BEFORE THE MINNESOTA COURT OF ADMINISTRATIVE HEARINGS
600 NORTH ROBERT STREET
ST. PAUL, MINNESOTA 55101

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
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Katie Sieben	Chair
Joseph Sullivan	Vice Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

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

CAH File No. 25-2500-40870

MPUC Docket No. E-022/PT-7157/SA-25-129

PROPOSED FINDINGS OF THE MINNESOTA DEPARTMENT OF COMMERCE

March 30, 2026

TABLE OF CONTENTS

FINDINGS OF FACT

I. BACKGROUND OF CASE

1. The City of Slayton ("City") is a municipal corporation located in southwest Minnesota and situated within Xcel Energy's assigned electric service territory.[1] The City is seeking to acquire Xcel's electric distribution facilities within City limits and form a municipal electric utility.[2]

2. The City council has conditional authority to acquire Xcel's facilities within the City to form a municipal utility.[3] However, negotiations between the City and Xcel failed to reach agreement on the purchase price for those facilities.[4]

3. Under Minnesota Statute § 216B.45, the Commission determines just compensation of the property being purchased when a municipality and a public utility are unable to reach agreement.[5]

4. The City filed a petition requesting determination of just compensation for the City's acquisition of Xcel's property under Minn. Stat. § 216B.45.[6] The Commission reviewed the City's petition and referred the matter to the Court of Administrative Hearings for contested case proceedings.[7] Following the submission of pre-filed testimony by the City, Xcel, and the Department, an evidentiary hearing was held on February 5, 2026.

5. Minnesota Statutes §§ 216B.44 and 216B.45 address the purchase of utility property in service territory extensions and service territory acquisitions, respectively. Both statutes rely on an identical four-prong framework for determining just compensation of property in municipal service territory extension and municipal purchase of public utility matters: (1) the original cost of the property less depreciation, (2) loss of revenue to the utility, (3) expenses resulting from integration of facilities, and (4) other appropriate factors.

6. Although the Commission has determined compensation in several service territory extension cases under Minn. Stat. § 216B.44, it has not yet determined just compensation in a service territory acquisition case under Minn. Stat. § 216B.45.[8]

7. The Commission has explained the purpose of just compensation analysis under Minn. Stat. § 216B.44 (municipal service territory extension) is "to place the displaced utility in

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[1] City of Slayton Petition at 1 (Feb. 24, 2025) (eDocket No. 20252-215733-01).
[2] City of Slayton Petition at 1 (Feb. 24, 2025) (eDocket No. 20252-215733-01).
[3] City of Slayton Petition at 1 (Feb. 24, 2025) (eDocket No. 20252-215733-01).
[4] City of Slayton Petition at 3 (Feb. 24, 2025) (eDocket No. 20252-215733-01).
[5] Minn. Stat. § 216B.45 (2024).
[6] City of Slayton Petition (Feb. 24, 2025) (eDocket No. 20252-215733-01).
[7] Notice and Order for Hearing. (June 2, 2025) (eDocket No. 20256-219471-01). At the time of the Commission's referral order, the Court of Administrative Hearings was known as the Office of Administrative Hearings.
[8] *See* City of Slayton Petition at 2-3 (Feb. 24, 2025) (eDocket No. 20252-215733-01).

the same financial position it would have occupied had the acquisition not occurred."[9] While this analysis was for a municipal service territory extension matter, the Department argues the Commission can weigh that precedent appropriately in this matter as the same statutory factors are utilized in both Minn Stats. § 216B.44 and § 216B.45.

9. Xcel argues the City bears the burden of proof to demonstrate by preponderance of the evidence that its proposed just compensation is reasonable and consistent with the law as they produced the petition for the municipal acquisition.[10] The City argues the party alleging damages and claiming compensation carries the burden of proof as normally observed in eminent domain and other civil proceedings.[11] The Department recognizes the information asymmetry in this case and has encouraged thorough record development from both the City and Xcel to produce reliable and fair just compensation analyses as enabled by Xcel's ability to share and verify pertinent data.

II. JUST COMPENSATION FRAMEWORK— RESOLVED ISSUES

A. Original Cost of the Property Less Depreciation

8. The first factor requires the Commission to consider the original cost of the property less depreciation in determining the current value of the property to be sold.[12]

9. The City of Slayton and Xcel treat the current value of the property interest at stake as the net book value of the distribution assets being transferred – calculated as original costs less accumulated depreciation.[13] This method is aligned with standard utility accounting and ratemaking practices and is thus reasonable.

10. The City generally agrees to accept Xcel's calculations of the property value, which Xcel calculated to be $3,220,652,56 in August 2025.[14] The City did not independently audit Xcel's plant records, but does not present evidence that the value presented was unreasonable.[15] To ensure that the property value is up-to-date at the transaction close, the parties agreed that Xcel should update and document the net book value including a list of the final assets, their original cost, and their accumulated depreciation at the time of the transfer.[16]

11. The Administrative Law Judge recommends adopting the parties' request to update the calculated value at the transaction close and provide the updated documentation including a

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[9] *In re Compl. Regarding the Annexation of a Portion of the Serv. Territory of People's Coop. Power Ass'n by the City of Rochester*, Docket No. E-132, 299/SA-88-270, ORDER DETERMINING COMPENSATION (July 11, 1990).
[10] Xcel Initial Br. at 14.
[11] Slayton Initial Br. at 14.
[12] Minn. Stat. § 216B.45.
[13] Ex. DOC-301 at 6 (Ngo Rebuttal).
[14] Ex. Slayton-104 at 11 (Berg Direct).
[15] Ex. DOC-301 at 6 (Ngo Rebuttal).
[16] Ex. Xcel-204 at 11 (Peterson Direct); Ex. Slayton-105 at 3 (Berg Rebuttal); Ex. DOC-301 at 6-7 (Ngo Rebuttal).

list of the final assets, their original cost, and their accumulated depreciation at the time of the transfer.

III. JUST COMPENSATION FRAMEWORK – CONTESTED ISSUES

A. Loss of Revenue

12. The second factor the Commission must consider in determining just compensation is lost utility revenue.[17] Subfactors such as choosing an appropriate time horizon, considering reasonably foreseeable future customer growth, and including evidence-based avoided costs support the loss of revenue analysis.

13. The Department recommends defining Xcel's loss of revenue as the present value of the net operating margins that Xcel would have earned from serving the Slayton area.[18] Net operating margins refer to gross revenues from Slayton customers minus the costs Xcel will avoid when it no longer serves those customers. This approach is consistent with past Commission decisions where similar definitions were used.[19] Likewise, the City and Xcel generally analyze loss of revenue in accordance with this definition.

14. Xcel defines the relevant time period as the length of time, in years, that Xcel Energy will lose revenue based on Slayton's exit from Xcel's system informed by the time horizon of the utility's planning processes and expected life of utility assets.[20] Slayton determined their recommended compensation period based on their estimation of Xcel's ability to adjust or mitigate further remaining costs.[21]

14. The City and Xcel reach significantly different conclusions regarding the appropriate time period for the utility to recover this loss of revenue. The City proposes a five-year period based on a net-margin-per-kWh figure derived from 2026 revenue-requirement data.[22] The City believes this time horizon provides Xcel the appropriate amount of time to fully mitigate and adjust its overall system to the small loss of Slayton's load especially considering the size and resources of the utility.[23]

15. Xcel recommends a 20-year time horizon based partly on the time horizon of the utility's planning processes and the expected lifespan of utility assets.[24] Additionally, Xcel relies

[17] Minn. Stat. § 216B.45.
[18] Ex. DOC-301 at 7 (Ngo Rebuttal).
[19] *In re Appl of the City of Redwood Falls to Extend its Assigned Serv. Area into the Area Presently Served by Redwood Elec. Coop.*, Docket No. E-135, 298/SA-05-1274, ORDER DETERMINING COMPENSATION at 3-4 (June 27, 2007) (eDocket No. 44537663).
[20] Ex. Xcel-205 at 12-13 (Peterson Direct).
[21] Ex. Slayton-104 at 14-15 (Berg Direct).
[22] Ex. Slayton-114 at 33 (Berg Surrebuttal).
[23] Ex. Slayton-103 at 42, 48 (Berg Direct).
[24] Ex. Xcel-204 at 13 (Peterson Direct).

on two FERC cases that dealt with recovery of stranded costs and permitted a 15- and 20-year recovery period, respectively.[25]

16. The Department recommends a lost revenue time horizon of 10 years.[26] A ten-year time horizon balances the need to compensate for real economic loss against speculative forecasts, while giving Xcel a reasonable period to adjust its system to changes brought on by the property transfer.[27] Additionally, in service territory extension cases under Minn. Stat § 216B.44, the Commission has repeatedly concluded that a ten-year time horizon is appropriate for compensating the utility's loss of revenue from both existing and future customers and that an overly long time horizon is unjustifiable.[28] The Department found applying a ten-year horizon here would align the case with the Commission's longstanding practice, balance the need to compensate real economic loss against the risk of speculative forecasts, and give Xcel a reasonable period to adjust its system and customer base to reflect the changes caused by the City's formation of a municipal utility.[29]

14. The next subfactor to consider is the reasonably foreseeable customer growth. The Commission has previously rejected a theory under which no compensation would be paid for future customers in a service territory and concluded that such an approach may "undermine the long-term planning by utilities that service area statutes were enacted to ensure."[30] Both the City and Xcel consider customer growth in their loss of revenue analysis.[31] The City, however, rejects the use of system-wide customer growth and considers Slayton-specific population changes in the near future.[32] In applying the Department's lost revenue methodology over a ten-year period, the Department recommends factoring in reasonably foreseeable future customer growth in the loss of revenue calculation.

15. Furthermore, the Commission should consider avoided costs – costs that will be taken over by the municipality that will be providing the service post transaction – in the loss of revenue component of the just compensation calculation.[33] The Commission has previously

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[25] Ex. Xcel-204 at 15-16 (Peterson Direct).
[26] Ex. DOC-301 at 8 (Ngo Rebuttal).
[27] Ex. DOC-301 at 8 (Ngo Rebuttal).
[28] *See In re Appl. of the City of Rochester for an Adjustment of its Serv. Area Boundaries with People's Coop. Power Ass'n*, Docket No. E-132,299/SA-93-498, ORDER DETERMINING COMPENSATION at 5, 11 (Nov. 30, 1995) (eDocket No. 162864-A); *In re Appl. of the Grand Rapids Pub. Utils. Comm'n to Extend its Assigned Serv. Area into the Area Presently Served by Lake Country Power*, Docket No. E-243,106/SA-03-896, ORDER DETERMINING COMPENSATION at 19 (Sept. 29, 2005) (eDocket No. 2373348).
[29] Ex. DOC-301 at 8 (Ngo Rebuttal).
[30] See *In re Appl. of the City of Rochester for an Adjustment of its Serv. Area Boundaries with People's Coop. Power Ass'n*, Docket No. E-132,299/SA-93-498, ORDER DETERMINING COMPENSATION at 4-6, 9-11 (Nov. 30, 1995) (eDocket No. 162864-A).
[31] Ex. Xcel-204 at 18 (Peterson Direct); Ex. Slayton-106 at 7-8 (Berg Rebuttal).
[32] Ex. Slayton-106 at 7-8 (Berg Rebuttal).
[33] *In the Matter of the Appl. of the City of Redwood Falls to Extend its Assigned Serv. Area into the Area Presently Served by Redwood Electric Coop.*, Docket No. E-135,298/SA-05-1274, ORDER DETERMINING COMPENSATION at 4 (eDocket No. 4453763).

concluded that the utility should account for the costs that will be "actually shed" due to the loss of customers at issue and required consistent application of avoided costs in compensation calculations.[34] The City takes a broad viewpoint of avoided-cost assumptions which may understate the utility's loss whereas Xcel's narrower avoid-cost assumptions possibly overstate the utility's inability to adjust its cost structure over a decade.[35]

16. The Department argues avoided cost calculations should include fuel and purchased power costs that vary directly with Slayton's load, clearly variable O&M expenses that can be shown to decrease when Slayton leaves, and any demonstratable reductions in customer service or billing costs attributable to loss of Slayton accounts.[36] Fixed costs including production plants and shared administrative overhead are not immediately avoidable and should not be treated as such unless the record evidence clearly shows that these costs will actually decline as a result of Slayton's departure over the ten-year period. The Department did not make recommendations as to findings of avoided costs, only on how the avoided costs analysis should be done.

17. The Administrative Law Judge finds the Department's loss of revenue recommendations reasonable. Regarding the loss of revenue component of the just compensation calculation, the ALJ recommends that the Commission apply a ten-year time horizon consistent with prior Commission practice, consider reasonably foreseeable future customer growth, seek clarity on avoided and actual cost categories, and require evidence based avoided cost framework.

B. Expenses Relating From Integration of Facilities

18. The third factor that the Commission must consider is any incremental expense that Xcel will incur from integrating facilities.[37] Xcel has identified specific incremental costs it expects to incur due to the property transfer including costs related to community solar gardens ("CSG") and other distributed energy resources ("DER").[38] Xcel is not entitled to recover these expenses unless it can show that these costs are directly attributable to the transfer, reasonably estimated, and not already accounted for in a different component of the just compensation framework.[39]

19. There are two types of community solar gardens authorized by state law.[40] There are at least three parties to a given CSG: the operator, the utility (in this case, Xcel), and subscribers.[41] The electricity generated by the CSG is metered where it connects with the utility system and CSG subscribers are credited for that solar energy, proportionate to the size of their

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[34] *In the Matter of the Appl. of the City of Redwood Falls to Extend its Assigned Serv. Area into the Area Presently Served by Redwood Electric Coop.*, Docket No. E-135,298/SA-05-1274, ORDER DETERMINING COMPENSATION at 11-13 (eDocket No. 4453763); Ex. DOC-301 at 9 (Ngo Rebuttal).
[35] Ex. DOC-301 at 10 (Ngo Rebuttal).
[36] Ex. DOC-301 at 10 (Ngo Rebuttal).
[37] Minn. Stat. § 216B.45.
[38] Ex. DOC-301 at 6 (Ngo Rebuttal).
[39] Ex. DOC-301 at 12 (Ngo Rebuttal).
[40] Minn. Stat. § 216B.1641.
[41] Ex. DOC-302 at 3 (Teigland Surrebuttal).

subscription.[42] CSG subscribers that would be transferred from Xcel to Slayton's municipal utility would lose access to CSG subscriptions in both programs.[43]

17. Xcel claims it is entitled to integration expenses related to CSG program eligibility, current CSG subscribers, and DER related to the interconnection queue because of potential impact on CSG projects and DER interconnection due to the City's potential exit from Xcel's system.[44] Specifically, Xcel states it may need to conduct outreach and assist affected Slayton-area customers who are CSG subscribers, track contractual dispute related expenses due to the cancellation or change of CSG contracts, and expense engineering studies that may be conducted for the Slayton West substation after Slayton's exit from Xcel's system.[45]

18. The City characterized Xcel's arguments regarding CSGs and DER "as potential issues with no quantifiable solutions presented."[46] Additionally, the City argues these costs are speculative and premature and thus unreasonable.[47]

20. The Department argued that Xcel should not be allowed to recover integration expenses related to CSGs.[48] The Department reasoned that because Xcel is neither a party to the subscription contracts nor responsible for recruiting subscribers or closing sales of subscriptions, Xcel has no basis to track expenses related to CSG program eligibility or attorney's fees related to CSG cancellation disputes as integration costs.[49] Similarly, since the City is not a party to any interconnection agreements pending at the Slayton West substation, it should not bear the integration costs related to DER projects currently in the interconnection queue at the Slayton West substation.[50]

21. The Administrative Law Judge recommends the Commission deny Xcel's request to track and recover expenses related to CSG program eligibility as integration costs, attorney's fees related to CSG contractual disputes, and integration costs related to DER in the interconnection queue.

C. Other Appropriate Factors

22. The last prong of the just compensation framework directs the Commission to consider other appropriate factors.[51]

23. The Department argues other appropriate factors could include documented wholesale power costs impacts that are not already reflected in avoided-purchased-power costs or

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[42] Ex. DOC-302 at 3 (Teigland Surrebuttal).
[43] Ex. DOC-302 at 4-5 (Teigland Surrebuttal); Minn. Stat. § 216.1641, subds. 1(c), 6(b).
[44] Ex. Xcel-205 at 35-40 (Peterson Direct).
[45] Ex. Xcel-205 at 35-40 (Peterson Direct); Ex. Xcel-207 at 38-39 (Peterson Rebuttal).
[46] Ex. Slayton-106 at 31 (Berg Rebuttal).
[47] Ex. Slayton-106 at 31-32 (Berg Rebuttal).
[48] Ex. DOC-302 at 13 (Teigland Surrebuttal).
[49] Ex. DOC-302 at 5 (Teigland Surrebuttal).
[50] Ex. DOC-302 at 12-13 (Teigland Surrebuttal).
[51] Minn. Stat. § 216B.45.

demonstrable diminished value of upstream facilities substantially dedicated to Slayton not fully reflected in net plant valuation or net revenue loss.[52]

24. Xcel has identified one other factor that it finds appropriate for inclusion in this category: the stranded cost related to the Slayton West substation. The Slayton West substation is located just outside the southwest corner of Slayton.[53] Xcel asserts the Slayton West substation would become a stranded asset if Slayton exited its system.[54] The City contends its loss or revenue calculation encapsulates any loss of actual load attributable to the Slayton West substation.[55]

25. The Department reasons that if the Slayton West substation or a similar asset becomes stranded because it primarily existed to serve Slayton, then it may be appropriate to include some portion of its net book value in just compensation.[56]

26. To determine whether any additional compensation is warranted, the Administrative Law Judge recommends the Commission: (a) require Xcel to analyze how any allegedly stranded asset will be used after the transfer, (b) limit stranded asset recovery amount to what is not already embedded in a separate component of the just compensation calculation.

D. Payment Method

27. The appropriate method of just compensation may depend on the component. A combination approach may be the appropriate method of payment, for example, a lump-sum may be appropriate for the current value of the utility facilities – the first factor of just compensation – and a mill-rate payment may be appropriate for loss of revenue.[57] The Commission has previously stated that a "mill rate is an effective way to tie compensation for future growth to actual growth and protect[s] against egregious differences between compensation and actual losses."[58]

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[52] Ex. DOC-301 at 12 (Ngo Rebuttal).
[53] Ex. Xcel Energy-204 at 15-23 (Peterson Rebuttal).
[54] Ex. Xcel Energy-204 at 15-23 (Peterson Rebuttal).
[55] Ex. Slayton-106 at 33-35 (Berg Rebuttal).
[56] Ex. DOC-301 at 13 (Ngo Rebuttal).
[57] See *In re Application by the City of Rochester for an Adjustment of its Serv. Area Boundaries with People's Coop. Power Ass'n*, Docket No. E-299, 132/SA-93-498, ORDER DETERMINING COMPENSATION AND DENYING MOTION TO DISMISS at 11 (Nov. 30, 1995) (eDocket No 102105-A) (approving an alternative structure consisting of a lump sum for existing customers and an 11.0 mills/kWh rate for future customers over ten years); *See also In re the Application of the City of Redwood Falls to Extend its Assigned Serv. Area into the Area Presently Served by Redwood Elec. Coop.,* Docket No. E-135,298/SA-05-1274, ORDER DETERMINING COMPENSATION at 13–14 (June 27, 2007) (eDocket No 4453763) (setting compensation for most annexed areas at 29.7 mills/kWh "for present and future customers for a period of ten years").
[58] *In re Appl. of the City of Rochester for an Adjustment of its Serv. Area Boundaries with People's Coo. Power Ass'n.*, Docket No. E-132,299/SA-93-498, ORDER DETERMINING COMPENSATION at 8 (Nov. 30, 1995) (eDocket No. 162864-A).

28. Xcel asserts that the City should provide a lump-sum payment for the lost revenues prior to the transfer of property.[59] The City instead argues that a mill-rate is appropriate and Commission precedent.[60] The Department acknowledges that in the Commission's analysis of Minn. Stat. § 216B.44 cases, both lump-sum and mill-rate payments are utilized, sometimes in combination.[61] While a combined approach may be appropriate for the total just compensation, the Department recommends consideration of the mill-rate approach regarding the loss of revenue component of just compensation.[62] The Department suggests deriving the mill rate by dividing the ten-year present value of Xcel's net revenue loss by the ten-year present value of projected kWh sales.[63] The Department reasons this approach aligns with the Commission's orders in Minn. Stat. § 216B.44 cases, ties compensation to actual load, and reduces the risk of over- and under-compensation if actual growth differs from forecasted growth.[64]

29. The Administrative Law Judge recommends the Commission consider the mill rate payment method for the loss of revenue component of just compensation.

RECOMMENDATIONS

Based on the foregoing Findings of Fact it is recommended that the Commission:

1. Determine just compensation for the City's acquisition of Xcel's property using the statutory framework, as guided by the Department's recommendations.

2. Order that the text of the Findings and Conclusions governs the mathematical and computational aspects of the Findings and Conclusions. The computations should be adjusted to conform to the conclusions of the Report.

[59] Ex. Xcel-204 at 23-24, 26 (Peterson Direct).
[60] Ex. Slayton-104 at 15 (Berg Direct).
[61] Ex. DOC-301 at 11 (Ngo Rebuttal).
[62] Ex. DOC-301 at 11 (Ngo Rebuttal).
[63] Ex. DOC-301 at 11 (Ngo Rebuttal).
[64] Ex. DOC-301 at 11 (Ngo Rebuttal).