

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie J. Sieben	Chair
Joseph K. Sullivan	Vice-Chair
Audrey Partridge	Commissioner
Hwikwon Ham	Commissioner
John Tuma	Commissioner

In the Matter of the Application of
Northern States Power Company
for Authority to Increase Rates for
Electric Service in Minnesota

MPUC DOCKET NOS. E-002/GR-24-320
E-002/GS-24-321
CAH DOCKET NO. 28-2500-40515

**EXCEPTIONS OF JOINT INTERVENORS TO THE
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATIONS
OF THE ADMINISTRATIVE LAW JUDGE**

May 15, 2026

TABLE OF CONTENTS

- I. INTRODUCTION..... 1
- II. EXCEPTIONS..... 2
 - A. Revenue Requirements – Expense or Rate Base Related Issues – Distribution Targeted Undergrounding (ALJ Report Section VII.A.27) 2
 - B. Revenue Requirements – Expense or Rate Base Related Issues – Virtual Power Plants (ALJ Report Section VII.A.28)..... 4
 - C. Revenue Requirements – Expense or Rate Base Related Issues – Equity Considerations in Distribution Planning (ALJ Report Section VII.A.28) 8
 - D. Cost of Capital – Return on Equity (ROE) (ALJ Report Section VII.C.1) 11
 - E. Rate Design – Super Large Customer Tariff (ALJ Report Section IX.F) 12
 - F. Rate Design – Disconnection Moratorium and Study Alternative (ALJ Report Section IX.G)..... 14
- III. CLARIFICATION 19
 - A. Revenue Requirements – Expense or Rate Base Related Issues – Discrete Capacity Project Investments / Distribution Capacity Investments (ALJ Report Sections VI.A.27 and VII.A.26) 19
- IV. RESPONSE TO FINANCIAL SCHEDULES 19
- V. CONCLUSION 20

I. INTRODUCTION

Cooperative Energy Futures, Environmental Law & Policy Center, Minnesota Interfaith Power & Light, and Vote Solar (together, “Joint Intervenors”) respectfully submit these Exceptions to the Findings of Fact, Conclusions of Law, and Recommendations of the Administrative Law Judge (“ALJ Report”) dated April 29, 2026. Joint Intervenors commend the ALJ’s efforts to review and address the extensive record in this proceeding. In addition to the comprehensive review of party positions and testimony, we also appreciate the ALJ’s attention to the voluminous public comments filed in this case. As the ALJ noted:

While the public raised [] specific concerns on a variety of topics, there was widespread opposition to the proposed rate increase. Customers expressed concern about rate affordability and economic hardship, a belief that a rate increase would unfairly transfer wealth from customers to shareholders and executives, frustration with customer service issues, concern about residential customers paying for the costs to serve large data centers, and concerns about the overall rate-setting process.¹

We agree with certain key findings and recommendations in the ALJ Report, including specifically the recommendations that the Commission:

- Initiate a process to develop a potential low-income rate, resulting in a proposal that can be evaluated based on its specific parameters and characteristics, including thorough consideration of the arguments raised in this proceeding.²
- Require Xcel Energy to develop and file, in this docket or another docket such as the advanced rate design docket (Docket No. E002/CI-24-115), an alternate rate proposal in compliance with the affordability goal in Minn. Stat. § 216C.05, subd. 2(4)—understood in terms of retail rates and not total bills for each customer class—and provide its justifications for proposing rate increases in excess of the alternate proposal.³
- Initiate a stakeholder process to develop a formal definition of energy justice and consider the Joint Intervenors’ parameters to ensure that this proceeding is broadly accessible to interested stakeholders.⁴

¹ ALJ Report at 19, ¶ 84; *see also* ALJ Report, Attachment A (summary of public comments).

² ALJ Report at 185-89, ¶¶ 1143-61.

³ ALJ Report at 194-96, ¶¶ 1193-204.

⁴ ALJ Report at 197-98, ¶¶ 1213-18.

- Adopt Joint Intervenors’ recommendations related to the treatment of wildfire mitigation planning going forward, including requiring a comparative risk analysis in the Company’s Integrated Distribution Plan (IDP), to ensure that the Commission can effectively evaluate additional projects in future planning dockets, recognizing that wildfire mitigation is an important issue that will require substantial utility investment in the future.⁵

However, Joint Intervenors take exception to other findings and recommendations in the Report related to: (1) distribution targeted undergrounding; (2) Virtual Power Plants (VPPs); (3) integrating equity considerations into distribution planning; (4) Return on Equity (ROE); (5) Xcel Energy’s super-large customer tariff; and (6) a disconnection moratorium or study alternative. Joint Intervenors address these exceptions in the order that they appear in the ALJ Report, using the same headings. In addition, Joint Intervenors address one point of clarification to avoid any confusion for the Commission regarding the undisputed issue of distribution capacity investments. Joint Intervenors also address one error in the financial schedules that Xcel Energy filed on May 11, 2026, related to capturing our position on targeted undergrounding. The fact that Joint Intervenors do not address an issue in these Exceptions does not indicate a waiver; Joint Intervenors continue to support all of the recommendations in our Initial and Reply Briefs.

II. EXCEPTIONS

A. Revenue Requirements – Expense or Rate Base Related Issues – Distribution Targeted Undergrounding (ALJ Report Section VII.A.27)

As the ALJ Report correctly states, Xcel Energy has proposed a targeted undergrounding program “designed to improve reliability by undergrounding overhead lines with the highest historical outage rates.”⁶ The Company’s proposed budget is \$2.3 million in 2025 and \$6.7

⁵ ALJ Report at 199-200, ¶¶ 1225-27.

⁶ ALJ Report at 125, ¶ 791 (citing Ex. Xcel-37 at 3 (Mensen Supplemental Direct)).

million in 2026, with a two-year total of \$9 million.⁷ The ALJ Report does not recognize, however, that in discovery responses the Company confirmed that equity considerations, particularly the disparities identified in its 2024 Safety, Reliability, and Service Quality (SRSQ) proceeding, informed its initial site selection and that it will more systematically incorporate such considerations in future phases through its Integrated Distribution Plan.⁸ But the Company did not provide detail on this topic in this rate case, including how it has or will integrate equity considerations into its targeted undergrounding program. The Company's longer-term targeted undergrounding program is currently pending review in its current IDP proceeding, Docket No. E-002/M-25-142.

Although Joint Intervenors commend Xcel Energy for developing undergrounding proposals intended, at least to some extent, to address racial disparities in reliability (CELI-12), we continue to recommend that the Commission complete its IDP review prior to granting cost recovery for any undergrounding investments.⁹ The IDP is the appropriate forum to review the Company's plans holistically and in relation to its other proposed distribution investments in the 2025-30 timeframe.

Contrary to Joint Intervenors' recommendation, the ALJ Report concludes that: "The question to be resolved here is whether the cost estimates presented by Xcel are reasonable and justified by the benefits to consumers."¹⁰ However, this conclusion improperly fails to recognize the essential role of the IDP in justifying the Company's proposed investments. A core purpose of the IDP is to ensure that the Company's anticipated investments and plans are cost-effective

⁷ ALJ Report at 126, ¶ 792 (citing Ex. Xcel-37 at 2-4 (Mensen Supplemental Direct); Ex. Xcel-35 at 2-18 (Mensen Rebuttal)).

⁸ Ex. JIN-1 at 7, Att. 3 (Kenworthy Direct).

⁹ ALJ Report at 127, ¶ 800; *see also* Joint Intervenors Initial Brief at 43-45 (Section V.A: The Commission Should Require the Company to Provide Full Discussion and Justification of Its Targeted Underground Plans in Its Integrated Distribution Plan Prior to Any Approval of Cost Recovery.).

¹⁰ ALJ Report at 127, ¶ 801.

and that the Company has properly considered alternatives. As such, the IDP should allow visibility into how the Company prioritizes certain investments over others over its five-year time period. As discussed further below, the IDP should make transparent how the Company integrates (or does not integrate) equity considerations into its investment planning and prioritization. Such a comprehensive review in the IDP is particularly important when the Company intends to embark on multi-year investment program, as it does here with targeted undergrounding. Before the Commission assesses whether any initial group of undergrounding investments are reasonable and justified in a rate case, the Commission should require Xcel to describe its targeted undergrounding plans and address relevant considerations in the IDP. As part of this discussion, the Company should provide significantly more detail on how these considerations, particularly equity considerations, inform its prioritization and selection of undergrounding projects. In sum, Joint Intervenors continue to recommend that the Commission require full discussion and justification of the Company's targeted undergrounding plans and budgets through the IDP before it approves cost recovery for these investments.

B. Revenue Requirements – Expense or Rate Base Related Issues – Virtual Power Plants (ALJ Report Section VII.A.28)

In this case, Joint Intervenors have demonstrated that VPPs can be put in service quickly, e.g., within about six months for a basic program.¹¹ This can help address growing capacity needs, including those from super-large customers as discussed in Docket No. 25-289.¹² For example, the U.S. Department of Energy (DOE) 2025 Liftoff Update states: “On a \$/kW-yr basis, DOE finds that VPP peaking capacity is lower net cost than a gas peaker or a utility-scale battery for an illustrative 400 MW Resource Adequacy product: ~\$43 for a basic VPP vs. ~\$69

¹¹ Ex. JIN-1 at 40 (Kenworthy Direct).

¹² Ex. JIN-1 at 40 (Kenworthy Direct).

for a utility-scale battery vs. ~\$99 for a peaker (emissions/resilience benefits not even counted). VPPs also defer distribution upgrades by shaving localized peaks, lowering rate pressure for all customers.”¹³

Given these benefits, Joint Intervenors recommended that the Commission make its continued allowance for cost recovery for the Company’s Advanced Grid Intelligence and Security (AGIS) initiative—which the Company describes as providing “the foundation for an interactive, intelligent, and efficient grid system”—contingent on Xcel proposing a VPP tariff and implementation plan in a separate, future filing.¹⁴ Such a program would allow the Company and its customers to benefit further from its investments in its AGIS initiative, under consideration here, as well as investments in Distributed Energy Resource Management Systems (DERMS), expected to come before the Commission in future rate cases.¹⁵ In developing a program, Xcel has existing models to draw from, including at its affiliate in Colorado, which recently launched a VPP program.¹⁶ Like Xcel-Colorado, Xcel-Minnesota does not require further authorization from FERC Order 2222 to launch a VPP.¹⁷ Moreover, the Company can build on its existing residential demand response and other customer-facing programs.¹⁸

Despite this potential for customer benefits from VPPs, the ALJ Report concludes: “This proceeding is not the proper venue for the Commission to condition cost recovery of any of the Company’s investments on the implementation of a VPP.”¹⁹ Although the ALJ Report recognizes that VPPs may have benefits for customers, it goes on to state:

¹³ Ex. JIN-1 at 42 (Kenworthy Direct).

¹⁴ ALJ Report at 128-329, ¶¶ 807, 810; *see also* Joint Intervenors Initial Brief at Section VII.A (“A. The Commission Should Condition Approval of Continued AGIS Funding on Xcel’s Proposal of a Virtual Power Plant Tariff and Implementation Plan.”).

¹⁵ Ex. JIN-1 at 35, 40 (Kenworthy Direct).

¹⁶ Ex. JIN-1 at 35 (Kenworthy Direct).

¹⁷ Ex. JIN-1 at 42-43 (Kenworthy Direct).

¹⁸ Ex. JIN-4 at 16 (Kenworthy Surrebuttal).

¹⁹ ALJ Report at 129, ¶ 813.

However, the cost-benefit analysis of Xcel’s investments have been discussed in other proceedings and the Company has met its burden to show that recovery of its AGIS investments is appropriate in this rate case. To meet this burden, Xcel does not need to show that it is extracting every conceivable benefit of the technology. It is sufficient to show that the existing benefits justify the investments, without regard to whether there may be additional unrealized benefits.²⁰

The ALJ Report suggests further consideration in other forums and recommends rejection of the Joint Intervenors’ proposal.²¹

When considering the prudence of the Company’s AGIS investments in this case, Joint Intervenors encourage the Commission to require Xcel Energy to take advantage of well-established opportunities like VPPs that can improve cost-effectiveness and realize additional benefits for ratepayers. As the record in this case highlights, affordability remains a significant concern for the Company and its customers, including with respect to both rising rates and dramatic increases in disconnections. While Xcel Energy may not need to extract “every conceivable benefit” from its investments, we urge the Commission to ensure that the Company maximizes the value of its investments—including AGIS as well as its DERMS investments—for its ratepayers to justify continued cost recovery for them. As Joint Intervenors have demonstrated in this case, VPPs offer near-term ratepayer value and Xcel has models to rely on to develop its own program, including from its affiliate utility in Colorado.

Notably, the Michigan Public Service Commission recently evaluated a similar recommendation in Consumers Energy’s electric rate case, requesting that the Commission order the utility to develop a VPP program. The Commission found that the benefits of VPPs “are substantial, and VPPs have the ability to be a fast-to-implement, low-cost, reliable solution to

²⁰ ALJ Report at 129, ¶ 814.

²¹ ALJ Report at 129-30, ¶ 815-16.

both needed distribution investments as well as generation and resource adequacy.”²² The Commission issued a “prospective warning” to Consumers that in light of these benefits “future proposed investments that fail to account for VPPs may be disallowed.”²³ In another section of its order, the Commission indicated that it “expects to see VPPs and other demand-side resources proposed as a solution to any potential future energy or capacity needs.”²⁴

Joint Intervenors urge the Commission to make similar findings in this rate case and require Xcel to move forward with behind-the-meter VPP implementation in a separate proceeding. Joint Intervenors recognize that the Commission recently decided to approve the Company’s Distributed Capacity Procurement (DCP) program, Capacity*Connect. Similar to a behind-the-meter VPP, Capacity*Connect will rely on DERs (specifically batteries) to realize capacity and distribution benefits for the utility and its customers. As Joint Intervenors explained in this rate case proceeding, however: “DCP provides a pathway for front-of-the-meter distributed resources to be procured as part of the utility’s generation portfolio, while VPPs unlock the value of customer-sited resources to meet both customer and system needs. Both are necessary elements of a modern grid; treating them as ‘either/or’ would leave significant value on the table.”²⁵ In other words, Capacity*Connect serves a complementary but different purpose compared to a behind-the-meter VPP.

Joint Intervenors acknowledge that the Commission declined to pursue VPP development in the recent Capacity*Connect proceeding, electing instead to require Xcel to file a report on its Colorado VPP program in the Company’s next IDP. The Commission now has another

²² *In the matter of the application of CONSUMERS ENERGY COMPANY for authority to increase its rates for the generation and distribution of electricity and for other relief*, Mich. Pub. Serv. Comm’n, Case No. U-21870, Order, at 493-94 (Mar. 27, 2026), available at <https://mi-psc.my.site.com/sfc/servlet.shepherd/version/download/068cs00001rd2XbAAI>.

²³ *Id.* at 493-94.

²⁴ *Id.* at 381.

²⁵ Ex. JIN-1 at 41 (Kenworthy Direct) (emphasis added).

opportunity to recognize the benefits of a VPP in the context of the investments and associated rate increases at issue in this rate case and require Xcel Energy to move forward with VPP development as a cost-effective program to benefit its customers going forward. Specifically, Joint Intervenors continue to recommend that the Commission make its ongoing approval of AGIS funding contingent on Xcel proposing a VPP tariff and implementation plan in a separate, future filing, based on the Solar United Neighbors' (SUN) model tariff, that:

- a. specifies target devices and MWs by year;
- b. shows feeder/substation deferral use cases;
- c. commits to standard, pay-for-performance aggregator contracts; and
- d. includes customer-facing enrollment and equity strategies, with annual reporting on participation, verified peak reduction, avoided costs, and bill impacts.²⁶

C. Revenue Requirements – Expense or Rate Base Related Issues – Equity Considerations in Distribution Planning (ALJ Report Section VII.A.28)

Joint Intervenors appreciate the ALJ Report's recognition that our concerns related to equity in distribution planning are important.²⁷ As the ALJ Report states: "Utility customers should have equitable access to reliable electric service without regard to race, income, or other socioeconomic factors. Data presented in the TRC Study and the Pradhan/Chan Study demonstrates that this is not always the case for Xcel's customers."²⁸ Specifically, these data showed that long-duration outages (CELI-12) are more likely to occur for customers in neighborhoods with higher proportions of people of color.²⁹ As discussed further above in Section II.A, Xcel has proposed targeted undergrounding investments intended in part to

²⁶ Ex. JIN-1 at 45, 47 (Kenworthy Direct); Ex. JIN-4 at 16-17 (Kenworthy Surrebuttal).

²⁷ ALJ Report at 131, ¶ 825.

²⁸ ALJ Report at 131, ¶ 825.

²⁹ ALJ Report at 130, ¶ 817 (citing Ex. JIN-2 at 10-11 (Chan Direct); Ex. JIN-1 at 6 (Kenworthy Direct)).

addresses these identified disparities. To avoid perpetuating or exacerbating these and similar disparities going forward, Joint Intervenors have proposed requiring Xcel to transparently integrate equity considerations into its Integrated Distribution Plan, its internal annual budgeting and prioritization, and ultimately in the proposals it makes in rate cases.³⁰

Despite recognizing the importance of these concerns, however, the ALJ Report recommends: “No change to the Company’s distribution planning or budget should be ordered in this proceeding.”³¹ The ALJ Report points to ongoing work on this issue in the SRSQ docket.³² It also describes the distribution planning process as complex, and states: “Attempting to prescribe requirements related to one set of concerns, even if those concerns are well-founded, would at best reflect an incomplete analysis of the many facets of distribution planning, and at worst, circumvent the IDP process and the separate dockets in which it occurs. This is especially true when these same concerns are simultaneously being addressed in the SRSQ Docket.”³³

Joint Intervenors agree with the ALJ Report’s descriptions of the Commission’s meaningful work in the SRSQ and the complexity of the distribution planning process, including evaluation of the Company’s IDP at the Commission. Nonetheless, these two processes—the SRSQ and the IDP—are inherently interrelated with rate cases. In the IDP, the Company develops the plans and investments that it eventually will propose for cost recovery in rate cases like the current one. In the SRSQ, the Company tracks and reports on its performance against a suite of metrics and other directives to ensure it meets various Commission objectives, including those related to reliability and equity. Such tracking and reporting also informs the Company’s decisions with respect to investments in its distribution system and other programs, such as

³⁰ Ex. JIN-1 at 6, 13-14 (Kenworthy Direct).

³¹ ALJ Report at 131, ¶ 827.

³² ALJ Report at 131, ¶ 826.

³³ ALJ Report at 131, ¶ 827.

affordability programs, for which the Company will eventually request cost recovery in a rate case.

In other words, to ensure equity is considered as part of the Commission’s rate proposals, it is necessary to ensure the Company also considers equity upstream in the IDP and SRSQ. Joint Intervenors urge the Commission to recognize this interrelationship and require Xcel to integrate equity metrics as we have proposed. We do not suggest that the Commission “circumvent” the IDP or any other existing proceeding. Rather, we recommend that the Commission make clear its expectation for the Company in those related processes and dockets and then allow the Company and participating stakeholders to develop the details in those dockets as appropriate, which in turn will impact future rate case proposals.

In addition, Joint Intervenors disagree with the ALJ Report’s conclusion that “the record here would not support a sufficiently precise directive to the Company due to the lack of monetary quantification for community vulnerability factors.”³⁴ Monetary quantification for community vulnerability factors is not necessary for the Commission to require the Company to integrate equity metrics into its IDP, internal annual budgeting and prioritization, and eventual rate case proposals. Such quantification could occur in the IDP and SRSQ, depending on the Company’s proposal and stakeholder input. Joint Intervenors provided examples from Michigan utilities DTE Electric and Consumers Energy, both of whom embed equity directly into capital allocation and project prioritization frameworks.³⁵ Drawing on these examples, Joint Intervenors recommend the Commission require Xcel to make three key reforms:

1. Establish equity-informed prioritization criteria for distribution investments. The Commission should require Xcel to develop and implement systematic criteria that prioritize investments addressing documented service disparities. The Company should

³⁴ ALJ Report at 131, ¶ 828.

³⁵ Ex. JIN-1 at 12-13 (Kenworthy Direct); Ex. JIN-4 at 8-10 (Kenworthy Surrebuttal).

weight these criteria appropriately in its distribution project scoring and prioritization processes.

2. Integrate equity requirements into the IDP process. The Commission should require Xcel to demonstrate in its IDP filings how equity considerations will be systematically incorporated into distribution planning and investments.
3. Implement transparent reporting on equity outcomes. The Commission should require Xcel to report on reliability improvements and infrastructure investments by environmental justice area, income level, and racial composition in its Safety, Reliability, and Service Quality annual reports, just as the Company reports on reliability or other dimensions of utility performance. This reporting should demonstrate whether rate-funded investments are systematically addressing documented disparities or perpetuating inequitable service patterns.³⁶

In adopting these recommendations, the Commission would allow the Company to develop appropriate metrics and receive stakeholder input on its proposals in the IDP and SRSQ, without predetermining the precise parameters in this rate case. By implementing our recommended changes, the Commission would begin to ensure that equity is deliberately and transparently considered in investments that Xcel ultimately proposes in future rate cases.

D. Cost of Capital – Return on Equity (ROE) (ALJ Report Section VII.C.1)

As the ALJ Report makes clear, the Company’s ROE has been a contentious issue for most parties to this case.³⁷ In the summary of party positions, however, the ALJ Report neglects to mention Joint Intervenors’ testimony and position on this topic.³⁸ Like Walmart, although Joint Intervenors did not provide independent modeling, we recommended that the Commission not approve an ROE higher than the Company’s current 9.25%.³⁹ In making this recommendation, Joint Intervenors emphasized the importance of the “end result doctrine” established in *Federal*

³⁶ Ex. JIN-1 at 6, 13-14 (Kenworthy Direct).

³⁷ ALJ Report at 139-59, ¶¶ 883-994.

³⁸ ALJ Report at 141-42, ¶¶ 892-97.

³⁹ Joint Intervenors Initial Brief at 31-33; Ex. JIN-2 at 41-47 (Chan Direct).

Power Commission v. Hope Natural Gas Co. in setting ROE.⁴⁰ That is, “the standard for regulating utility rates does not turn on the precise methodology used, but on whether the overall outcome produces ‘just and reasonable’ rates. In other words, it is the result reached, not the method used, that governs.”⁴¹ The doctrine affirms the Commission’s discretion to consider social policy considerations such as affordability and equity when setting ROE, so long as the “end result” is just and reasonable.⁴²

Based on this end result doctrine, Joint Intervenors continue to recommend that the Commission give primacy to energy affordability as it determines a return on equity that meets its definition of the public interest.⁴³ The ALJ Report analysis and recommendation for an 9.8% ROE predominantly rely on comparisons and analysis of the different models and assumptions parties used in making their recommendations. While these data are important considerations, Joint Intervenors encourage the Commission to focus on the current affordability crisis—as amply demonstrated in this record, including in the volume of public comments protesting a rate increase. On this basis, Joint Intervenors continue to recommend an ROE of no higher than 9.25%, Xcel’s current ROE, as just, reasonable, and necessary to satisfy the public interest.

E. Rate Design – Super Large Customer Tariff (ALJ Report Section IX.F)

On the topic of the Super Large Customer Tariff, Joint Intervenors have been primarily concerned that the Commission ensure that this and future rate cases are aligned with the outcome of Docket No. E-002/M-25-289, in which the Commission is considering Xcel’s

⁴⁰ Ex. JIN-2 at 41-42 (Chan Direct) (citing *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591, 602 (1944) (“It is the result reached, not the method employed, which is controlling ... It is not theory, but the impact of the rate order, which counts.”)).

⁴¹ Ex. JIN-2 at 41 (Chan Direct).

⁴² Ex. JIN-2 at 42-43 (Chan Direct).

⁴³ Ex. JIN-2 at 3, 46-47 (Chan Direct).

proposed tariff and related issues. Although not fully captured in the ALJ Report, Joint Intervenors specifically recommended that the Commission:

1. State that this rate case is subject to the final order in Docket No. 25-289;
2. Direct Xcel to file a refreshed CCOSS promptly after Docket No. 25-289 concludes to reflect any new tariff terms, charges, and allocation rules; and
3. Require deposit and contract provisions (from Docket No. 25-289) to protect customers against speculative projects and stranded costs.⁴⁴

Joint Intervenors recognize that the Commission is meeting on May 15, 2026, to address Xcel's Super Large Customer Tariff in Docket No. 25-289, on the same day that these Exceptions are due. We are hopeful that the Commission's order in Docket 25-289 will address our concerns in this rate case. Such an outcome would be consistent with the ALJ Report, which concluded that "the Commission should decline to take action on XLI's proposal for a new CCOSS and instead address this issue in Docket No. E-002/M-25-289. Certainly, in that proceeding, the Commission may order future filings and take other appropriate action related to super-large customers."⁴⁵ If not, Joint Intervenors urge the Commission to adopt our recommendations in this rate case to ensure that its decisions in Docket No. 25-289 translate appropriately into the current rate case and future rate cases. In addition, we highlight that although the ALJ Report is correct that the Company does not anticipate super-large customers in either the 2025 Test Year or the 2026 Plan Year,⁴⁶ it is possible that such customers will come online in future years. If Xcel Energy has not filed a new rate case, then the rates established in this case will still apply, in which case an updated CCOSS and possibly other modifications may

⁴⁴ Joint Intervenors Initial Brief at 47-50; Ex. JIN-1 at 30-31 (Kenworthy Direct); *see also* ALJ Report at 191, ¶¶ 1172, 1174 ("1172. XLI and the Joint Intervenors recommend that several issues related to the super-large tariff be decided in this rate case.... 1174. XLI and the Joint Intervenors each recommend that the Company be ordered to file a new CCOSS to incorporate the tariff.").

⁴⁵ ALJ Report at 191, ¶ 1178.

⁴⁶ ALJ Report at 191, ¶ 1176.

be warranted to ensure that super-large customers pay the costs attributable to them as required by statute.⁴⁷

F. Rate Design – Disconnection Moratorium and Study Alternative (ALJ Report Section IX.G)

Xcel’s disconnections have reached record levels since the Company’s previous rate case, decided in 2023.⁴⁸ In the first seven months of 2025, Xcel disconnected 2.4-times more customers than the average year-to-date number of disconnections in the 16 years prior to the COVID-19 pandemic.⁴⁹ In recognition of these escalating disconnections, the Commission recently declined to grant Xcel Energy its requested variance to Minn. R. 7820.2500 to enable remote disconnection of customers.⁵⁰ In its Order, the Commission stated that it was “not persuaded that the requirements for granting Xcel a rule variance to Minn. R. 7820.2500 are satisfied, particularly when continuing to grant the variance could further contribute to the increasing level of customer disconnections.”⁵¹

In addition, multiple studies—by Joint Intervenors witness Dr. Chan and his colleague, Dr. Bhavin Pradhan, and by Xcel’s own consultant, TRC—have shown that there are racial disparities in residential disconnections.⁵² Specifically, Drs. Chan and Pradhan found “a 10 percentage point increase in a neighborhood’s population of people of color is associated with a 17-22% increase in the rate of disconnections across a range of models that control for other

⁴⁷ Minn. Stat. § 216B.1622, Subd. 2(1).

⁴⁸ Ex. JIN-2 at 4-7 (Chan Direct); Ex. ECC-1 at 4 (Shardlow Direct); Ex. OAG-1 at 32 (Hinderlie Direct); Ex. CUB-3 at 10-11 (Levenson-Falk Direct).

⁴⁹ Ex. JIN-2 at 5 (Chan Direct).

⁵⁰ Docket No. E-002/M-25-27, *In the Matter of Xcel Energy’s 2024 Annual Safety, Reliability, and Service Quality Report*, Order Accepting Reports and Setting Additional Requirements, at 7-8, 11 (Order ¶ 14).

⁵¹ *Id.* at 7.

⁵² Ex. JIN-2 at 5-7 (Chan Direct).

socioeconomic factors (including median income, poverty level, unemployment rate, population density, housing tenure, year, county, and housing age).”⁵³

In this case, the Company provided no evidence that disconnections effectively serve as a last-resort motivator for customers to pay their utility bills or provide any other ratepayer benefit, including lower arrears, higher payment rates, lower bad-debt expenses, or lower ratepayer costs.⁵⁴ To address both the lack of evidence supporting the efficacy of disconnections and the negative, far-reaching, and inequitable impacts of disconnections on customers, Joint Intervenors made two alternative proposals in this case: (1) institute a moratorium on disconnections until the Company and other stakeholders can develop a robust record that the benefits of disconnections outweigh the costs of disconnections; or (2) undertake a robust evaluation of the Company’s disconnection practices compared to alternatives in the form of a randomized control trial (RCT) to better understand the benefits and costs of current and alternative disconnection policies.⁵⁵

In rejecting the proposed moratorium, the ALJ Report stated: “While the record is mixed on the substantive merits as to the efficacy of payment-related disconnections, those arguments do not control this issue. The Company is unambiguously permitted to disconnect customers for failing to pay their bill for utility service under Minn. R. 7820.1000 so long as it complies with the notice requirements of Minn. R. 7820.2400. The Commission should not impose a disconnection moratorium on the Company.”⁵⁶ Given the documented racial disparities in disconnections, however, Joint Intervenors continue to recommend a moratorium as the most immediate and effective way to halt perpetuation of these disparities and also avoid further harm

⁵³ Ex. JIN-2 at 6 (Chan Direct) (citing Ex. JIN-2 Att. 2, Pradhan, Bhavin and Gabriel Chan. 2024. “Minnesota’s energy paradox: Household energy insecurity in the face of racial and economic disparities” *The Electricity Journal* 37(6): 107423, at 7-8.).

⁵⁴ Ex. JIN-2 at 7-10 (Chan Direct).

⁵⁵ Ex. JIN-2 at 3, 10 (Chan Direct); Ex. JIN-3 at 2-3 (Chan Rebuttal).

⁵⁶ ALJ Report at 193, ¶ 1187.

to customers as documented in the record in this case. When customers in neighborhoods with a high percentage of people of color are at an elevated risk of disconnection, the rates associated with their service are arguably unjust and unreasonable in violation of Minn. Stat. § 216B.16.⁵⁷ Such violation should supersede concerns around the Company's right to disconnect customers under Minn. R. 7820.1000.

As for our alternative RCT recommendation, the ALJ Report gave two reasons to reject this proposal: (1) doing so would require the Company to treat similarly situated customers differently with respect to disconnections based only on random selection, which would violate Minn. Stat. § 216B.07; and (2) because Minn. R. 7820.1000 permits payment-related disconnections without regard to the presence or absence of evidence as to the efficacy of disconnections, the benefits of such a study would be limited.⁵⁸

On the first point, Joint Intervenors disagree that the RCT would violate Minn. Stat. § 216B.07. The ALJ Report emphasizes that the statute prohibits both unreasonable prejudices or advantages.⁵⁹ An RCT would not violate this prohibition. It would not disadvantage or prejudice any customer because no customer would be worse-off than under current disconnection practices. In addition, while non-control group customers may be advantaged, it would not be unreasonable. The ALJ Report overlooks this reasonableness element. An RCT would serve the reasonable and critical purpose of determining whether Xcel's disconnection practices serve their intended purpose and benefit all customers, or whether they require modifications.⁶⁰ In addition, randomization in the treatment groups prevents arbitrary distinctions among customers, which

⁵⁷ Ex. JIN-3 at 20-21 (Chan Rebuttal) (quoting arguments from the Office of the Attorney General in Xcel's 2023 SRSQ, *In the Matter of Northern States Power Company d/b/a Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27. REPLY COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL (Sep. 12, 2024)).

⁵⁸ ALJ Report at 193, ¶¶ 1191-92.

⁵⁹ ALJ Report at 193, ¶ 1191.

⁶⁰ Ex. JIN-3 at 12 (Chan Rebuttal).

helps ensure compliance with the prohibition on unreasonable preferences or discrimination.⁶¹ Oversight by the Institutional Review Board would further ensure that any advantages or preferential treatment are reasonable and in compliance with all relevant standards, the same ethical research standards used to determine the efficacy of novel medical treatments.⁶²

Furthermore, Joint Intervenors underscore the evidence that Xcel Energy's current disconnection practices already result in unreasonable prejudice. As noted above, both the Chan/Pradhan study and the TRC study showed racial disparities in disconnections based on the racial composition of customers' neighborhoods. The RCT could explore alternative approaches that may mitigate or eliminate these disparities.

In addition, Joint Intervenors note that, in its most recent SRSQ Report, the Company acknowledged that it will perform fewer disconnections because it does not have sufficient staff to perform all permissible in-person disconnections, which are required because the Commission did not grant the variance to enable remote disconnections.⁶³ Xcel also proposed a cap on the total disconnection level without an indication of how the Company would select who gets disconnected within the cap.⁶⁴ Therefore, it would appear that, at least in the near term, some customers will necessarily be prejudiced or advantaged based on Xcel's limited staffing capabilities and its self-determined cap. If the Commission accepts Xcel's right to disconnect customers under Minn. R. 7820.1000, the Company must still justify how it prioritizes which customers it disconnects in just, reasonable, and non-discriminatory manner. Joint Intervenors suggest that randomizing the remaining disconnections through an RCT would be a way both to

⁶¹ Ex. JIN-3 at 16-18 (Chan Rebuttal).

⁶² Ex. JIN-3 at 17-18 (Chan Rebuttal).

⁶³ IN THE MATTER OF NORTHERN STATES POWER COMPANY'S ANNUAL REPORT ON SAFETY, RELIABILITY, AND SERVICE QUALITY FOR 2025; AND PETITION FOR APPROVAL OF ELECTRIC RELIABILITY STANDARDS FOR 2026, Docket No. E002/M-26-27, Annual Report and Petition, Part III, at 95-109.

⁶⁴ *Id.*

treat customers fairly, justly, and reasonably consistent with Minn. Stat. § 216B.16 (everyone who would otherwise be disconnected is equally likely to not be) and produce publicly valuable knowledge about the public benefits (if any) of allowing disconnections.

On the ALJ Report’s second justification for rejecting the RCT proposal, Joint Intervenors disagree that the benefits of the study would be limited simply because Xcel Energy currently has a right to disconnect customers under Minn. R. 7820.1000. Indeed, the ALJ Report goes on to concede: “Certainly, such a study could have societal value and be relevant in another proceeding were the Commission to consider amending Minn. R. 7820.1000,”⁶⁵ In a similar vein, Joint Intervenors’ proposed RCT could have societal value and relevance to inform whether the Commission should consider amending Minn. R. 7820.1000. Based on the record in this case related to affordability and disconnections, the Commission could order an RCT here to gather pertinent information regarding disconnection reform in the future.

Therefore, Joint Intervenors continue to recommend the Commission order a robust evaluation of the Company’s disconnection practices compared to alternatives in the form of a randomized control trial, as described in Joint Intervenors witness Dr. Chan’s rebuttal testimony.⁶⁶ Such an RCT would comply with Minn. Stat. § 216B.07. It would also be in the public interest to undertake a robust evaluation of the Company’s disconnection practices compared to alternatives in the form of a randomized control trial to better understand the benefits and costs of current and alternative disconnection policies. Although it would treat customers differently—and difference in treatment is also now necessitated for the reasons stated above—using the tool of randomization would ensure that different treatment is not unreasonably preferential, unreasonably prejudicial, nor discriminatory or conveying of an

⁶⁵ ALJ Report at 193-94, ¶ 1192.

⁶⁶ Ex. JIN-3 (Chan Rebuttal).

unreasonable advantage. Further, applying the evaluation framework of an RCT would create a public benefit by giving the Company and the Commission the necessary evidence to establish fairer and more effective practices for dealing with customer non-payment.

III. CLARIFICATION

A. Revenue Requirements – Expense or Rate Base Related Issues – Discrete Capacity Project Investments / Distribution Capacity Investments (ALJ Report Sections VI.A.27 and VII.A.26)

As the ALJ Report indicates, Joint Intervenors no longer oppose Xcel Energy’s proposed Discrete Capacity Project investments.⁶⁷ The Department also concluded the Company’s proposed investments were reasonable.⁶⁸ Therefore, the ALJ recommended approval of these investments,⁶⁹ which Joint Intervenors do not dispute.

Later, the ALJ Report presented “Distribution Capacity Investments” as a disputed issue, citing to opposition testimony from Joint Intervenors,⁷⁰ but this section appears to address the same Discrete Capacity Investments discussed above. To avoid any confusion, Joint Intervenors confirm that we no longer oppose these investments and do not dispute the ALJ Report’s recommendation for the Commission to allow cost recovery for them.

IV. RESPONSE TO FINANCIAL SCHEDULES

Joint Intervenors reviewed the financial schedules that Xcel Energy filed on May 11, 2026. We find that the schedules accurately reflect our recommendations related to the revenue requirement except for on the issue of targeted undergrounding (Line 32 – “OAG – Undergrounding”). While OAG recommended a reduction in cost recovery for the targeted

⁶⁷ ALJ Report at 38, ¶¶ 217-22.

⁶⁸ ALJ Report at 38, ¶¶ 217-22.

⁶⁹ ALJ Report at 38, ¶¶ 217-22.

⁷⁰ ALJ Report at 124-25, ¶¶ 784-90.

undergrounding investments proposed in this case, Joint Intervenors recommended denial of all cost recovery (\$2.3 million in 2025 and \$6.7 million in 2026) pending comprehensive review in the Company's Integrated Distribution Plan. However, the spreadsheet only reflects OAG's position.

V. CONCLUSION

In these Exceptions, Joint Intervenors have suggested modifications to the ALJ's recommendations intended to advance equity and energy justice, ensure affordability, and optimize access to and use of clean distributed energy resources. We urge the Commission to adopt our modifications. In sum, and as described in more detail above and in our briefs, we recommend that the Commission:

- Not approve the Company's proposed 2025 and 2026 investment in the targeted undergrounding program; instead, the Commission should require full discussion and justification of the Company's targeted undergrounding plans and budgets through the Integrated Distribution Plan (IDP) before it approves cost recovery for these investments.
- Make any continued approval of the Company's Advanced Grid Intelligence and Security initiative contingent on Xcel proposing a Virtual Power Plant tariff and implementation plan in a separate, future filing, in recognition of the cost-saving and other benefits of VPPs for customers.
- Require the Company to integrate equity metrics into its Integrated Distribution Plan, in its internal annual budgeting and prioritization, and ultimately in the proposals it makes in rate cases.
- Not approve the recommended Return on Equity of 9.8%; instead, the Commission should adopt an ROE at or below the Company's current 9.25% authorized ROE and give primacy to energy affordability in its determination of an ROE that meets the Commission's definition of the public interest.
- If not addressed in Docket No. 25-289, adopt Joint Intervenors' recommendations in this rate case to ensure that Commission decisions related to Xcel Energy's proposed Super Large Customer Tariff in Docket No. 25-289 translate appropriately into the current rate case and future rate cases.

- Establish a moratorium on disconnections until the Company and other stakeholders can develop a robust record that the benefits of disconnections outweigh the costs of disconnections; or, in the alternative, order a robust evaluation of the Company's disconnection practices compared to alternatives in the form of a randomized control trial, as described in Joint Intervenor's witness Dr. Chan's rebuttal testimony.

Date: May 15, 2026

Respectfully submitted,

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