further in its legal briefing at a later stage of the case.

9
10 Q. WOULD LUMP SUM RECOVERY REQUIRE AN ADJUSTMENT TO THE LOST
11 REVENUE AMOUNT?

12 A. Yes. If the lost revenues are recovered in a lump sum, it would be appropriate
13 to apply a discount rate to the future revenue stream to reflect the time value of
14 money.

15
16 Q. WHAT IS A DISCOUNT RATE?

17 A. A discount rate is used to adjust future dollars so that they are equal in value to
18 dollars today. For example, it recognizes that dollars received today are worth
19 more than dollars received in 2035. To make things equal, dollars in the future
20 are discounted based on their relative worth compared to dollars today.

21
22 Q. SHOULD A DISCOUNT RATE BE APPLIED TO THE LOST REVENUES CALCULATION?

23 A. A discount rate should only be applied when there is a timing difference related
24 to when the dollars are being received, such as when lost revenues for a span of
25 years are provided in a lump sum payment. Most of the dollars in the lost
26 revenue calculation are related to revenues that would be collected in future
27 years. If Slayton pays for lost revenues using a lump-sum payment at the time

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1 of the purchase, it would be appropriate to discount the dollars related to future
2 years so that they are equivalent to the value of dollars today.

3
4 Q. WHAT DISCOUNT RATE WOULD BE APPROPRIATE?

5 A The Company proposes discount rate of 6.51 percent, which is equal to the
6 weighted average cost of capital (WACC) approved in Xcel Energy's last rate
7 case.

8
9 Q. WOULD IT BE APPROPRIATE TO USE A DISCOUNT RATE IF THE LOST REVENUES
10 ARE NOT RECOVERED IN A LUMP-SUM PAYMENT?

11 A. If lost revenues are recovered over time, it would not be appropriate to apply a
12 discount rate because the Company would not be receiving the dollars "earlier."
13 To explain further, a discount rate is appropriate if the Company is receiving
14 lost revenues for 2029 in 2026, to account for the time value of money. If the
15 Company is receiving lost revenues for 2029 in 2029, a discount rate is not
16 appropriate because there is no timing difference for the payment.

17
18 Q. WHAT METHODS COULD BE USED TO RECOVER LOST REVENUES OVER TIME?

19 A. As I noted above, the Company proposes that a lump sum payment because
20 that is most consistent with the law. But if lost revenues are recovered over
21 time, the Company has identified two methods of doing so: scheduled
22 payments, or on the basis of consumption.

23
24 Q. HOW WOULD A SCHEDULED PAYMENT WORK?

25 A. A scheduled payment would be based upon the lost revenue calculation for each
26 year as approved by the Commission. For example, the lost revenue calculation
27 estimates that there would be \$2,968,090 in lost revenue in 2030. A scheduled

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1 payment would require Slayton to pay that amount in 2030. Alternatively, the
2 payments could be designed so that the same payment amount is paid each year.
3 This is calculated by finding the annual payment that allows for the discounted
4 revenue stream total to equal the lump sum payment. In this case, the Company
5 has calculated an annual payment of \$3,645,618.

6
7 Q. ARE THERE OTHER OPTIONS FOR LOST REVENUE PAYMENTS TO OCCUR?

8 A. Yes. Payment could be made based on the basis of consumption. Customer
9 consumption would need to be reported to Xcel Energy on an agreed upon
10 schedule, and Xcel Energy would provide an invoice to Slayton based on the
11 dollars per kilowatt-hour rates established in this proceeding.

12
13 Q. DOES THE COMPANY HAVE CONCERNS ABOUT USING A VOLUMETRIC RATE TO
14 RECOVER LOST REVENUES FROM SLAYTON?

15 A. Yes. Payments based on volumetric rates are subject to uncertainty regarding
16 the amount of consumption. If consumption in Slayton is higher or lower than
17 expected, the actual amount of lost revenues recovered could be higher or lower
18 than ordered by the Commission. It could also be significantly impacted if
19 customers in Slayton or customers in Slayton make use of behind-the-meter
20 generation after purchasing Xcel Energy's property in the future. If the amount
21 of electricity consumed by Slayton customers is lower than expected, Xcel
22 Energy could receive substantially less lost revenue than what is approved by
23 the Commission. If Slayton customers consume more energy, for example
24 because of electrification, the City could be subject to much higher lost revenue
25 payments than anticipated. Because of this uncertainty, the Company does not
26 prefer the use of a volumetric rate.

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1 Q. WHAT IS YOUR PAYMENT METHOD RECOMMENDATION?

2 A. The Company proposes that lost revenue be recovered through a lump sum
3 payment. If a lump sum payment is not used to recover lost revenues, the
4 Company believes that levelized, scheduled payments are preferable to a
5 volumetric rate. If a scheduled payment is used, the Company commits to
6 negotiate in good faith with Slayton regarding the details of the scheduled
7 payment.

8
9 *6. Conclusion on Lost Revenue*

10 Q. WHAT IS THE PURPOSE OF THE LOST REVENUE FACTOR?

11 A. I believe that one purpose of the lost revenue factor in Minnesota law is to
12 ensure that the decision of some customers to leave our system does not harm
13 our other customers. Our rates are based on the cost to provide service, and
14 that cost is divided up among all our customers. The rates paid by our customers
15 in Slayton contribute to that cost. When Slayton customers exit the system,
16 there will be a smaller customer base over which to recover roughly the same
17 amount of revenue – which means that Slayton leaving the system will increase
18 rates for our other customers. Even though Slayton represents a relatively small
19 number of customers compared to our overall system, it is still an important
20 policy issue that Slayton's decision does not negatively impact our other
21 customers. The lost revenue factor ensures that our other customers will be
22 protected, because it requires Slayton to continue contributing toward system
23 costs.

24
25 Q. WHAT WOULD THE IMPACTS BE IF A LARGER COMMUNITY DECIDED TO EXIT THE
26 SYSTEM?

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1 A. A larger community deciding to exit Xcel Energy's system could have a very
2 large impact on our remaining customers. Because this is the first proceeding in
3 which the Commission has directly addressed the calculation for just
4 compensation, it is very important to recognize that the methodology
5 established in this case could be used for other matters in the future.

6
7 Q. WHAT IS YOUR ESTIMATE OF THE AMOUNT OF LOST REVENUES?

8 A. The total amount of lost revenues over the relevant time period is \$74,463,964,
9 with a discounted lump sum of \$40,133,871. The actual value collected from
10 Slayton will depend on the method used to recover the lost revenue payments
11 from Slayton.

12
13 Q. WILL THIS CALCULATION NEED TO BE ADJUSTED IN THE FUTURE?

14 A. Yes. This estimate of lost revenues is based on the assumption that lost revenues
15 begins on January 1, 2026, and uses currently-existing data about rates, sales,
16 customer counts, and discount rates. These factors are likely to change over
17 time and it is not currently known when Slayton would complete the purchase
18 or when customers in Slayton would stop paying bills to Xcel Energy. For that
19 reason, the Company requests that the Commission approve the methodology
20 described above to calculate lost revenues, with the understanding that the final
21 lost revenue calculation will be based on updated figures calculated closer-in-
22 time to the date of purchase.

23
24 **C. Integration Expenses**

25 Q. WHAT IS THE THIRD JUST COMPENSATION FACTOR?

26 A. The third just compensation factor is "expenses resulting from integration of
27 facilities."

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1
2 Q. HAS THE COMPANY IDENTIFIED ANY INTEGRATION EXPENSES?

3 A. Yes. The Company has identified that it will incur integration expenses related
4 to its meters. The Company has also evaluated whether any integration expenses
5 will be required to continue to serve customers near Slayton but outside City
6 limits, and related to distributed energy resources (DERs).

7
8 *1. Meter Integration Expenses*

9 Q. WHAT INTEGRATION EXPENSES WILL BE INCURRED RELATED TO METERS?

10 A. The Company will incur expenses to remove the meters that are currently
11 installed in Slayton.

12
13 Q. WHY IS IT NECESSARY TO REMOVE THE METERS THAT ARE CURRENTLY
14 INSTALLED?

15 A. Through dialogue with Slayton, it is our understanding that Slayton does not
16 want to purchase Xcel Energy's meters.¹⁶ As a result, they will need to be
17 removed.

18
19 Q. HOW WILL THAT PROCESS WORK?

20 A. It is not clear at this time. To my knowledge, the Company has never been
21 involved in transferring a service territory this large, with this many customers.
22 The Company has certainly never done so for a municipal utility that does not
23 currently exist. Meters are a necessary piece of infrastructure for customers to
24 receive service. In order to ensure that customers are not without electric
25 service, the removal of Xcel Energy's meter will need to be coordinated

¹⁶ See Exhibit____(LRP-1), Schedule 4.

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1 precisely with the installation of the new meter. This coordination will need to
2 take place for every meter in Slayton.

3
4 The Company will incur costs to remove its meters; the City will incur costs to
5 install its new meters. Xcel Energy's costs will be integration expenses that must
6 be included as just compensation.

7
8 Q. HOW MUCH WILL IT COST TO REMOVE XCEL ENERGY'S METERS IN
9 COORDINATION WITH THE INSTALLATION OF NEW METERS?

10 A. It has been very challenging to estimate the potential cost because the Company
11 has not performed an operation like this before. The Company anticipates that
12 this work would be performed by a contractor responding to a Request for
13 Pricing for this specific project, but the Company has never issued an RFP like
14 this one before and cannot predict with accuracy what the response would be.
15 The amount included in just compensation should be based on the actual costs
16 of completing the work. At this time, the Company estimates that the labor cost
17 of removing its meters would be approximately \$140,000.

18
19 Q. WHAT IS THE BASIS FOR THIS COST ESTIMATE?

20 A. As I have explained, estimating this cost has a high degree of uncertainty
21 because Xcel Energy has not completed a project of this type in the past. Our
22 cost estimate is based on current rates for contractors that are engaged in the
23 installation of meters. The estimate also includes internal labor cost based on
24 the assumption that it will take 15 minutes to reservice one meter.

25
26 Q. WHAT IS RESERVICING?

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1 A. Reservicing is the process to take a used meter from the field and prepare it to
2 be used again in the future. Once the meters in Slayton are removed, Xcel
3 Energy will need to reservice each meter so that they can be re-used.

4
5 2. *Continued Service Integration Expenses*

6 Q. WHAT IS CONTINUED SERVICE INTEGRATION EXPENSE?

7 A. There are some Xcel Energy customers located outside of City limits that will
8 continue to be served by Xcel Energy if Slayton purchases the Company's
9 property inside City limits. The Company has evaluated whether any expense
10 or equipment changes will be needed to continue to provide service to these
11 customers.

12
13 Q. WHAT ARE THE RESULTS OF THIS EVALUATION?

14 A. The amount and type of work needed to continue to provide service to these
15 customers will depend on some specific decisions that Slayton makes about how
16 it serves customers inside Slayton. In particular, Slayton's decision about which
17 substation to use has an impact on engineering work necessary to serve Xcel
18 Energy customers outside City limits. As explained by Company witness Krug,
19 at this time the Company understands that Slayton intends to make use of a
20 substation to be constructed by Nobles Cooperative Electric on the south side
21 of the City.

22
23 Based on that understanding, the Company anticipates that it will need to
24 remove 6 spans of overhead feeder from the double-deck circuit. The Company
25 estimates that the cost of this work will be approximately \$15,000.

26
27 Q. IS IT POSSIBLE THAT ADDITIONAL WORK WILL BE REQUIRED?

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1 A. Yes. If Slayton changes its plans for which substation it will use, or other issues
2 are identified in the process of the purchase, it is possible that additional work
3 will be required. The Company proposes that any expenses required to continue
4 to provide service to Xcel Energy customers should be included in the just
5 compensation payment, and commits to work cooperatively with Slayton to
6 identify such work.

7
8 *3. Distributed Energy Resources*

9 Q. WHAT INTEGRATION COSTS DO YOU EXPECT RELATED TO DISTRIBUTED
10 ENERGY RESOURCES?

11 A. The Company has identified several issues that may arise related to DERs,
12 including both community solar gardens (CSGs) and rooftop solar.

13
14 Q. WHAT IS XCEL ENERGY'S COMMUNITY SOLAR GARDEN PROGRAM?

15 A. Xcel Energy operates the Solar*Rewards Community program, which allows
16 electric retail customers in Minnesota to subscribe to CSGs and participate in
17 the production of solar energy.¹⁷ Xcel Energy purchases the energy from CSGs.
18 In return, subscribers receive bill credits, and developers receive subscription
19 payments from customers. The bill credit rates are established by the
20 Commission.

21
22 Q. HOW ARE COMMUNITY SOLAR GARDENS RELEVANT TO JUST COMPENSATION?

¹⁷ There are now two versions of the CSG program, the Legacy program and the Low-and-Moderate Income Accessible (LMI) CSG program. The tariff provisions for the Legacy CSG program are generally from tariff sheet 9-64 to 9-99.3. The tariff provisions for the LMI CSG program are generally from tariff sheet 9-99.01 to 99.44.

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1 A. There are three CSGs located near Slayton, which are interconnected to the
2 substation that provides service to Slayton. The gardens are located outside of
3 Slayton City limits.

4
5 CSG subscribers need to be electric retail customers of Xcel Energy. Based on
6 existing records, it appears that 221 customers in Slayton are subscribers to
7 CSGs. Given that there are approximately 1,235 customer accounts in Slayton,
8 it appears that approximately one-sixth of Slayton customers are CSG
9 subscribers.

10
11 Q. WHAT ARE THE CONCERNS RELATED TO COMMUNITY SOLAR GARDEN
12 SUBSCRIBERS?

13 A. CSG subscribers, generally, have signed contracts with solar developers
14 obligating the subscriber to make some type of payment to the CSG in return
15 for bill credits from Xcel Energy. If Slayton exits our system, current Xcel
16 Energy customers living in Slayton will no longer be able to receive bill credits
17 for their CSG subscriptions. This could increase utility bills for these customers.

18
19 Q. WILL THE AFFECTED CUSTOMERS BE ABLE TO CANCEL THEIR CONTRACTS WITH
20 DEVELOPERS?

21 A. These contracts are not regulated by the Commission, and Xcel Energy is not a
22 party to these contracts. Subscribers' rights will depend on the specific language
23 in their contracts.

24
25 Q. ARE THERE CONCERNS FOR AFFECTED CSG DEVELOPERS?

26 A. Yes. If CSGs lose subscribers, they would need to find replacement subscribers
27 in a timely manner – otherwise the energy produced would be compensated

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1 directly to the CSG at a much lower “unsubscribed” rate. This could create
2 financial issues for developers.

3
4 Q. HOW ARE THESE ISSUES RELATED TO INTEGRATION EXPENSE FOR SOLAR
5 GARDENS?

6 A. When Slayton exits the system, Xcel Energy may need to conduct outreach and
7 assist Slayton-area customers who are CSG subscribers or affected CSG
8 developers. It is possible that other complexities will arise as these customers
9 leave the system and that it could result in integration expense.

10
11 Further, it is possible that cancellation of CSG contracts could involve disputes
12 between Xcel Energy, subscribers, and developers. These disputes could result
13 in costs for the utility, including attorney fees.

14
15 At this time, Xcel Energy does not have an estimate of the potential cost, but
16 requests that the Commission authorize the Company to track whether there
17 are integration expenses related to current CSG subscribers in Slayton, including
18 expenses for any disputes related to the cancellation or change of CSG contracts
19 and agreements, and include any resulting expenses in the just compensation.

20
21 Q. ARE THERE OTHER CONCERNS RELATED TO SOLAR GARDEN SUBSCRIBERS?

22 A. Yes. The solar garden subscribers living in Slayton may not be aware that leaving
23 Xcel Energy will mean they are no longer eligible for the CSG bill credits. This
24 problem is not directly related to just compensation, but it may be reasonable
25 for the Commission to evaluate the potential impacts on these customers and
26 the notice they were provided.

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1 Q. ARE THERE ANY TECHNICAL CONCERNS RELATED TO SOLAR GARDENS?

2 A. Yes. Electrical systems are balanced based on both electricity load and electricity
3 production. The system in the Slayton area currently has both customer load,
4 primarily inside Slayton, and production from the nearby CSGs that are
5 interconnected to the same substation. If substantial Slayton load from an
6 engineering perspective exits the system, it is possible that it could create system
7 stability problems. For example, there may be a requirement to conduct a
8 transmission study (either with MISO or by the Company) if DER production
9 is greater than the load on the substation. Engineering studies would need to be
10 conducted to determine what other upgrades to the Company's system would
11 be needed to allow for the safe and reliable operation of the system. Any needed
12 upgrades required for the safe and reliable operation of the system would need
13 to be made before customers exit Xcel Energy's system. The Company requests
14 that the cost of any transmission or other engineering studies caused by Slayton
15 exiting the system be included in just compensation, along with the costs for
16 any upgrades identified in these studies, and that the proposed purchase not
17 take place until after these upgrades have been completed.

18
19 Q. ARE THERE ANY CONCERNS RELATED TO OTHER TYPES OF DERs?

20 A. Yes. Some customers living in Slayton have DERs, which are likely rooftop
21 solar installations. These DERs require contracts with the Company to
22 interconnect to the distribution system and for the Company to purchase energy
23 produced by the DER at rates approved by the Commission. These contracts
24 cannot continue for customers that are no longer served by Xcel Energy or
25 located in its service territory.

26

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1 Q. HOW COULD THE SLAYTON PURCHASE IMPACT CUSTOMER DER PROGRAMS
2 OFFERED BY XCEL ENERGY?

3 A. At various times, Xcel Energy has offered several types of incentive programs
4 related to rooftop DERs. The Company currently offers the Solar*Rewards
5 program, which provides incentive payments over-time based on production.
6 If customers in Slayton are participating in this program, they will likely no
7 longer be eligible for incentive payments they were expecting because they will
8 no longer be customers of Xcel Energy.¹⁸

9
10 The Company also previously offered a different version of the Solar*Rewards
11 program where the Company provided an up-front incentive payment in return
12 for the Renewable Energy Credits (RECs) produced by the DER for a period
13 of 20 years. If customers on this type of program are no longer customers of
14 Xcel Energy, it is not clear whether or how Xcel Energy will receive these RECs.
15 If the RECs cannot be received, the loss of value from these RECs should be
16 included in just compensation.

17
18 Regardless of which program they are in, these customers likely invested in
19 DERs with the understanding that Xcel Energy would purchase the monthly
20 net excess energy produced by their DER at net metering rates approved by the
21 Commission. If they are no longer customers of Xcel Energy, that is likely no
22 longer possible. It is not clear what will happen to these customers if they
23 become customers of another utility, which may have different requirements

¹⁸ Solar*Rewards participants are also able to assign their incentive payments to a third party, which could create financing issues regarding the projects.

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1 and rates for purchasing energy from DERs.¹⁹ At minimum, it likely means that
2 these customers will no longer be eligible for programs, incentives, or rates
3 offered by Xcel Energy.

4
5 Q. WHAT IS YOUR PROPOSAL RELATED TO INTEGRATION EXPENSES FOR DERs?

6 A. The Company anticipates that it may incur integration expenses to assist
7 affected customers if they are no longer in Xcel Energy's service territory,
8 including related to disputes regarding the status of incentives and net metering
9 rates, or other issues related to DERs currently installed in Slayton. Xcel Energy
10 requests that the Commission authorize the Company to track these types of
11 integration expenses related to existing DERs in Slayton and include any
12 resulting expenses in the just compensation.

13
14 **D. Other Relevant Factors**

15 Q. WHAT IS THE FOURTH JUST COMPENSATION FACTOR?

16 A. The Commission is also to consider "other appropriate factors." This allows
17 the Commission to evaluate any additional factors that have a bearing on the
18 just compensation needed to make our customers whole.

19
20 Q. WHAT "APPROPRIATE FACTORS" SHOULD BE INCLUDED IN JUST
21 COMPENSATION?

22 A. The Company has identified one additional cost that should be included in just
23 compensation. Slayton's exit will result in stranded costs and reduction in value
24 for the Slayton substation that should be included in just compensation. In

¹⁹ For example, Minn. Stat. § 216B.164, subd. 3 establishes different requirements for municipal and cooperative utilities for qualifying facilities under 40 kilowatts.

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1 addition, the Company evaluated whether there would be stranded costs from
2 the transmission system and concluded that there would not.

3
4 *1. Stranded Cost of Slayton Substation*

5 Q. PLEASE DESCRIBE THE SUBSTATION THAT IS USED TO PROVIDE SERVICE TO
6 CUSTOMERS IN SLAYTON.

7 A. The Slayton West substation (SLW) is located just outside the City limits. It is
8 connected to the 69 kV transmission line that runs through town. SLW was
9 constructed in 2006 and 2007 with a capacity of 14 kV.

10
11 Before SLW was constructed, Slayton was served by an older substation with a
12 capacity of approximately 4 kV. In 2006, the Company determined that more
13 capacity and improved voltage were required to serve the City of Slayton and
14 constructed SLW. After SLW was completed, the original Slayton substation
15 was removed.

16
17 Q. WHAT IS THE BOOK VALUE OF SLW?

18 A. The current book value of SLW is \$1,145,319. As with the rest of our
19 distribution system, this cost is part of our overall cost of providing service and
20 is included in rates.²⁰

21
22 Q. WHAT IS THE PURPOSE OF SLW?

23 A. The primary purpose of SLW is to provide service to customers that live in
24 Slayton.

²⁰ As noted above, the amount of stranded costs related to SLW has been removed when calculating the avoided cost percentage of distribution costs for the lost revenue calculation.

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1

2 Q. WHAT WILL SLW BE USED FOR IF SLAYTON CUSTOMERS EXIT THIS SYSTEM?

3 A. SLW will be used to provide service only to a small handful of customers located
4 outside of City limits.

5

6 Q. WOULD THE COMPANY HAVE BUILT SLW IF IT WAS NOT PROVIDING SERVICE TO
7 SLAYTON?

8 A. It is unlikely. The primary purpose of SLW is to serve customers in Slayton, and
9 if Slayton were not served by the Company there would have been little reason
10 to build a substation on the edge of town.

11

12 The Company does have customers that are served by SLW but are outside
13 Slayton City limits, who will continue to be Xcel Energy customers. While these
14 customers are near Slayton, it is unlikely that the Company would have
15 constructed SLW to serve this small group of customers. Instead, it is likely that
16 the infrastructure in the region would have been designed differently, which
17 could have involved a different substation entirely, or an extension of
18 distribution lines from the Hadley substation located five miles to the west on
19 the 69 kV transmission line. Ultimately, the Company made investments and
20 planning decisions based on its expectation that it would continue to serve
21 Slayton, which resulted in the construction of SLW.

22

23 Q. WHAT WILL THE STATUS OF SLW BE IF SLAYTON LEAVES THE SYSTEM?

24 A. If Slayton leaves the system, SLW will be a stranded asset. It was constructed
25 primarily to serve customers that will no longer be served by Xcel Energy. But
26 SLW will still be part of our system, and the costs of SLW will be borne by our
27 other customers.

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1
2 Q. HOW SHOULD THE STRANDED SLW BE CONSIDERED IN DETERMINING JUST
3 COMPENSATION?

4 A. The Company built SLW with the expectation of continuing to serve Slayton.
5 It would not have done so if Slayton were not on the system, and it certainly
6 would not have replaced the old Slayton substation with SLW. It was prudent
7 for Xcel Energy to construct SLW, but Xcel Energy's other customers should
8 not have to pay for SLW if it becomes a stranded asset. Instead, Slayton should
9 pay for a portion of SLW.

10
11 Q. WHAT PORTION OF SLW SHOULD SLAYTON BE RESPONSIBLE FOR?

12 A. Slayton should pay for a percentage of SLW based on the ratio of how much
13 SLW is used by customers inside Slayton compared to customers outside
14 Slayton that will remain after the proposed purchase. Based on the Company's
15 analysis, the customers located in Slayton have an annual consumption of
16 approximately 20,501,184 kWh of usage, while the customers outside Slayton
17 will have approximately 253,055 kWh of consumption each year. 98.8 percent
18 of the load served by SLW is located inside Slayton and would exit our system
19 if the proposed purchase moves forward. As a result, 98.8 percent of the SLW
20 book value would be stranded and should be included in just compensation, an
21 amount of \$1,131,354.

22
23 2. *Transmission*

24 Q. DID XCEL ENERGY ANALYZE WHETHER ANY TRANSMISSION INVESTMENTS
25 WOULD BE STRANDED?

26 A. Yes. A 69 kV transmission line runs from the Hadley substation to the West,
27 through Nobles, then north to the Currie substation that is owned by Nobles

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1 Cooperative Electric. The transmission line was constructed around the 1960s.
2 The transmission line is not radial, meaning that it does not terminate at Slayton
3 but passes through on its way to other communities both to the East and West.
4

5 Q. IS THE TRANSMISSION LINE A STRANDED ASSET?

6 The Company analyzed whether, if Slayton had never been part of the system,
7 the transmission line would have been constructed in the same way. Given the
8 passage of time, it was not possible to fully reconstruct the engineering basis for
9 why the transmission line passed through Slayton, or what alternatives could
10 have been considered in the 1960s. While it may have been theoretically possible
11 to cross diagonally from the Hadley substation to the Currie substation and
12 reduce the length of the line, there is no basis to assume that it would have
13 resulted in cost savings. As a result, the Company concluded that the
14 transmission line is not a stranded asset.
15

16 Q. HAS THE COMPANY MADE INVESTMENTS IN THE 69 KV LINE RECENTLY?

17 A. Yes. The Company is currently completing a transmission upgrade in the region
18 that involves rebuilding 46 miles of transmission line serving Slayton and the
19 surrounding region, as well as new power poles and upgrading existing lines.
20 The project began in 2022 and is expected to be completed in early 2026.
21

22 The Company also completed transmission upgrade in the Slayton area from
23 2011 to 2013 to improve reliability in the area.
24

25 Q. ARE THE RECENT UPGRADES TO THE TRANSMISSION SYSTEM STRANDED IF
26 SLAYTON EXITS THE SYSTEM?

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1 A. It is not possible to tell with certainty whether the Company would have chosen
2 the same projects, or whether the costs would have been different, if Slayton
3 had not been part of Xcel's system. These projects were undertaken to benefit
4 Slayton and other communities in the area by improving transmission reliability.
5 Because the upgrades also benefit other communities, the Company does not
6 believe they are stranded or require inclusion in the just compensation
7 calculation. However, these investments were made based on our expectation
8 that we would continue to serve Slayton in the future. The fact that the
9 Company has recently undertaken transmission upgrades to benefit Slayton is
10 an indication of how important it is that Slayton continue to contribute to
11 transmission system costs through the lost revenue calculation.

12
13 Q. WILL SLAYTON CONTINUE TO CONTRIBUTE TO THE COSTS OF THE
14 TRANSMISSION SYSTEM?

15 A. Only if the lost revenue calculation appropriately includes transmission costs.
16

17 **E. Form and Timing of Payment for Just Compensation**

18 Q. HOW DO YOU RECOMMEND THAT SLAYTON PAY JUST COMPENSATION TO XCEL
19 ENERGY?

20 A. Slayton should be required to make an up-front payment for the Value of
21 Property, the estimated cost of integration expenses, and the Other Relevant
22 Factors that I have described above. The total amount of that payment is
23 currently estimated at \$44,656,854, as shown in Table 4 below. The payments
24 related to integration expenses will need to be updated once the integration
25 projects are complete, with Slayton paying additional amounts if costs are
26 higher, and Xcel Energy refunding amounts if costs are lower.

27

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Table 4
Just Compensation

Value of Property	\$3,220,653
Loss of Revenue*	\$40,133,871
Meter Integration Expense	Est. \$140,000
Continued Service Integration Expense	Est. \$15,000
DER Integration Expense	To Be Identified
Stranded Slayton West Substation	\$1,131,3540,430
Total	\$44,640,878

* Or \$3,645,618 per year over 2026-2045

Slayton should also be required to make an up-front payment for lost revenues, as I described above. If Slayton is permitted to pay the lost revenue costs over time, it should be through a scheduled payment rather than a volumetric rate.

IV. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Statement of Qualifications
Lisa R. Peterson
Principal Pricing Analyst, Regulatory Analysis

I have been employed by Northern States Power Company since 1990, in the areas of System Operations, Resource Planning, and Gas and Electric Pricing. In my current role as Director, Regulatory Pricing and Analysis in the Regulatory Analysis area, I am responsible for developing pricing strategies and rate design proposals to maintain effective price structures for Xcel Energy's electric and gas operations in Minnesota, North Dakota, and South Dakota. I testified in the Company's multi-year rate cases in Docket Nos. E002/GR-15-826 and E002/GR-21-630, and my team is responsible for the Company's Class Cost of Service and Rate Design in rate cases in Minnesota, North Dakota, and South Dakota.

EMPLOYMENT

2022-Present	Director – Regulatory Pricing and Analysis
2017-2022	Manager – Regulatory Pricing and Analysis
2012-2017	Principal Pricing Analyst – Regulatory Analysis
2005-2012	Principal Pricing Analyst – Gas Pricing
1998-2005	Analyst – Resource Planning
1993-1998	Engineer – Real Time Systems/System Operations
1990-1993	Student Engineer – Electric Supply Planning

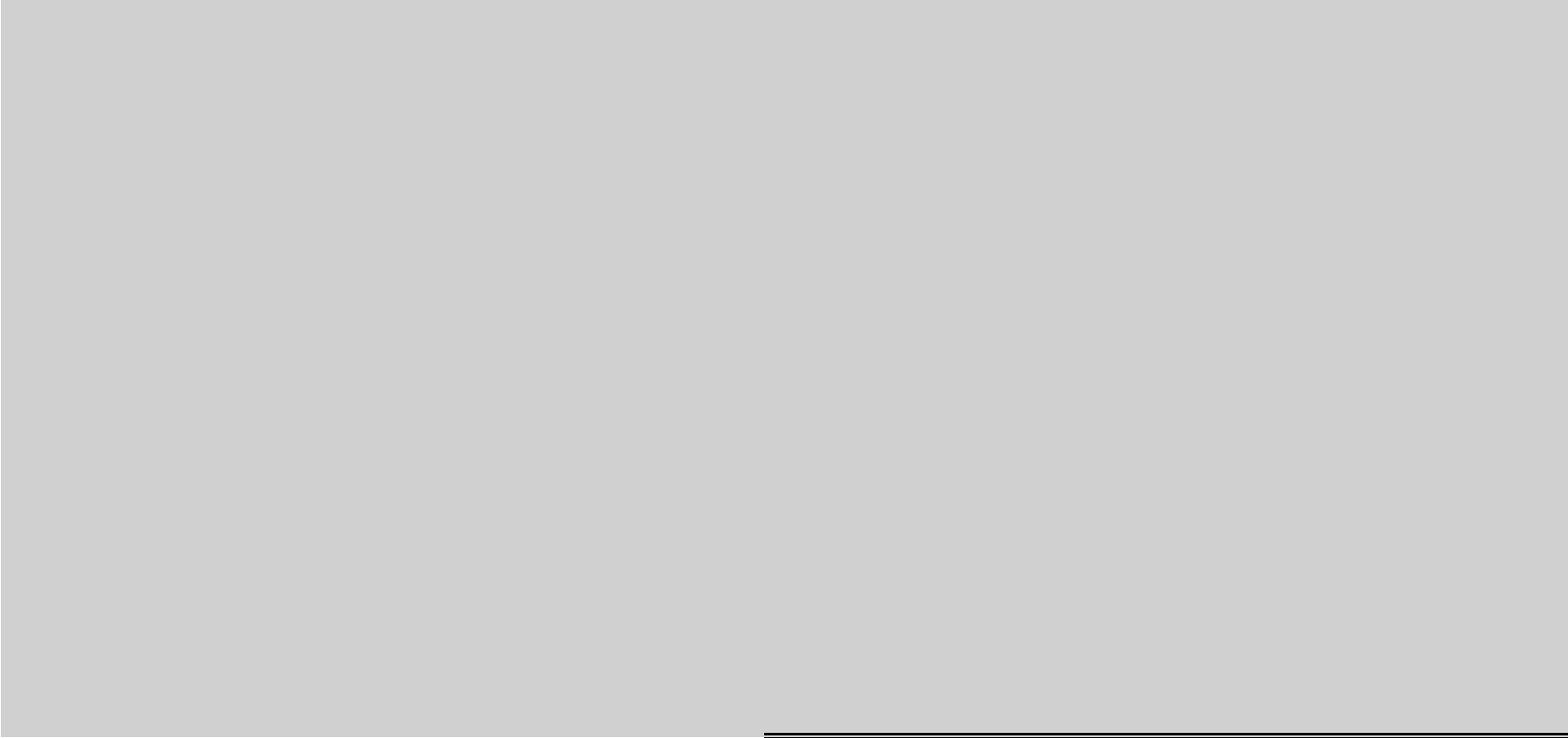
EDUCATION

Bachelor of Science Electrical Engineering
University of Minnesota-Twin Cities

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\$ 4,714,673.85	\$	1,494,021.28	\$	3,220,652.56
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Northern States Power Company
State of Minnesota Electric Jurisdiction
City of Slayton Revenue Summary

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870
Exhibit____(LRP-1), Schedule 3
Page 1 of 6

	<u>Res</u>	<u>Non-Dmd</u>	<u>Demand</u>	<u>Ltg</u>	<u>Total</u>
Total Rev in 2025	\$1,463,026	\$268,047	\$1,181,452	\$1,696	\$2,914,221
Avoided Costs in 2025	<u>\$279,209</u>	<u>\$55,891</u>	<u>\$235,321</u>	<u>\$454</u>	<u>\$570,875</u>
Lost Rev Value in 2025	\$1,183,817	\$212,156	\$946,131	\$1,242	\$2,343,346

(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	\$1,256,481	\$219,465	\$978,726	\$1,288	\$2,455,960	\$3,645,618
2027	2	\$1,648,143	\$286,834	\$1,264,258	\$1,826	\$3,201,061	\$1,333,605	\$227,026	\$1,012,443	\$1,337	\$2,574,411	\$3,645,618
2028	3	\$1,749,308	\$296,716	\$1,307,812	\$1,894	\$3,355,730	\$1,415,464	\$234,847	\$1,047,323	\$1,387	\$2,699,021	\$3,645,618
2029	4	\$1,856,683	\$306,938	\$1,352,867	\$1,965	\$3,518,453	\$1,502,347	\$242,938	\$1,083,404	\$1,439	\$2,830,128	\$3,645,618
2030	5	\$1,970,648	\$317,512	\$1,399,474	\$2,039	\$3,689,673	\$1,594,562	\$251,307	\$1,120,728	\$1,493	\$2,968,090	\$3,645,618
2031	6	\$2,091,609	\$328,450	\$1,447,687	\$2,116	\$3,869,862	\$1,692,439	\$259,965	\$1,159,337	\$1,549	\$3,113,290	\$3,645,618
2032	7	\$2,219,994	\$339,766	\$1,497,561	\$2,195	\$4,059,516	\$1,796,323	\$268,921	\$1,199,277	\$1,607	\$3,266,128	\$3,645,618
2033	8	\$2,356,260	\$351,471	\$1,549,153	\$2,277	\$4,259,161	\$1,906,583	\$278,185	\$1,240,593	\$1,667	\$3,427,028	\$3,645,618
2034	9	\$2,500,890	\$363,579	\$1,602,522	\$2,363	\$4,469,354	\$2,023,611	\$287,769	\$1,283,332	\$1,730	\$3,596,442	\$3,645,618
2035	10	\$2,654,398	\$376,105	\$1,657,730	\$2,452	\$4,690,685	\$2,147,823	\$297,683	\$1,327,544	\$1,795	\$3,774,845	\$3,645,618
2036	11	\$2,817,328	\$389,062	\$1,714,839	\$2,544	\$4,923,773	\$2,279,659	\$307,938	\$1,373,279	\$1,862	\$3,962,738	\$3,645,618
2037	12	\$2,990,259	\$402,465	\$1,773,917	\$2,639	\$5,169,280	\$2,419,588	\$318,547	\$1,420,589	\$1,932	\$4,160,656	\$3,645,618
2038	13	\$3,173,805	\$416,330	\$1,835,029	\$2,738	\$5,427,902	\$2,568,105	\$329,521	\$1,469,529	\$2,005	\$4,369,160	\$3,645,618
2039	14	\$3,368,617	\$430,673	\$1,898,247	\$2,841	\$5,700,378	\$2,725,738	\$340,873	\$1,520,155	\$2,080	\$4,588,846	\$3,645,618
2040	15	\$3,575,387	\$445,510	\$1,963,643	\$2,948	\$5,987,488	\$2,893,047	\$352,617	\$1,572,526	\$2,158	\$4,820,348	\$3,645,618
2041	16	\$3,794,849	\$460,858	\$2,031,292	\$3,058	\$6,290,057	\$3,070,626	\$364,764	\$1,626,700	\$2,239	\$5,064,329	\$3,645,618
2042	17	\$4,027,781	\$476,735	\$2,101,271	\$3,173	\$6,608,960	\$3,259,105	\$377,331	\$1,682,741	\$2,323	\$5,321,500	\$3,645,618
2043	18	\$4,275,011	\$493,159	\$2,173,661	\$3,292	\$6,945,123	\$3,459,153	\$390,330	\$1,740,712	\$2,410	\$5,592,605	\$3,645,618
2044	19	\$4,537,416	\$510,148	\$2,248,545	\$3,416	\$7,299,525	\$3,671,480	\$403,777	\$1,800,681	\$2,501	\$5,878,439	\$3,645,618
2045	20	\$4,815,929	\$527,723	\$2,326,009	\$3,544	\$7,673,205	\$3,896,840	\$417,688	\$1,862,716	\$2,595	\$6,179,839	\$3,645,618
2046												
2047												
2048												
2049												
Total		\$53,161,214	\$7,269,592	\$32,041,662	\$47,536	\$92,520,004	\$43,015,739	\$5,753,804	\$25,659,619	\$34,802	\$74,463,964	\$72,912,352
Total Revenue						\$92,520,004						
Total Lump Sum Payment												\$40,133,871
Value of Levelized Payments												\$40,133,871

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

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

MPUC Docket No. E002, PT-7157/SA-25-129
 CAH Docket No. 22-2500-40870
 Exhibit____(LRP-1), Schedule 3
 Page 2 of 6

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
<u>Avoided Costs in 2025</u>	<u>\$279,209</u>
Lost Revenue Value in 2025	\$1,183,817

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Existing	Customer	Utility	Annual				Discount	Discounted	Levelized
<u>Year</u>	<u>Sales Growth</u>	<u>Additions</u>	<u>Price Growth</u>	<u>Change Factor</u>	<u>Year No.</u>	<u>Total Revenue</u>	<u>Lost Revenue</u>	<u>Rate</u>	<u>Lost Revenue</u>	<u>Payment</u>
2025	1.000	1.000	1.000	1.000						
2026	1.024	1.007	1.029	1.061	1	\$1,552,828	\$1,256,481	1.0651	\$1,179,671	\$2,073,323
2027	1.049	1.014	1.059	1.127	2	\$1,648,143	\$1,333,605	1.1345	\$1,175,540	\$2,073,323
2028	1.074	1.021	1.091	1.196	3	\$1,749,308	\$1,415,464	1.2083	\$1,171,424	\$2,073,323
2029	1.100	1.028	1.122	1.269	4	\$1,856,683	\$1,502,347	1.2870	\$1,167,322	\$2,073,323
2030	1.126	1.035	1.155	1.347	5	\$1,970,648	\$1,594,562	1.3708	\$1,163,234	\$2,073,323
2031	1.153	1.043	1.189	1.430	6	\$2,091,609	\$1,692,439	1.4601	\$1,159,161	\$2,073,323
2032	1.181	1.050	1.224	1.517	7	\$2,219,994	\$1,796,323	1.5551	\$1,155,102	\$2,073,323
2033	1.209	1.057	1.260	1.611	8	\$2,356,260	\$1,906,583	1.6564	\$1,151,057	\$2,073,323
2034	1.238	1.065	1.297	1.709	9	\$2,500,890	\$2,023,611	1.7642	\$1,147,026	\$2,073,323
2035	1.268	1.072	1.335	1.814	10	\$2,654,398	\$2,147,823	1.8791	\$1,143,009	\$2,073,323
2036	1.298	1.080	1.374	1.926	11	\$2,817,328	\$2,279,659	2.0014	\$1,139,007	\$2,073,323
2037	1.329	1.087	1.414	2.044	12	\$2,990,259	\$2,419,588	2.1318	\$1,135,019	\$2,073,323
2038	1.361	1.095	1.456	2.169	13	\$3,173,805	\$2,568,105	2.2706	\$1,131,044	\$2,073,323
2039	1.394	1.103	1.498	2.302	14	\$3,368,617	\$2,725,738	2.4184	\$1,127,083	\$2,073,323
2040	1.427	1.110	1.542	2.444	15	\$3,575,387	\$2,893,047	2.5759	\$1,123,136	\$2,073,323
2041	1.462	1.118	1.587	2.594	16	\$3,794,849	\$3,070,626	2.7436	\$1,119,203	\$2,073,323
2042	1.497	1.126	1.634	2.753	17	\$4,027,781	\$3,259,105	2.9222	\$1,115,284	\$2,073,323
2043	1.532	1.134	1.682	2.922	18	\$4,275,011	\$3,459,153	3.1125	\$1,111,379	\$2,073,323
2044	1.569	1.142	1.731	3.101	19	\$4,537,416	\$3,671,480	3.3151	\$1,107,487	\$2,073,323
2045	1.607	1.150	1.782	3.292	20	\$4,815,929	\$3,896,840	3.5310	\$1,103,609	\$2,073,323
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	\$46,912,579		\$22,824,798	\$41,466,464

Total Lump Sum Payment **\$22,824,798**

Value of Levelized Payments **\$22,824,798**

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

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

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870
Exhibit____(LRP-1), Schedule 3
Page 3 of 6

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
<u>Avoided Costs in 2025</u>	<u>\$55,891</u>
Lost Revenue Value in 2025	\$212,156

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Existing Customer	Customer	Utility Price	Overall				Discount	Discounted	Levelized
<u>Year</u>	<u>Sales Growth</u>	<u>Additions</u>	<u>Growth</u>	<u>Factor</u>	<u>Year No.</u>	<u>Total Revenue</u>	<u>Lost Revenue</u>	<u>Rate</u>	<u>Lost Revenue</u>	<u>Payment</u>
2025	1.000	1.000	1.000	1.000						
2026	1.001	1.004	1.029	1.034	1	\$277,281	\$219,465	1.0651	\$206,049	\$287,670
2027	1.002	1.008	1.059	1.070	2	\$286,834	\$227,026	1.1345	\$200,118	\$287,670
2028	1.003	1.012	1.091	1.107	3	\$296,716	\$234,847	1.2083	\$194,357	\$287,670
2029	1.004	1.016	1.122	1.145	4	\$306,938	\$242,938	1.2870	\$188,763	\$287,670
2030	1.005	1.020	1.155	1.185	5	\$317,512	\$251,307	1.3708	\$183,329	\$287,670
2031	1.006	1.024	1.189	1.225	6	\$328,450	\$259,965	1.4601	\$178,052	\$287,670
2032	1.007	1.028	1.224	1.268	7	\$339,766	\$268,921	1.5551	\$172,926	\$287,670
2033	1.008	1.032	1.260	1.311	8	\$351,471	\$278,185	1.6564	\$167,948	\$287,670
2034	1.009	1.037	1.297	1.356	9	\$363,579	\$287,769	1.7642	\$163,114	\$287,670
2035	1.010	1.041	1.335	1.403	10	\$376,105	\$297,683	1.8791	\$158,418	\$287,670
2036	1.011	1.045	1.374	1.451	11	\$389,062	\$307,938	2.0014	\$153,858	\$287,670
2037	1.012	1.049	1.414	1.501	12	\$402,465	\$318,547	2.1318	\$149,429	\$287,670
2038	1.013	1.053	1.456	1.553	13	\$416,330	\$329,521	2.2706	\$145,128	\$287,670
2039	1.014	1.057	1.498	1.607	14	\$430,673	\$340,873	2.4184	\$140,950	\$287,670
2040	1.015	1.062	1.542	1.662	15	\$445,510	\$352,617	2.5759	\$136,893	\$287,670
2041	1.016	1.066	1.587	1.719	16	\$460,858	\$364,764	2.7436	\$132,952	\$287,670
2042	1.017	1.070	1.634	1.779	17	\$476,735	\$377,331	2.9222	\$129,125	\$287,670
2043	1.018	1.075	1.682	1.840	18	\$493,159	\$390,330	3.1125	\$125,408	\$287,670
2044	1.019	1.079	1.731	1.903	19	\$510,148	\$403,777	3.3151	\$121,798	\$287,670
2045	1.020	1.083	1.782	1.969	20	\$527,723	\$417,688	3.5310	\$118,292	\$287,670
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	\$6,171,492		\$3,166,903	\$5,753,404
Total Lump Sum Payment									\$3,166,903	
Value of Levelized Payments									\$3,166,903	

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

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

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870
Exhibit____(LRP-1), Schedule 3
Page 4 of 6

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
<u>Avoided Costs in 2025</u>	<u>\$235,321</u>
Lost Revenue Value in 2025	\$946,131

(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	\$978,726	1.0651	\$918,896	\$1,282,892
2027	1.002	1.008	1.059	1.070	2	\$1,264,258	\$1,012,443	1.1345	\$892,444	\$1,282,892
2028	1.003	1.012	1.091	1.107	3	\$1,307,812	\$1,047,323	1.2083	\$866,754	\$1,282,892
2029	1.004	1.016	1.122	1.145	4	\$1,352,867	\$1,083,404	1.2870	\$841,804	\$1,282,892
2030	1.005	1.020	1.155	1.185	5	\$1,399,474	\$1,120,728	1.3708	\$817,572	\$1,282,892
2031	1.006	1.024	1.189	1.225	6	\$1,447,687	\$1,159,337	1.4601	\$794,037	\$1,282,892
2032	1.007	1.028	1.224	1.268	7	\$1,497,561	\$1,199,277	1.5551	\$771,179	\$1,282,892
2033	1.008	1.032	1.260	1.311	8	\$1,549,153	\$1,240,593	1.6564	\$748,980	\$1,282,892
2034	1.009	1.037	1.297	1.356	9	\$1,602,522	\$1,283,332	1.7642	\$727,420	\$1,282,892
2035	1.010	1.041	1.335	1.403	10	\$1,657,730	\$1,327,544	1.8791	\$706,481	\$1,282,892
2036	1.011	1.045	1.374	1.451	11	\$1,714,839	\$1,373,279	2.0014	\$686,144	\$1,282,892
2037	1.012	1.049	1.414	1.501	12	\$1,773,917	\$1,420,589	2.1318	\$666,392	\$1,282,892
2038	1.013	1.053	1.456	1.553	13	\$1,835,029	\$1,469,529	2.2706	\$647,209	\$1,282,892
2039	1.014	1.057	1.498	1.607	14	\$1,898,247	\$1,520,155	2.4184	\$628,579	\$1,282,892
2040	1.015	1.062	1.542	1.662	15	\$1,963,643	\$1,572,526	2.5759	\$610,485	\$1,282,892
2041	1.016	1.066	1.587	1.719	16	\$2,031,292	\$1,626,700	2.7436	\$592,911	\$1,282,892
2042	1.017	1.070	1.634	1.779	17	\$2,101,271	\$1,682,741	2.9222	\$575,844	\$1,282,892
2043	1.018	1.075	1.682	1.840	18	\$2,173,661	\$1,740,712	3.1125	\$559,267	\$1,282,892
2044	1.019	1.079	1.731	1.903	19	\$2,248,545	\$1,800,681	3.3151	\$543,168	\$1,282,892
2045	1.020	1.083	1.782	1.969	20	\$2,326,009	\$1,862,716	3.5310	\$527,533	\$1,282,892
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	\$27,522,335			
									\$14,123,098	\$25,657,836

Total Lump Sum Payment **\$14,123,098**

Value of Levelized Payments **\$14,123,098**

PUBLIC DOCUMENT
NOT-PUBLIC DATA HAS BEEN EXCISED

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

MPUC Docket No. E002, PT-7157/SA-25-129
CAH Docket No. 22-2500-40870
Exhibit____(LRP-1), Schedule 3
Page 5 of 6

[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
<u>Avoided Costs in 2025</u>	<u>\$454</u>
Lost Revenue Value in 2025	\$1,242

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Existing Customer	Customer	Utility Price	Overall				Discount	Discounted	Levelized
Year	Sales Growth	Additions	Growth	Factor	Year No.	Total Revenue	Lost Revenue	Rate	Lost Revenue	Payment
2025	1.000	1.000	1.000	1.000						
2026	1.000	1.008	1.029	1.038	1	\$1,760	\$1,288	1.0651	\$1,209	\$1,732
2027	1.000	1.016	1.059	1.076	2	\$1,826	\$1,337	1.1345	\$1,179	\$1,732
2028	1.000	1.024	1.091	1.117	3	\$1,894	\$1,387	1.2083	\$1,148	\$1,732
2029	1.000	1.032	1.122	1.159	4	\$1,965	\$1,439	1.2870	\$1,118	\$1,732
2030	1.000	1.041	1.155	1.202	5	\$2,039	\$1,493	1.3708	\$1,089	\$1,732
2031	1.000	1.049	1.189	1.247	6	\$2,116	\$1,549	1.4601	\$1,061	\$1,732
2032	1.000	1.057	1.224	1.294	7	\$2,195	\$1,607	1.5551	\$1,033	\$1,732
2033	1.000	1.066	1.260	1.343	8	\$2,277	\$1,667	1.6564	\$1,006	\$1,732
2034	1.000	1.074	1.297	1.393	9	\$2,363	\$1,730	1.7642	\$981	\$1,732
2035	1.000	1.083	1.335	1.446	10	\$2,452	\$1,795	1.8791	\$955	\$1,732
2036	1.000	1.092	1.374	1.500	11	\$2,544	\$1,862	2.0014	\$930	\$1,732
2037	1.000	1.100	1.414	1.556	12	\$2,639	\$1,932	2.1318	\$906	\$1,732
2038	1.000	1.109	1.456	1.614	13	\$2,738	\$2,005	2.2706	\$883	\$1,732
2039	1.000	1.118	1.498	1.675	14	\$2,841	\$2,080	2.4184	\$860	\$1,732
2040	1.000	1.127	1.542	1.738	15	\$2,948	\$2,158	2.5759	\$838	\$1,732
2041	1.000	1.136	1.587	1.803	16	\$3,058	\$2,239	2.7436	\$816	\$1,732
2042	1.000	1.145	1.634	1.871	17	\$3,173	\$2,323	2.9222	\$795	\$1,732
2043	1.000	1.154	1.682	1.941	18	\$3,292	\$2,410	3.1125	\$774	\$1,732
2044	1.000	1.163	1.731	2.014	19	\$3,416	\$2,501	3.3151	\$754	\$1,732
2045	1.000	1.173	1.782	2.090	20	\$3,544	\$2,595	3.5310	\$735	\$1,732
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	\$37,397			
						Total Lump Sum Payment			\$19,072	
						Value of Levelized Payments				\$19,072

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-1), Schedule 3
Page 6 of 6

<u>Total Retail Revenue Requirement</u>	<u>MN</u>	<u>Res</u>	<u>Sm Non-D</u>	<u>Demand</u>	<u>St Ltg</u>	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%
Distribution	322,948	156,591	8,706	156,274	1,376	1.3%
Costs Avoided	730,390	288,709	24,844	407,741	9,095	
<u>Costs NOT Avoided</u>	<u>2,982,625</u>	<u>1,224,097</u>	<u>94,307</u>	<u>1,639,361</u>	<u>24,860</u>	
Total Revenue Requirement	3,713,015	1,512,806	119,152	2,047,102	33,955	
% of Costs Avoided	19.67%	19.08%	20.85%	19.92%	26.79%	

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

Information Request No. 12

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

Question:

Identify the specific service territory that Slayton proposes to purchase the assets within, or confirm that Slayton intends to purchase all distribution assets within Slayton city limits or necessary to serve customers within Slayton city limits.

Response: The City intends to acquire all Xcel-owned electric facilities within the City limits utilized to serve retail electric customers within the City limits currently served by Xcel. The acquired facilities do not include the meters at each retail customer location, any substation facilities, any transmission facilities at 69,000 volts or higher, any distribution facilities attached as underbuild on transmission facilities or any distribution facilities related to the retail service to Xcel customers outside the City limits. The City would be amenable to meeting with Xcel representatives in Slayton to definitively identify included and excluded facilities.

Preparer: David A. Berg
Title: Principal, Consultant
Department: Dave Berg Consulting LLC
Telephone: Contact through Counsel
Date: September 16, 2025