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September 15, 2020

—Via Electronic Filing—

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: RESPONSE AND PETITION
COVID-19 RELIEF & RECOVERY
DOCKET NOS. E,G999/CI-20-492 & E,G002/M-20-___

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Response to the Minnesota Public Utilities Commission's NOTICE OF COMMENT PERIOD issued August 12, 2020 in the above-referenced docket.

This is a uniquely challenging time for our state and country. Both the State of Minnesota and the federal government have taken extraordinary steps to address the COVID-19 pandemic. We appreciate the Commission's leadership in opening this docket to investigate investments utilities could make that would assist in Minnesota's economic recovery from the COVID-19 pandemic. Xcel Energy has long been a cornerstone of economic growth in the eight states in which we serve our customers. We believe we have a significant role to play in the recovery of the economy, through both immediate relief for customers who are facing hardship as a result of COVID-19 and stimulating economic development, recovery, and job creation over the coming years.

We therefore propose a plan that balances the interests of the Company, our customers, and the public that – in combination – will:

- Create significant job-growth and investment in Minnesota's economy,

- Align a set of cost mitigation measures with the arc of incremental jobs and capital expenditure in the early years of our investment cycle to keep base electric rates nearly flat during this period, and
- Allow the Company to avoid a rate case—and resulting base rate increase for customers—in 2021 and perhaps longer.

We note that we initially proposed a package of Energy Efficiency investments in our June 15, 2020 report in this docket. We confirm we are still moving forward with these, however, they are being addressed in the CIP triennial docket.

Request for Protection of Trade Secret Information
A portion of Attachment A of our filing has been designated as Trade Secret information pursuant to Minn. Stat. § 13.37, subd. 1(b). In particular the information includes confidential pricing and forecast data. The information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at greg.p.chamberlain@xcelenergy.com or Bria Shea at bria.e.shea@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

GREG P. CHAMBERLAIN
REGIONAL VICE PRESIDENT, REGULATORY & GOVERNMENT AFFAIRS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF AN INQUIRY INTO UTILITY INVESTMENTS THAT MAY ASSIST IN MINNESOTA'S ECONOMIC RECOVERY FROM THE COVID-19 PANDEMIC	DOCKET NO. E,G999/CI-20-492 **COMMENTS**
IN THE MATTER OF AN INQUIRY INTO XCEL ENERGY INVESTMENTS THAT MAY ASSIST IN MINNESOTA'S ECONOMIC RECOVERY FROM THE COVID-19 PANDEMIC	DOCKET NO. E,G002/M-20-___ **PETITION**

INTRODUCTION

Xcel Energy, doing business as Northern States Power Company submits this response to the Minnesota Public Utilities Commission's NOTICE OF COMMENT PERIOD issued August 12, 2020 in the above-referenced docket.

This is a uniquely challenging time for our state and country. Both the State of Minnesota and the federal government have taken extraordinary steps to address the COVID-19 pandemic. These necessary actions have had significant impacts on our communities and customers, and will continue to do so well into the future. We appreciate the Commission's leadership in opening this docket to investigate investments utilities could make that would assist in Minnesota's economic recovery from the COVID-19 pandemic.

Xcel Energy has long been a cornerstone of economic growth in the eight states in which we serve our customers. We power and fuel the local and national businesses that provide millions of jobs nationwide. Across the country, Xcel Energy directly employs approximately 12,000 full-time employees and 6,500 contractors. We spend approximately $4-5 billion in annual infrastructure projects across the upper-Midwest and southwestern portions of the United States; and these projects have a multiplier

effect on the local economies in which we operate—indirectly supporting many thousands of additional jobs.

We therefore believe we have a significant role to play in the recovery of the economy, through both immediate relief for customers who are facing hardship as a result of COVID-19 and stimulating economic development, recovery, and job creation over the coming years. Indeed, with the Commission's support and direction, we have already provided immediate relief for all of our customer classes, including the following:

- Reconnecting previously disconnected residential and small business customers and suspending disconnections;
- Doubling our energy efficiency expenditures for our low-income customers;
- Developing solutions including help with payment plans, identifying conservation measures, and temporarily expanding tariff discounts or relieving penalties for medium and large business customers impacted by the pandemic;
- Offering special help for impacted businesses following the widespread acts of property damage in the Twin Cities – including special recovery rebates up to double the usual amount to replace damaged or destroyed equipment, as well as provide free energy consulting services;
- Lowering our approved 2020 Fuel Forecast by $25 million in June, July and August to provide immediate rate relief to our Minnesota customers; and
- Committing an estimated $20 million net gain from the sale of our affiliate-owned Mankato Energy Center to support Xcel Energy communities as they face the challenges brought on by the COVID-19 pandemic.

In addition to these measures that are already in place, we have proposed a wide array of projects to assist with Minnesota's economic recovery and facilitate a multi-year pipeline of job creation and needed infrastructure investment to support what is likely to be an extended recovery period. We are committed to supporting Minnesota's economic recovery through significant job growth and capital investment and are ready to execute on our proposal as fast as the regulatory process allows. At the same time, we are mindful of the impacts on our customers as we incur the costs required to move these investments forward and create jobs. We therefore propose a plan that balances the interests of the Company, our customers, and the public that – in combination – will:

- Create significant job-growth and investment in Minnesota's economy,
- Align a set of cost mitigation measures with the arc of incremental jobs and capital expenditure in the early years of our investment cycle to keep base electric rates nearly flat during this period, and

- Allow the Company to avoid a rate case—and resulting base rate increase for customers—in 2021.

We address each of these components of our plan in turn below.

Jobs & Investments: In these Comments, we (1) discuss how our proposed investments meet the Commission's specified criteria; (2) provide a recommendation for how the Commission should process our first proposed tranche of projects; and (3) propose a schedule the Commission could adopt for future tranches of investments..

The two Tranches of investments we propose in these Comments are investments we would otherwise have made or proposed at some point in the future. In accordance with Staff guidance in the Notice, we separately outline the portfolio of investments that we are ready to begin immediately in 2021 (Tranche I). These include investments in our transmission, distribution, natural gas businesses, and accelerated asset removal in our energy supply business – as well as a set of electric vehicle (EV) infrastructure and investments we outlined in our June Report that will build upon the work we have done in the past few years to support EV adoption in Minnesota.

Our Tranche II investments will require further regulatory process and a certain level of flexibility, if we are to advance them in a timely fashion. These investments include our proposals for a non-wires alternative project in the City of Minneapolis, solar generation at our Sherco location, a rooftop solar proposal, and our solicitation of wind repowering opportunities.

Taken together, these $3 billion of investments would directly bring 3,000 jobs to Minnesota over the next five years, beginning in 2021. They will reduce CO_2 by nearly 500,000 tons annually, which equates to approximately 98,000 typical gasoline cars taken off the road or 50,000 homes' energy use for a year. And this level of investment will spur indirect economic benefits, including the creation of approximately 8,200 more jobs. This is in addition to the renewable, transmission, and advanced grid projects currently, or soon to be, underway that will themselves create approximately 2,000 jobs over the same timeframe.

Rate Mitigation Measures: While we are eager to play a role in the state's economic recovery, we are also acutely aware that the pandemic has had significant economic impacts on our customers. To that end, we are also proposing rate mitigation measures that aim to hold customer bills nearly flat for at least the first 2-3 years of these investments. These include an accelerated return of unprotected excess Accumulated Deferred Income Tax (ADIT) to customers and a focused residential

relief measure that would provide an upfront and monthly credit to customers who are significantly in arrears in exchange for them maintaining a payment plan. With respect to excess ADIT, specifically, we propose to accelerate the return of these dollars to customers through the existing capital true up in order to offset the 2021, 2022, and potentially all or part of the 2023 financial impacts of investments made pursuant to our relief and recovery plan.[1] By doing so, we believe we can fund these accelerated investments while insulating our customers from immediate rate impacts of those investments, and also ensure the Company's financial integrity as we embark on these significant investment efforts.

Avoiding a Base Rate Increase in 2021: Similar to last year, our current financial analysis shows that we expect a significant revenue deficiency in 2021, but also that avoiding a rate case with similar stay-out provisions would result in significantly lower rates than the interim rates that would likely result from a rate case filing. The plan we propose is therefore similar to the proposal the Commission approved for 2020[2] and would require implementation of certain true-ups for the calendar year. Specifically, we propose:

- An annual Sales True-Up that would operate similarly to the sales true-up established in the 2015 Multi-year Rate Plan (MYRP) and currently approved for 2020 in the Approval of True-ups Docket;[3]
- An annual Capital True-Up that would operate consistently with the current capital true-up established in our 2015 MYRP, and that would serve as the mechanism through which we would address the costs of our Tranche I investment portfolios;
- An annual Property Tax True-Up that would operate consistently with the current property tax true-up established in our 2015 MYRP;
- To postpone any increase to the Nuclear Decommissioning Trust (NDT) accrual until 2022. Although we do not currently anticipate a significant change to the calculated NDT accrual for 2022 compared to the $27.4 million dollar accrual set for 2021, we are requesting Commission approval to delay any increase above $14 million (the amount currently recovered in base rates) until January 1, 2022, or – alternatively – approval of an actual deferral so the

[1] The amount of unprotected excess ADIT available will depend on a number of factors including the final size of some of the projects (like our Wind Repowering efforts) and corporate tax rate assumptions. The Commission will have the opportunity to review on an annual basis through the capital true-up process. Should corporate tax policy change to reduce or eliminate the availability of excess ADIT, the Company will propose alternative means to mitigate impacts or address cost recovery.
[2] Docket No. E002/M-19-688
[3] March 13, 2020 Order in Docket NO. E-002/M-19-688

Company can fund the increased accrual in 2021 and recover that expense in a future rate case.

We recognize that the Commission will not have all the details associated with the mitigation and rate case stay-out aspects of our recovery proposal in order to make a decision in this economic recovery proceeding as early as November. To that end, we plan to file a general electric rate case on November 2, 2020 and our NDT accrual on December 1, 2020.[4] The work we are doing on our Tranche I investment portfolios can remain on track with a Commission decision on this overall recovery proposal by mid- to late-December. This timing will allow for the Commission and parties to consider this recovery proposal in relation to the Company's filed rate case (similar to last year) and our December 1, 2020 NDT accrual filing without disrupting our progress in moving forward with the projects proposed in these Comments.[5]

For all of these reasons, we respectfully request that the Commission:

- Direct the Company to launch its Tranche I investment portfolio presented in this filing;
- Approve the Company's Rate Case Stay Out Proposal, following our filing of supplemental information related to the rate case and the NDT;
- Authorize the Company to utilize excess ADIT to offset the costs of the Tranche I investments through the proposed Capital True-Up; and
- Approve the Company's focused residential relief measure – Payment Plan Credit program.

We provide additional details regarding each component of our proposal in the remainder of these Comments and provide these supporting attachments:

Attachment A – *(Trade Secret)* Estimated Revenue Requirements, Capital Expenditures, and Jobs by year for all proposed projects
Attachment B – Capital True Up Illustration
Attachment C – Electric Vehicle Programs and Investments Portfolio Proposal
Attachment D – Payment Plan Credit Program

[4] We are also planning to file a gas rate case in late October or early November of this year.
[5] Similar to the last rate case and stay out proposal, if the Commission approves our stay out, we would withdraw our electric rate case.

COMMENTS

I. TRANCHE I: PROJECT PORTFOLIOS PREPARED TO START IMMEDIATELY IN 2021

In this section, we summarize details from our initial filing about projects that prioritize job growth and that we are prepared to initiate in 2021, per Staff guidance in the Notice. All of these project portfolios will result in a steady stream of work and jobs beginning in 2021 through 2025.

We believe cost recovery for the Tranche I investment portfolios outlined in this Section can largely occur through the capital true-up process we propose as part of a set of rate mitigation measures. Alternatively, cost recovery for some of the portfolios could occur through expansions of existing Rider mechanisms within their statutory parameters. We believe using the capital true-up is the most appropriate method, as the Commission and our customers will see and experience the investments, cost recovery, and rate mitigation as a whole rather than over different timeframes and mechanisms, as would be the case with using a mix of Riders.

A. Transmission, Distribution, Gas, and Energy Supply Project Portfolios

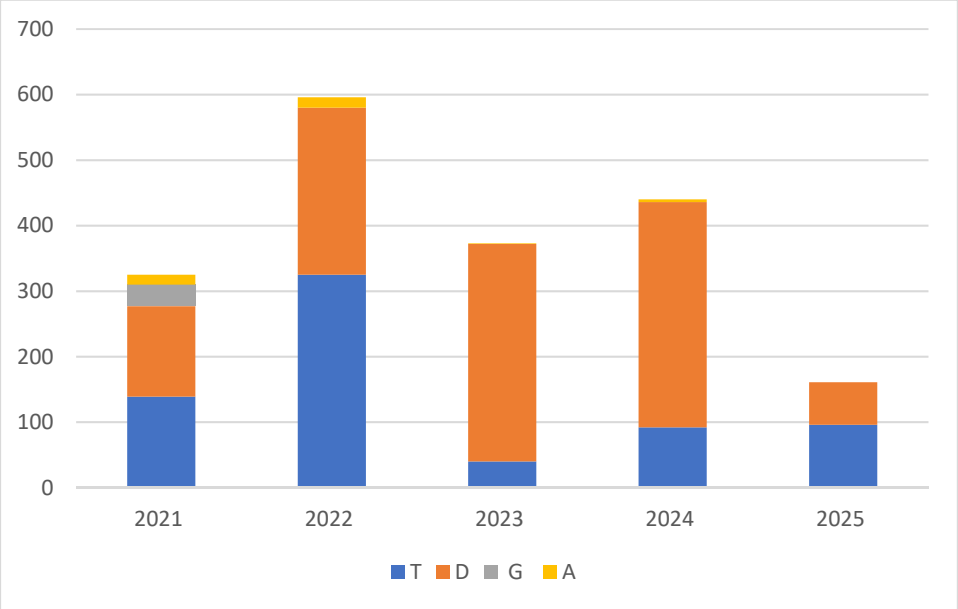
We note that we filed detailed project descriptions and explained how our proposed projects each meet the conditions listed in the Commission's May 20, 2020 Notice in our June 17, 2020 filing in Docket No. E,G999/CI-20-492 and have not replicated that information again in this filing. However, we do summarize that information here. We also explain how we calculated our estimated job additions and carbon reductions, and summarize the revenue requirements associated with each portfolio – providing a more detailed view of the revenue requirements and other financial details associated with all of our proposed projects for both Tranche I and II as Attachment A.

Table 1: Tranche I – Transmission, Distribution, Gas, and Energy Supply Project Portfolios

Investment Category	Proposed Investments	Total Investment (millions)	Total Jobs	System Benefits	Consistent with MPUC Direction	Reduces Emission	Increases conservation and clean energy access	Creates Jobs	Uses women, veteran, and minority owned business
Resiliency	Transmission Investments	$333.5	692	X	X	X	X	X	X
	Distribution Investments	$461.8	1,134	X	X	X	X	X	X
	Gas Investments	$4.7	33	X	X			X	X
Clean Energy	Energy Supply – Accelerated Asset Removal	$14.7	36		X			X	X

In total, this the steady pipeline of work associated with this overall portfolio will directly inject $815 million into Minnesota's economy and create almost 1,900 jobs between 2021 and 2025.

Figure 1: Estimated Tranche 1 Jobs by Portfolio – 2021 to 2025



1. Transmission Investments

As discussed in Attachment A and A1 of our June 15, 2020 filing, we propose a portfolio of Asset Renewal, Reliability Requirements, and Physical Security and Resiliency transmission projects with accelerated construction start dates in order to both benefit the overall transmission system and create job opportunities in Minnesota. In summary, we are prepared to accelerate a set of transmission projects beginning in 2021 that would steadily inject capital investment into Minnesota's economy and create nearly 700 jobs over the next several years. We estimate the revenue requirements versus our five-year budget associated with this portfolio at approximately $36.6 million through 2025 as follows:

Table 2: Transmission Portfolio – Estimated Impacts MN Jurisdiction

Year	Proposed Capital Expenditures	Job Additions	Estimated Revenue Requirement - Net
2021	$66,893,329	139	$1,458,629
2022	156,793,745	325	8,589,430
2023	19,382,380	40	12,077,832
2024	44,125,207	92	7,921,754
2025	46,333,493	96	6,546,595
Total	**333,528,154**	**692**	**36,594,240**

We estimated the 692 jobs associated with this portfolio by utilizing our historical percentages for labor as a part of total transmission capital project costs, which we estimate will make up 54.5 percent of expenditures. We then applied an actual historical hourly labor rate ($79.54) to calculate expected labor hours, which we then converted into an annual full-time equivalent (FTE.) This represents an increase from the 432 jobs we estimated in our initial filing. The change results from our use of actual historical loaded labor costs and actual historical percentage of labor in relation to total project costs, rather than the assumptions we used in our initial filing.

In terms of cost recovery, we propose to address the costs of this Tranche I portfolio through the capital true-up we outline in Section III(A) below, and detail in Attachment B. This approach will align the timing of the expenditures, the recovery from customers, and the rate mitigation measures – also affording transparency for the Commission and parties to examine the costs as part of our proposed annual true-up filing. Alternatively, cost recovery for this portfolio could occur through expansion of the Transmission Cost Recovery (TCR) Rider within its statutory parameters, beginning with our 2021 TCR request. However, we believe using the

capital true-up is the most appropriate method, as the Commission and our stakeholders can evaluate the investments alongside our proposed rate mitigation measures rather than over different timeframes and mechanisms, as would be the case with using a mix of Riders.

We discussed in detail how these transmission projects meet the conditions listed in the Commission's May 20, 2020 Notice in our June 17 filing and summarize that discussion below:

- ***Provide significant utility system benefits.***

The Asset Renewal projects are necessary to manage the health and performance of transmission assets. The Reliability Requirement projects will be constructed to ensure that the transmission system is complaint with all NERC reliability standards. Finally, the Physical Security and Resiliency projects will address physical threats to utility infrastructure, such as transmission lines and substation equipment, as well as NERC standards related to physical security and grid resiliency.

- ***Consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders.***

Projects in this portfolio that are subject to the Midcontinent Independent Transmission System Operator (MISO) Transmission Expansion Plan (MTEP) process are consistent with information provided in the Biennial Transmission Report submitted jointly by the Minnesota Transmission Owners (MTO). The most recent Biennial Transmission Report was recently approved by the Commission in Docket No. E999/M-19-205. Many Asset Renewal projects are not subject to the MTEP process, but they are a normal part of a transmission owner's responsibility for maintenance of a safe and reliable system.

- ***Reduce carbon or other pollutant emissions in the power sector or across economic sectors.***

These transmission projects do not directly reduce carbon emissions, but the transmission grid enables renewable solar and wind energy to move from its generation location to a substation for customer use.

- ***Increase access to conservation and clean energy resources for Minnesotans.***

The transmission grid provides access to clean energy resources by transferring wind and solar energy from generation location to customer load centers.

- ***Create jobs or otherwise assist in economic recovery for Minnesotans.***

In total, we estimate that this portfolio of projects will create 692 jobs.

- ***Use woman, veteran, or minority owned businesses as much as possible and provide documentation of these efforts.***

To the extent these proposed investments have any bidding involved, we will include additional points toward bidders who include the use of woman, veteran, or minority owned businesses.

2. Distribution Investments

As detailed in Attachment A and A2 of our June 15, 2020 filing, we propose a portfolio of distribution projects primarily to increase system resilience and public and worker safety. The distribution portfolio of projects is ready to begin in 2021 and will create nearly 1,150 jobs over the next several years as we steadily invest capital into the economy.

Table 3: Distribution Portfolio – Estimated Impacts
MN Jurisdiction

Year	Proposed Capital Expenditures	Job Additions	Estimated Revenue Requirement
2021	$56,000,000	138	$2,799,267
2022	104,000,000	255	11,159,113
2023	135,000,000	332	24,090,342
2024	140,000,000	344	39,125,943
2025	26,750,000	65	55,125,210
Total	**461,750,000**	**1,134**	**132,299,875**

We estimated the jobs associated with this portfolio by applying a similar logic as we used with our transmission investments. The primary difference is we utilized historical averages of spend per labor hour to estimate the amount of time needed for overhead and underground work which average approximately $250 and $500 per hour, respectively. We utilized the same logic but with higher hourly rates for design-type work. Finally, for substation work we utilized an identical approach to

transmission with slightly different assumed labor percentages and hourly rates.

Unlike the transmission projects, based on the timing and opportunity presented by the Commission's May 2020 Notice, the investments associated with the distribution portfolio are included in the current distribution 5-year budget and will be part of the base plan in our upcoming multi-year rate plan filing.[6] However, this can be addressed either in the rate case or through the proposed Stay Out at the appropriate time, depending on whether the Commission approves the Stay Out or we proceed with the rate case.

Like the transmission portfolio, we propose to recover the costs of the distribution portfolio of projects through the Capital True-Up.

We discussed in detail how these distribution projects meet the conditions listed in the Commission's May 20, 2020 Notice in our June 17 filing and summarize that discussion below:

- ***Provide significant utility system benefits.***

The proposed distribution projects will increase system resilience by:

- Replacing aging infrastructure and equipment with known premature failure rates –significantly extending assets' lives, resulting in reduced failures and thus improved public and worker safety and an improved customer experience, and
- • Accelerating high-consequence capacity needs and contingency concerns – proactively increasing capacity in targeted areas with legacy infrastructure, including areas expected to experience higher rates of outages and voltage concerns as electric vehicle adoption and other beneficial electrification increases.

- ***Consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders.***

[6] The capital expenditures behind the revenue requirements match those in our original filing. The presented distribution revenue requirement estimate was built with routine project grouping information, unlike our other investment portfolios which utilize discrete projects. Therefore, we converted the monthly capital spend pattern for each of the distribution line items described in the Company's initial R&R filing into a revenue requirement estimate by applying the specified closing pattern to the associated CWIP balance. While the amounts are in the 5-year budgets, and thus the Company's pending rate case filing, the revenue requirements shown here are a proxy for the proposed distribution projects if they are separated from our 5-year budget.

The sub-projects and programs that are part of this overall project are consistent with the guiding principles and planning practices outlined in the Company's Integrated Distribution Plan.

- ***Reduce carbon or other pollutant emissions in the power sector or across economic sectors.***

The components of this proposal that will upgrade legacy equipment to more readily allow for adequate support of electric vehicles and other beneficial electrification will help to reduce carbon and other pollutant emissions by supporting switching away from fossil fuel sources.

- ***Increase access to conservation and clean energy resources for Minnesotans.***

The components of this proposal that will upgrade legacy equipment to more readily allow for adequate support of electric vehicles and other beneficial electrification will remove a potential barrier to switching away from fossil fuel sources.

- ***Create jobs or otherwise assist in economic recovery for Minnesotans.***

In total, we estimate that this portfolio of projects will create 1,150 jobs.

- ***Use woman, veteran, or minority owned businesses as much as possible and provide documentation of these efforts.***

To the extent these proposed investments have any bidding involved, we will include additional points toward bidders who include the use of woman, veteran, or minority owned businesses.

3. Natural Gas Investments

As discussed in Attachment A and A3 of our June 15, 2020 filing, we propose four gas infrastructure projects that will provide system benefits by improving system reliability and public safety. We note that we have removed two projects from the natural gas portfolio since the June filing, and are prepared to initiate the remaining two projects in 2021.

Specifically, we removed the Meter Move-Out project after refining the scope and deciding to do the work over time as part of our 5-year budget. We also removed the capacity project, which we intend to also do within our 5-year budget. We still propose to replace approximately 612 copper services and approximately 4,000 copper risers as well as adding 300-400 isolation valves in 2021. The removal of the two projects reduces the number of incremental jobs to 33. We estimate the revenue requirements versus our five-year budget associated with this portfolio at approximately $1.1 million through 2025 as follows:

Table 4: Natural Gas Portfolio – Estimated Impacts
MN Jurisdiction

Year	Proposed Capital Expenditures	Job Additions	Estimated Revenue Requirement - Net
2021	$4,689,000	33	$116,465
2022	-		250,735
2023	-		251,991
2024	-		246,338
2025	-		239,890
Total	**$13,754,000**	**33**	**1,105,419**

We estimated the jobs associated with this portfolio by utilizing our experience performing similar work on isolation valves and copper risers. We then applied the labor actuals from our previous work to then number of locations we propose to remediate.

In terms of cost recovery, we propose to address these costs in a rate case filing, where mitigation similar to what we proposed for electric projects can be applied. Alternatively, cost recovery and offsets through application of excess ADIT for this portfolio could occur through expansion of the Gas Utility Infrastructure Costs (GUIC) Rider, within its statutory parameters, beginning with our 2021 GUIC request.

We discussed in detail how these natural gas investment projects meet the conditions listed in the Commission's May 20, 2020 Notice in our June 17 filing and summarize that discussion below:

- ***Provide significant utility system benefits.***

The proposed portfolio of projects will improve public safety and system reliability. Specifically, replacing copper risers and services improves public safety by completing

needed aged infrastructure replacements. Isolation valves can be used to cut the flow of gas in the event of a pipeline emergency, which ensures public safety and speeds up required repair work.

- ***Consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders.***

The spirit of this work is consistent with our GUIC program authorized by the Commission.

- ***Reduce carbon or other pollutant emissions in the power sector or across economic sectors.***

The proposed projects will increase reliability and reduce the risk of gas leaks. Fewer gas leaks, in turn, reduce harmful environmental impacts and potential damages.

- ***Increase access to conservation and clean energy resources for Minnesotans.***

While the proposed projects do not directly increase access to conservation and clean energy resources, they can prevent the release of gas from our system, which benefits the environment.

- ***Create jobs or otherwise assist in economic recovery for Minnesotans.***

In total, we estimate that these projects will create 33 jobs.

- ***Use woman, veteran, or minority owned businesses as much as possible and provide documentation of these efforts.***

To the extent these proposed investments have any bidding involved, we will include additional points toward bidders who include the use of woman, veteran, or minority owned businesses.

4. Accelerated Asset Removal

As discussed in Attachment A and A5 of our June 15, 2020 filing, we propose a set of projects to accelerate the removal of structures, boilers, and other equipment at the site of several retired electric generating units. The projects in this overall portfolio

that we are prepared to initiate in 2021 would invest approximately $14.7 million into Minnesota's economy and will create an estimated 36 jobs. We estimate the revenue requirements versus our five-year budget associated with these accelerated asset removal projects at approximately $1.6 million through 2025 as follows:

Table 5: Accelerated Asset Removal Portfolio – Estimated Impacts MN Jurisdiction

Year	Proposed Capital Expenditures	Job Additions	Estimated Revenue Requirement - Net
2021	$8,592,444	15	$9,280
2022	8,465,500	16	1,250,049
2023	50,000	1	540,956
2024	1,500,000	4	485,273
2025		-	(689,012)
Total	**14,707,944**	**36**	**1,596,546**

We estimated the 36 jobs associated with these projects based on our recent experience with demolition/remediation projects, with every $1 million of project value equating to approximately 1.5 full-time equivalent labor jobs over the course of an entire year. This differs from our originally filed estimated of 41 jobs associated with this portfolio of projects. This change is primarily due to refinement of our original range estimate.

Consistent with the other Tranche I investment portfolios, we propose to recover the costs of the accelerated asset removal portfolio of projects through the capital true-up we propose in Section III(A) below, and as detailed in Attachment B.

B. Electric Vehicle Programs and Investments Portfolio

The Company has been making great strides in developing programs that can drive the adoption of electric vehicles (EV) in Minnesota. We have a slate of EV offerings already in the market to serve residential customers, fleet operators, and public charging applications. In Attachment A and A4 of our June filing, we outlined four projects that would build upon our work over the past several years to support EV adoption in Minnesota, as follows:

- Electric vehicle purchase rebates,
- Public fast charging stations,
- Acceleration of Xcel Energy fleet electrification, and
- Expansion of existing EV fleet pilot service.

We believe this portfolio of programs will not only assist in generating economic activity that can assist in boosting Minnesota's economy – indirectly supporting creation of up to 7,800 new jobs[7] – and also helping further adoption of EVs in the state, benefiting EV drivers, ratepayers, and society broadly.

With these Comments, we provide a full proposal for each of these projects and describe how they meet the conditions listed in the Commission's May 20, 2020 Notice in Attachment C. We request the Commission to approve these projects along with our other Tranche I portfolios for implementation beginning in 2021.

1. Electric Vehicle Purchase Rebates

Our first proposal is an initiative to provide rebates to customers for the purchase of light-duty EVs and electric buses, tied to participation in a managed charging program tariff. We believe that a large rebate effort will kickstart the growth of EV adoption in Minnesota. Eligibility for rebates is contingent on enrolling in a time-varying rate or managed charging option. By requiring this, we expect to experience positive load growth from the influx of transportation electrification that will encourage more efficient grid usage and greater utilization of renewable generation.

We propose providing rebates for each purchase of new and used light-duty EVs, with the amounts declining over time. This rebate will be available to residential and commercial customers, nonprofits, and government entities interested in increasing their electrified fleet. Table 6 below shows the proposed level of rebates for new and used light-duty EVs.

Table 6: Light Duty EV Rebate Amounts by Year

	2021	2022	2023	2024	2025
New Light-Duty EVs	$2,500	$2,500	$2,500	$2,000	$1,500
Used Light-Duty EVs	$1,250	$1,250	$1,250	$1,000	$750

We plan on offering rebates for the purchase of transit buses, school buses with vehicle-to-grid (V2G) capabilities, and school buses without V2G capabilities. Transit buses will receive the highest level of support. with the level of rebate varying based on type of bus and year of purchase. The amount of bus rebates will decline over

[7] We estimated the incremental job creation for these projects using an American Public Transportation Association figure denoting one job per $20,000 in investment.

time. Table 7 below shows the proposed level of rebates for the different kinds of electric buses.

Table 7: Electric Bus Rebate Amounts by Year

	2021	2022	2023	2024	2025
Transit Buses	$1,000,000	$1,000,000	$750,000	$500,000	$250,000
School Buses (V2G)	$325,000	$325,000	$325,000	$300,000	$275,000
School Buses (non-V2G)	$275,000	$275,000	$275,000	$250,000	$225,000

In total, we plan to offer up to $150 million in rebates, with $50 million dedicated to light-duty purchases, and $100 million to buses. We are earmarking $65 million in bus funding for Metro Transit, given its status as the largest transit operator in our service territory. We are also setting an aspirational target of $15 million or more of bus rebates, but the ability to hit that target will depend on school district interest. We propose to recover the cost of these rebates through a regulatory asset mechanism, as detailed in Attachment C.

2. Public Fast Charging Stations

This proposal is for the Company to develop, install, own, and operate a network of public charging stations. Through this plan, we will install 21 direct current fast charging stations throughout our service area. We plan to target more remote parts of our service area that are not currently served by the existing fast charging market. These charging stations will serve as a vital resource to encourage increased EV adoption, as access to public charging can lower one of the biggest barriers preventing transportation electrification – range anxiety. In addition, charging stations will include permanent signage that will increase public awareness of transportation electrification options, furthering our goal of education the public about the benefits of EVs. We expect the budget for this effort to be less than $5 million. We propose to recover the costs of these stations through our general rates.

3. Acceleration of Xcel Energy Fleet Electrification

The third project in this EV portfolio is a plan for the Company to accelerate our plans to electrify our own fleet. Through this project, we would purchase 40 vehicles and install the charging infrastructure necessary to serve these vehicles on Company property. We expect that the cost of this program would be greater than $2 million. We propose to recover the costs of these stations through our general rates.

4. Expansion of Existing EV Fleet Pilot Service

Our final proposal in this portfolio is a modification of our existing EV Fleet Pilot Service. The Commission previously approved this pilot to allow the Company to work with transit authorities and other government entities to electrify their fleets through Company installation of charging infrastructure, and optional charging equipment installations.[8] In approving the pilot, the Commission limited the number of private and non-profit organizations that could participate. Although we have been working diligently with a number of potential partners, we have only been able to sign a contract with one program participant – Metro Transit. We believe that a modification of the pilot to open participation to more private entities, including car dealerships, will allow the Company to meet the full potential of this pilot. We are not requesting additional spend for the program – rather, we believe modifying the pilot to open participation more broadly is essential if we are to realize the full amount of the planned $14 million budget for the pilot.

5. Proposed Cost Recovery and Procedural Proposal

As noted previously, Attachment C to these comments fully details these EV programs and investments that will build upon the EV work we have been doing over the past several years to support EV adoption in Minnesota. We request the Commission approve them as part of our Tranche I recovery proposal and authorize cost recovery through our proposed Capital True-Up. The O&M costs associated with our EV proposal are minimal and we believe the costs, especially those dedicated to advisory services, education, and outreach, qualify for inclusion in our existing EV Tracker Account. This tracker account was initially established in Docket No. E002/M-15-111 for communication costs related to our residential EV rate under Minn. Stat. § 216B.1614. The Commission subsequently approved the expanded use of the EV tracker account to defer certain costs, including advisory service, education, and outreach costs under our residential EV pilot in Docket No. E002/M-17-817. As such, with the Commission's approval of our proposal in this docket we will begin tracking our O&M costs in the EV Tracker Account we have established and will request recovery of these deferred costs in a future rate case.

C. Proposed Process for Review of Tranche I Projects

In order to facilitate the implementation of the Company's proposed Tranche I projects in 2021, we believe a relatively streamlined process to review these investments is appropriate. Therefore, we propose all of the Tranche I projects and

[8] *See* ORDER APPROVING PILOTS WITH MODIFICATIONS, AUTHORIZING DEFERRED ACCOUNTING, AND SETTING REPORTING REQUIREMENTS (July 17, 2019), Docket No. E002/M-18-643

the related rate mitigation discussed in this filing be reviewed through a standard notice and comment process in this docket, with a goal of obtaining Commission approval of the projects no later than December 2020. Although we acknowledge this is a tight timeline, we believe it is critical to obtain approval at an early enough time to allow projects to begin in 2021. This schedule also will allow the Commission to consider our proposal to avoid a base rate increase prior to interim rates otherwise going into effect on January 1, 2021. We believe we have provided sufficient information in connection with both this filing and our initial filing in this docket to allow parties to review and comment on these proposals consistent with this proposed schedule.

For the Tranche II projects we discuss below, we also believe a standard notice and comment process will be appropriate in most cases. We will, however, propose specific review processes when we file those specific projects for approval.

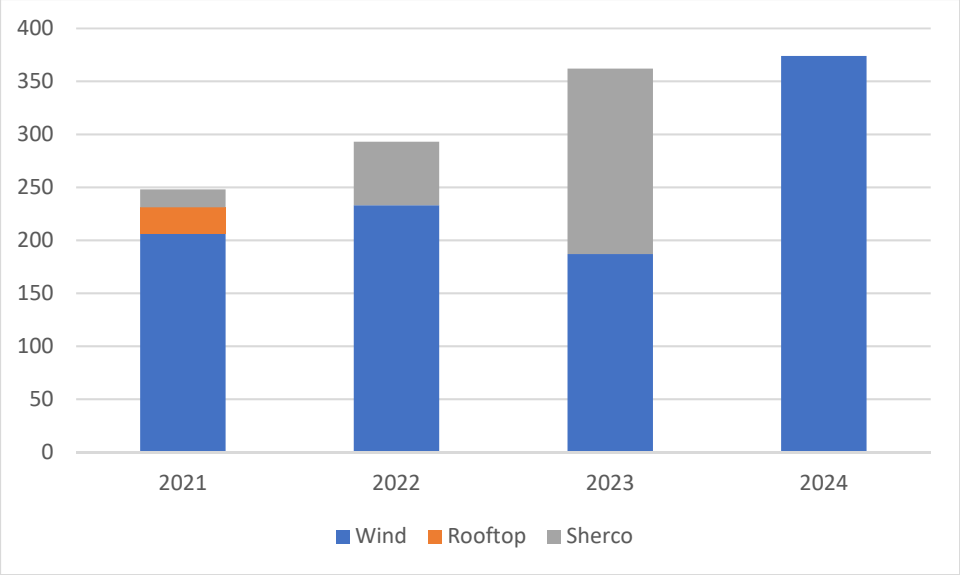
II. TRANCHE II: PROJECT PORTFOLIOS PENDING FURTHER REGULATORY PROCESS

In this section, we discuss our second tranche of projects – all of which were part of our initial proposal, but that require some form of regulatory process to initiate. We believe a standard review and comments process will be sufficient and appropriate, and note that we intend to request an expedited approval process for our proposed wind repowering portfolio and perhaps our Sherco solar. We summarize these projects in Table 8 below and individually discuss in this section.

Table 8: Tranche II – Projects Pending Regulatory Process

Investment Category	Proposed Investments	Total Investment	Total Jobs	System Benefits	Consistent with MPUC Direction	Reduces Emission	Increases conservation and clean energy access	Creates Jobs	Uses women, veteran, and minority owned business
Resiliency	City of Minneapolis Non-Wires Alternative Pilot	$6	TBD	X	X	X	X	X	X
Clean Energy	Sherco Solar	$650	890	X	X	X	X	X	X
	Rooftop Solar	$2.1	25	X	X	X	X	X	X
Lowering Bills	Wind Solicitation	TBD	1,000	X	X	X	X	X	X

Figure 2: Estimated Tranche II Jobs by Project– 2021 to 2024



1. Wind Solicitation

As discussed in our initial filing and outlined in our July 28, 2020 filing in Docket No. E002/M-20-620, we issued a solicitation for repowering owned and existing power purchase agreement (PPA) wind resources that are already serving our customers, in order to spur construction employment while reducing the long-term cost of providing clean energy to our customers. Our solicitation included preferences for union labor and for women, veteran and minority owned businesses. As we explained, we believe rebuilding aging wind assets on our system has the potential to decrease customer costs while preserving and even increasing clean energy on our system for years to come, as a result of increased plant efficiency. Repowering these assets will also help our communities recover from the economic impacts of the pandemic, with a focus on supporting union labor and businesses owned by minorities, women, and veterans, and other diverse suppliers.

Job creation across the next several years depends on the magnitude of approved projects, but as an initial estimate, we expected an 800-1,000 MW total project portfolio between our company-proposed projects and proposals from current facilities under PPA, which could create between 800-1,000 temporary construction jobs and approximately $1.0-1.4 billion in direct investment. We note that construction projects also often spur other direct and indirect employment and other benefits in the proximate communities and for the state. Further, we anticipate

repowering projects would extend existing long-term O&M jobs at each plant for years into the future.

We expect that identifying and pursuing repowering opportunities on our system will result in significant benefits to customers. Some of our existing wind assets (either owned or PPA) are aging, and wind technologies and costs have improved significantly since they were first approved and built. As a result, repowering older projects could be economically beneficial compared to continued operation of existing aging assets. For example, we expect our Mower County Wind repowering and acquisition proposal in Docket No. E002/PA-19-553 that the Commission recently approved will result in a nearly $11/MWh decline in the levelized cost of the project, as compared to continuing the current PPA and replacing with generic wind thereafter.

We issued a Request for Proposals (RFP) on July 27, 2020 with proposals due August 21, 2020. We did not set a specific capacity target for this solicitation. Instead, we are open to considering any existing wind project for which repowering can reduce cost to customers and be placed into service by 2024.[9] Below is the estimated schedule we included as part of the public solicitation notice.[10]

Table 9: Estimated Wind Repowering RFP Schedule

Process Step	Target Date
Solicitation issued	July 27, 2020
Deadline for submitting questions from bidders	August 5, 2020
NSP will post responses to bidder questions	August 12, 2020
Proposal due date (5:00 p.m. CT)	August 21, 2020
NSP bid evaluation and selection completed	September 18, 2020
Regulatory filing with MPUC for all proposed projects	September 25, 2020
PPA/BOT contract negotiations completed	October 16, 2020
Follow-up regulatory filing with MPUC finalized	October 19, 2020
Anticipated regulatory approval	Q4 2020

We are currently in the process of shortlisting bids received in response to the RFP, and plan to submit our proposed projects to the Commission for approval in late September. We are proposing a significantly accelerated schedule, and we are hoping to obtain a Commission decision before the end of 2020, so our customers can realize

[9] Eligible projects must be in Minnesota, North Dakota, South Dakota or Wisconsin, and have an existing point of interconnection with the Midcontinent Independent System Operator.

[10] *See* Wind Repowering Solicitation Notice at: https://www.xcelenergy.com/working_with_us/renewable_developer_resource_center/wind_repowering_solicitation

the benefits from this initiative as soon as practicable.

2. Solar at Sherco

In our June Report, we proposed to develop solar photovoltaic (PV) capacity and an integrated battery energy storage unit at our Sherco site in Becker, Minnesota. This project will provide significant system benefits by using existing interconnection and transmission rights, reduce carbon emissions, and add approximately 940,000 MWh/year of clean energy generation to our system.[11] In addition to the 460 MW of solar generation, the 10MW/40MWh integrated battery energy storage unit will allow renewable energy to be shifted on to the grid during peak energy demand periods. We are continuing to consider using a portion of the output from solar capacity developed at the Sherco site to provide a clean energy option for schools.

The initial time period we outlined for this project was 2022 to 2025, but we noted that more precise and potentially accelerated timing depended on various permitting, regulatory and supply chain factors. We now propose to accelerate our plans to interconnect the solar PV at the Sherco substation to coincide with when Sherco Unit 2 retires, which is scheduled for December 31, 2023. Portions of the work required to complete the proposed project – such as land acquisition and transformer procurement – are already underway. Other tasks, including permit applications, could be started as early as late 2020 following field study work and conceptual design. We note the capacity proposed will not come online prior to the end of 2023, due to the time required for engineering design, site and route permitting, solar array equipment procurement and construction and commissioning.

The preliminary cost estimates we noted in the June Report have not changed and remain approximately $650 million for the solar PV and $19 million for the storage component. With our updated and more compressed timeframe that has the work occurring over from 2022 to 2023, we estimate it will create a higher number of total jobs – an estimated 300-350 positions – which in a full-time-equivalent (FTE) view would be 890 FTEs spread over two years.[12]

We are working through the project details and timing of our regulatory filing and will provide additional timing details in the October Comments in this docket.

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[11] 460MW * 23.4 percent net capacity factor * 8,760 hours per year = 942,926 MWh per year.

[12] Our high-level project estimates for single axis tracker PV solar estimate project labor as approximately 20 percent of the total project costs, or $130 million. The initially-proposed project schedule had field construction over 2023-2025. Now the work is being forecasted over 2022-23, which would mean more unique positions – more likely 300-350 positions. The full-time equivalent labor jobs for an entire year would be $130 million/$146,000 = 890, spread over two years (445 FTEs/year).

3. Rooftop Solar

We propose a residential rooftop solar pilot program opportunity specifically for low-income customers, where the Company will own the solar installations, retain the resulting Solar Renewable Energy Credits (RECs) associated with the generation, and provide participants a monthly incentive for use of their roof space. We will work with several local solar installers to construct approximately 94 front-of-meter solar installations on low-income residences in our Minnesota service territory. This pilot would add approximately 0.5 MW of local, small solar resources to the NSP System.

Program participants would receive a $30-per-month bill credit as compensation for use of their roof to install solar, contributing to lower household energy bills. We estimate participants can see an average bill reduction of 30 percent for 20 years by enrolling in this program. This reduction would be an incremental opportunity for low income customers in addition to existing options for bill reductions already available.

Besides lowering bills for participants, the pilot would assist in Minnesota's economic recovery by engaging around 20-30 individuals to install the rooftop systems on a part-time or as-needed basis. The estimated cost for the pilot is $3 million, which includes $2 million in capital costs for rooftop systems and $34,000 in annual participant credits. We anticipate that it would take about seven months to design the pilot, solicit installers, and file for program approval with the Commission. We believe this pilot can be an important part of a solution to address the Commission's concerns about accessibility of the community solar garden program and other solar generation resources to low-income customers.

As proposed, the Company would spend $34,000 on rent payments and approximately $230,000 per year to build the systems in exchange for which the Company would gain 820 MWh of production to produce $18,000 of fuel savings. We believe these are appropriate costs should the Commission want the Company to provide rooftop solar opportunities to customers who otherwise could not afford it. Finally, as we noted in our initial filing, we are open to working with Energy CENTS Coalition (ECC, our partner on various low-income programs) to identify alternatives to this proposal that could provide even greater benefits; we have had and will continue to have those discussions with ECC.

See Attachment A of our June 15,2020 filing in this Docket for a more detailed description of the proposed pilot, including discussion on how it meets the various components of the Commission's May 20, 2020 Notice.

As the rooftop projects would be system resources, the Company would retain all RECs associated with the production from the program, which would count toward the small solar carve-out within the Minnesota Solar Energy Standard. As such, we believe the rent payments and the cost of the system could be recovered from all customers through the Renewable Energy Standard (RES) Rider.

We are still working through the proposed schedule for our Rooftop Solar Pilot and currently expect a filing in early 2021. We will provide additional timing details in the October Comments in this docket.

4. City of Minneapolis Non-Wires Alternative Pilot

As outlined in our initial filing, we have been working with the City of Minneapolis to fulfill their desire for a non-wires alternative (NWA) project located within the city. We initially proposed a preliminary project along the planned METRO Blue Line Extension (Bottineau) light rail transit. With Hennepin County and the Metropolitan Council now exploring opportunities to advance the Bottineau Light Rail Transit project without using BNSF Railway right of way, we believe a NWA pilot or demonstration project elsewhere in Minneapolis may be more timely. As such, we are continuing our dialogue with the City and exploring potential other project locations. We will provide additional timing details in the October Comments in this docket.

As was the case with the Bottineau pilot, we will consider the current capacity situation, the customer class makeup, and the location of the feeders for the NWA technologies to potentially be utilized. These may include rooftop solar, EV charging, battery storage, demand response, and energy efficiency. We expect any pilot or demonstration project we propose would be flexible, scalable, and adaptable, and would combine load reduction technologies like energy efficiency and renewable energy sources.

Additional conversations are continuing to further pilot details and scope, however, we continue to expect our initial projection of an investment in the $4 to $8 million range would allow for a mix of technologies and opportunity for learning, even at a different location.

III. RATE MITIGATION STRATEGIES

As discussed in our initial filing, in order to implement the investments we propose without significant increases in customers' bills over the same time period, we are

proposing an off-setting medium-term rate relief strategy that will hold customer bills relatively flat.

As we discuss below, we believe a combination of mitigation measures that include true-ups, a delay or deferral of any NDT increase, and accelerated return of excess ADIT to customers will benefit our customers overall and ensure at the same time that we maintain the Company's financial integrity. We also believe, given the pandemic and other current circumstances, that some customers may require additional relief. As such, we have developed a focused relief measure for residential customers with significant arrears and who commit and maintain a payment plan.

A. Customer Mitigation Measures

While we are eager to assist with Minnesota's economic recovery and facilitate a multi-year pipeline of job creation, we are mindful of the impacts on our customers as we incur the costs required to move these investments forward and create jobs. With that in mind, we have developed some specific proposals to mitigate the rate impact of these investments. These proposals relate the accelerated return of excess ADIT to customers and a proposal targeted at helping residential customers most in need of economic assistance during these trying times.

1. Accelerated Return of Excess ADIT

With respect to excess ADIT, we are proposing an accelerated return through the Capital True Up of unprotected excess ADIT to customers to offset the 2021, 2022, and potentially all or part of the 2023 financial impacts of investments made pursuant to our relief and recovery plan.[13]

As background, the Company records ADIT due to differences between the amount of federal income taxes collected in rates in a given year and the amount that will be paid by the Company in federal income tax for the same year. This difference in timing is driven by long-standing regulatory principles, partnered with Internal Revenue Service rules, including those known as normalization rules. Because the Company typically must collect more in income tax expense from customers than it ultimately pays in income tax to the IRS in a given year, the Company records an amount as ADIT. This difference in timing is not permanent; this ADIT balance will

[13] The amount of ADIT available will depend on a number of factors including the final size of some of the projects (like our Wind Repowering efforts) and corporate tax rate assumptions. The Commission will have the opportunity to review on an annual basis through the capital true-up process.

be paid to the IRS in the future.

As a result of the Tax Cuts and Jobs Act (TCJA), the federal tax rate was lowered, and the payment of ADIT to the IRS will now be at a lower rate. This difference in tax rates is recorded as "excess" ADIT and is included as a reduction to rate base until it can be returned to customers. The Company (like other utilities across the country) found itself with *excess* ADIT that needed to be returned to customers over a period of time. Following the TCJA, the Commission approved the Company returning excess plant-related ADIT to customers using the Average Rate Assumption Method (ARAM).

Because there is flexibility with respect to the speed at which we return unprotected excess ADIT, as opposed to protected excess ADIT, we are proposing to accelerate the return of unprotected excess ADIT. Given present circumstances under the pandemic and the ability of these dollars to offset the near-term investments proposed in these Comments, we believe this proposal is reasonable and squarely aligned with the public interest.

Specifically, we would match the flow of unprotected excess ADIT to customers to match the incremental revenue requirements associated with our relief and recovery proposal. We believe the unprotected excess ADIT may be sufficient to offset the 2021, 2022, and potentially all or part of the 2023 financial impacts of the investments we will make pursuant to our relief and recovery plan.

We will ensure that these benefits precisely match the incremental costs and propose to demonstrate that through our annual Capital True-Up compliance filing. We propose to add two columns to the currently approved format of our 2019 Capital True-Up Compliance Report as follows:

- The first column would show the applicable components associated with the approved relief and recovery investments, and
- The second column would show the components associated with the unprotected excess ADIT utilized to offset the revenue requirements associated with the investments.

We illustrate in Attachment B to this filing specifically how we propose to provide this information so the Commission will have the opportunity to review on an annual basis through the Capital True-Up process. See the two new columns between existing columns 6 and 7.

Given present circumstances under the pandemic and the ability of these dollars to

offset the near-term investments proposed in these Comments, we believe this proposal is reasonable and squarely aligned with the public interest.

2. Residential Relief Proposal

We also propose a focused relief measure for the portion of our residential electric customers whose arrears (1) have continued to grow during the pandemic, and (2) are large enough to be most at risk of permanently falling behind in their payments. The program will provide up to $17.5 million in bill credits, which we propose be funded through an increase to the existing Low-Income Surcharge for a period of two years.

The Company voluntarily suspended service disconnections to our residential customers in March 2020 that would have ordinarily resumed on April 15, at the conclusion of the Cold Weather Rule (CWR) period, and also began waiving late fees for all residential customers.[14] As the pandemic continued and with many people were still unable to return to work, the Commission extended the suspension of residential service disconnections for all utilities through the conclusion of the declared peacetime emergency.[15] The Commission ordered that utilities may file a plan to resume disconnections at the conclusion of the peacetime emergency, with disconnections allowed to resume 60 days later. However, the Company is concerned about the long-term effects for customers who are in arrears.

As detailed in Attachment D to this filing, we propose a Payment Plan Credit program to help prevent service disconnections when the Minnesota Cold Weather Rule protections expire on April 15, 2021. The program establishes an economic recovery incentive for certain residential electric customers entering and completing a payment plan, while also helping to keep those customers up-to-date on their current bill.

We have observed that residential customers are making fewer payment arrangements than in a usual year. Therefore, the arrears balances are growing for customers who are in arrears without making payment plans. In a usual year, these customers would be prompted to make payment plans when they receive disconnection notices for non-payment during the spring and summer months. During the pandemic, these notices have not been sent during the disconnection suspension since we will not be disconnecting service. Of those customers making payment arrangements in 2020, a larger percentage of them are asking for longer payment arrangement terms than

[14] *See* the Company's March 26, 2020 letter in Docket No. E,G999/CI-20-375 in which we indicated that late fees would be waived for residential and small business customers. In our June 8, 2020 letter in the same docket, we extended the suspension of late fees to all customer classes, including large businesses.
[15] *See* the Commission's Order in Docket No. E,G999/CI-20-375 (August 13, 2020).

customers seeking such arrangements in 2019. Given the most recent extension of the peacetime emergency and the 60-day period ordered by the Commission, disconnections would not be permitted to resume before the CWR period begins on October 15. If customers have not made a payment plan at this time, some customers may be in arrears for up to 18 months by the time the CWR ends on April 15, 2021. At that time, these customers may have amassed very large arrears balances and be at risk of disconnection.

We have therefore designed the Payment Plan Credit program to provide relief to residential electric customers at risk of permanently falling behind in their payments. Eligible customers are those whose arrears have continued to accumulate a delinquent balance during the months of the pandemic and currently have a balance between $1,000 and $4,000. Once enrolled in the program, these at-risk customers are eligible to receive 75 percent of their balance in bill credits issued as a partial up-front credit, and then monthly bill credits for up to twelve months – provided they continue to make payments as committed. We expect this program will benefit approximately 11,600 customers, allowing them to reduce or eliminate their arrears over the course of the program by setting and maintaining a payment arrangement.

We fully detail our proposed Payment Plan Credit program in Attachment D, and request the Commission approve it as part of our overall recovery proposal.

B. Avoiding a Base Rate Increase in 2021

As noted previously, our current analysis shows that avoiding a rate case with similar stay-out provisions would result in significantly lower rates than the interim rates associated with a case. We are therefore proposing the implementation of certain True-Ups (consistent with our 2020 proposal) for the calendar year 2021. These measures would ensure financial stability for the Company while it undertakes a significant capital investment program, while also benefiting customers relative to a likely rate case outcome.[16]

We summarize the plan components below:

- An Annual Sales True-Up that would operate similarly to the sales true-up established in the 2015 MYRP and currently approved for 2020 in the

[16] Additionally, we note that pursuant to Docket No. E/G999/M-20-427, the Company is currently tracking and deferring Covid-19 related costs. To date, bad debt expense is the primary cost driver in this docket. If necessary, the Company will seek recovery of bad debt expense in a future rate proceeding. Thus, this potential cost increase would be considered outside of our stay out proposal.

Approval of True-ups Docket,[17]

- An annual Capital True-Up that would operate consistently with the current capital true-up established in our 2015 MYRP, and that would serve as the mechanism through which we would address the costs of our Tranche I investment portfolios,
- An annual Property Tax True-Up that would operate consistently with the current property tax true-up established in our 2015 MYRP,
- Postponement of any increase to the Nuclear Decommissioning Trust accrual until 2022. Although we do not currently anticipate a significant change to the calculated NDT accrual for 2022 compared to the $27.4 million dollar accrual set for 2021, we are requesting Commission approval to delay any increase above $14 million (the amount currently recovered in base rates) until January 1, 2022, or – alternatively – approval of an actual deferral so the Company can fund the increased accrual in 2021 and recover that expense in a future rate case, and

We outline each of these in more detail below, and note that the mechanics of the True-Ups we propose are consistent with those the Commission approved for 2020.

1. Sales True-Up

We are proposing that the true-up be based on a comparison of forecasted base revenues in 2019 to actual revenues in 2021, using a similar process to that used during the MYRP period 2017-2019 and following these steps:

1. Forecasted base revenues for 2019 will be calculated using 2016 weather-normalized actual sales by class and current base rates (effective June 1, 2019, including reduction for TCJA).
2. Actual revenues for 2021 will be calculated using 2020 actual customer counts and actual sales and current base rates (effective June 1, 2019, including reduction for TCJA).
3. The 2021 revenue comparison will include the same C&I sales growth as assumed in 2018, 2019, and 2020.
4. Any over/under collections from the 2020 sales true-up mechanism will be included with the 2021 results.
5. The true up will include all discounts and incentive rates approved by the

[17] March 13, 2020 Order in Docket NO. E-002/M-19-688

Commission.

6. After 2021 actual sales are available in January 2022, the Company will provide the actual 2021 customer counts, sales, and resulting revenues by class for all classes in a compliance filing consistent with the method used in Docket No. E002/GR-15-826, to be filed February 1, 2022.
7. If the 2021 revenues are greater than the approved plan year level, the difference will be deferred as a regulatory liability and refunded to customers. If the 2021 revenues are lower than the approved plan year level, the difference will be deferred as a regulatory asset and collected from customers. A refund or surcharge factor will be calculated for each class based on the deferral amount and the current sales forecast. These factors will be placed on customer bills effective April 1, 2022 for 12 months.

2. Property Tax True-Up

We propose to extend the existing property tax true up through 2021. The refund/surcharge mechanism will be implemented using the same methodology and filing process as has been used during the MYRP period 2017-2019.[18] As with the annual Property Tax True-Up calculations for 2017-2019, the property tax expense amount established in 2015 by the Department for 2016 will serve as the baseline to determine whether a refund or surcharge is necessary.

3. Capital True-Up

We propose to extend the existing Capital True-Up mechanism through 2021. The refund/surcharge mechanism will be implemented using the same methodology and filing process as has been used during the MYRP period 2017-2019, with one exception.[19] Since our 2020 capital investments will not yet have been subject to review, our total actual capital related revenue requirements for 2021 will be measured against the total annual capital related revenue requirements set forth in the Department's overall revenue recommendation for 2019, as shown in Mr. Lusti's Direct Testimony in the company's 2015 rate case. Unlike the property tax or sales true-ups, the proposed capital true-up would be asymmetrical, meaning the Company will refund to customers if it incurs lower capital related revenue requirements than provided by the benchmark, but will not be allowed to collect increased revenues through the true-up if capital related revenue requirements exceed that benchmark.

[18] *See e.g.*, Docket No. E002/GR-15-826 (July 1, 2019 Property Tax True-Up Report & Combined Refund Plan).
[19] *See e.g.*, Docket No. E002/GR-15-826 (May 1, 2019 Capital True-Up Report).

4. Nuclear Decommissioning Trust Accrual

Finally, we propose to postpone any increase to the Nuclear Decommissioning Trust (NDT) accrual until 2022. We are scheduled to file a new Triennial NDT study December 1, 2020. Although we do not currently anticipate a significant change to the calculated NDT accrual for 2022 compared to the $27.4 million dollar accrual set for 2021, we are requesting Commission approval to delay any increase above $14 million (the amount currently recovered in base rates) until January 1, 2022, or – alternatively – approval of an actual deferral so the Company can fund the increased accrual in 2021 and recover that expense in a future rate case.

We expect the impact of the one-year delay to be relatively modest, and will provide this information as part of our December 1, 2020 filing. Alternatively, if the Commission wishes to implement the higher accrual in January 2021, we request a financial deferral of any incremental NDT accrual expenses above the current level for 2021, so that we can fund the NDT at the Commission-designated accrual level and seek recovery of those costs in a future general rate case. If this is the approach the Commission approves, we would make an amortization proposal as part of a future general rate case filing.

We also acknowledge the Commission could consider our recovery proposal in the context of a multi-year rate case and to the extent a case proceeds (and there is no Capital True-Up to address the costs related to these proposals), we can address the costs in rate case rebuttal testimony. We believe however, authorizing the package of investments and cost recovery and cost mitigation measures we propose will provide the greatest and most timely stimulus benefits to customers and the economy, while avoiding the burden of a base rate increase.

CONCLUSION

Xcel Energy respectfully submits these comments and requests the Commission approve its final recovery proposal. Taken together, this recovery package will create significant jobs and investment in Minnesota's economy, align a set of cost mitigation measures with the arc of incremental jobs and capital expenditure in the early years of our investment cycle, avoid a base rate increase for customers by allowing the Company to avoid a rate case in 2021, and allows the Company to maintain financial integrity while investing nearly $3 billion in Minnesota's economy.

Northern States Power Company

Dated: September 15, 2020

Tranche I

	Year	CapEx	Est. Jobs	Est. Revenue Requirement
Transmission	2021*	66,893,329	139	1,458,629
	2022	156,793,745	325	8,589,430
	2023	19,382,380	40	12,077,832
	2024	44,125,207	92	7,921,754
	2025	46,333,493	96	6,546,595
	Year	**CapEx**	**Est. Jobs**	**Est. Revenue Requirement**
Distribution	2021	56,000,000	138	2,799,267
	2022	104,000,000	255	11,159,113
	2023	135,000,000	332	24,090,342
	2024	140,000,000	344	39,125,943
	2025	26,750,000	65	55,125,210
	Year	**CapEx**	**Est. Jobs**	**Est. Revenue Requirement**
Natural Gas	2021	4,689,000	33	116,465
	2022	-	-	250,735
	2023	-	-	251,991
	2024	-	-	246,338
	2025	-	-	239,890
	Year	**Ex**	**Est. Jobs**	**Est. Revenue Requirement**
Asset Removal	2021	8,592,444	15	9,280
	2022	4,565,500	16	1,250,049
	2023	50,000	1	540,956
	2024	1,500,000	4	485,273
	2025			(689,012)
	Year	**CapEx**	**Est. Jobs**	**Est. Revenue Requirement**
EVRebates	2021	26,017,500	926	1,806,100
	2022	81,482,500	2901	9,449,719
	2023	42,500,000	1513	18,702,636
	2024	-		21,451,819
	2025	-		20,595,844
	Year	**CapEx**	**Est. Jobs**	**Est. Revenue Requirement**
EV Pilots	2021	1,412,840	50	98,110
	2022	2,424,723	86	400,520
	2023	656,149	24	613,475
	2024	-		1,195,323
	2025	-		1,138,591

Tranche II

Wind RFP

Year	CapEx	Est. Jobs	Est. Revenue Requirement^
	[PROTECTED DATA BEGINS		
2021*			
2022			
2023			
2024			
2025			
			PROTECTED DATA ENDS]

Sherco Solar

Year	CapEx	Est. Jobs	Est. Revenue Requirement
2021*	39,895,600	17	-
2022	145,470,000	60	-
2023	423,544,400	175	-
2024	-		29,516,311
2025	-		28,678,798

Rooftop Solar

Year	CapEx	Est. Jobs	Est. Revenue Requirement
2021	2,066,879	25	125,582
2022	-		269,665
2023	-		251,344
2024	-		237,396
2025	-		224,031

Minneapolis NWA Pilot

Year	CapEx	Est. Jobs	Est. Revenue Requirement
2021	-	-	-
2022	3,000,000	-	-
2023	3,000,000	-	330,000
2024	-	-	660,000
2025	-	-	660,000

Consolidated

Year	CapEx	Est. Revenue Requirement
	[PROTECTED DATA BEGINS	
2021		
2022		
2023		
2024		
2025		
		PROTECTED DATA ENDS]

***Includes Q4 2020 Capital Expenditures**
^Net of estimated Production Tax Credits

Northern States Power Company
State Of Minnesota

Northern States Power Company
Electric Utility - State of Minnesota

Actual 2019 Capital-Related Revenue Requirements

(1)	(2)	(3)	(4)	(5)	(6)			(7)	(8)	(9)	(10)	(11)	(12)
		Base						SUBTOTAL	Adjustment			Secondary	
Line No.	NSPM - 11 Bridge by Report Label	DOC Position Subtotal from Illustrative Schedules[1]	Remove Non-Capital[1]	Add back TCR[1]	Add back RES[1]	R&R Investments	Unprotected ADIT	All-In Capital-Only Subtotal[1]	Remove TCR[2]	Remove RES[2]	Remove LED Street Lighting[2]	Secondary Calculations[3]	Total
1	Plant as booked	N/A	N/A	N/A	N/A								
2	Production	N/A	N/A	N/A	N/A			10,424,534		(343,440)			10,081,094
3	Transmission	N/A	N/A	N/A	N/A			3,202,345	(863,201)	(14,242)			2,324,902
4	Distribution	N/A	N/A	N/A	N/A			3,678,135					3,678,135
5	General	N/A	N/A	N/A	N/A			877,253	(1,115)				876,138
6	Common	N/A	N/A	N/A	N/A			622,107					622,107
7	Total Utility Plant in Service	N/A	N/A	N/A	N/A			18,804,374	(864,316)	(357,682)			17,582,376
8		N/A	N/A	N/A	N/A								
9	Reserve for Depreciation	N/A	N/A	N/A	N/A								
10	Production	N/A	N/A	N/A	N/A			5,933,698		(23,093)			5,910,604
11	Transmission	N/A	N/A	N/A	N/A			667,875	(70,641)	(598)			596,635
12	Distribution	N/A	N/A	N/A	N/A			1,374,173					1,374,173
13	General	N/A	N/A	N/A	N/A			400,112	(42)				400,070
14	Common	N/A	N/A	N/A	N/A			243,286					243,286
15	Total Reserve for Depreciation	N/A	N/A	N/A	N/A			8,619,143	(70,684)	(23,692)			8,524,768
16		N/A	N/A	N/A	N/A								
17	Net Utility Plant	N/A	N/A	N/A	N/A								
18	Production	N/A	N/A	N/A	N/A			4,490,836		(320,347)			4,170,489
19	Transmission	N/A	N/A	N/A	N/A			2,534,470	(792,559)	(13,643)			1,728,267
20	Distribution	N/A	N/A	N/A	N/A			2,303,962					2,303,962
21	General	N/A	N/A	N/A	N/A			477,141	(1,073)				476,068
22	Common	N/A	N/A	N/A	N/A			378,822					378,822
23	Net Utility Plant in Service	N/A	N/A	N/A	N/A			10,185,231	(793,632)	(333,990)			9,057,608
24		N/A	N/A	N/A	N/A								
25	Utility Plant Held for Future Use	N/A	N/A	N/A	N/A								
26		N/A	N/A	N/A	N/A								
27	Construction Work in Progress	N/A	N/A	N/A	N/A			739,819	(21,855)	(306,523)			411,440
28		N/A	N/A	N/A	N/A								
29	Less: Accumulated Deferred Income Taxes	N/A	N/A	N/A	N/A			2,663,741	(169,504)	(65,281)			2,428,956
30		N/A	N/A	N/A	N/A								
31	Other Rate Base Items	N/A	N/A	N/A	N/A								
32	Cash Working Capital	N/A	N/A	N/A	N/A								
33	Materials and Supplies	N/A	N/A	N/A	N/A								
34	Fuel Inventory	N/A	N/A	N/A	N/A								
35	Non Plant Assets and Liabilities	N/A	N/A	N/A	N/A								
36	Customer Advances	N/A	N/A	N/A	N/A								
37	Customer Deposits	N/A	N/A	N/A	N/A								
38	Prepayments	N/A	N/A	N/A	N/A								
39	Regulatory Amortizations	N/A	N/A	N/A	N/A			50,579					50,579
40	Total Other Rate Base	N/A	N/A	N/A	N/A			50,579					50,579
41		N/A	N/A	N/A	N/A								
42	Total Average Rate Base	N/A	N/A	N/A	N/A			8,311,888	(645,984)	(575,233)			7,090,672
43													

NOTES:

1) The Actuals data starts as All-In, Capital Only. The buildup shown in columns (3) to (6) does not apply.
2) Removes items that are trued up outside of base rates
3) Placeholder for Secondary Calculations (NOL, cash working capital, etc.) that will be included in the comparison schedules to calculate a proposed refund, if any.

Northern States Power Company
Electric Utility - State of Minnesota

Docket No. E002/GR-15-826
Compliance - 2019 Capital True-Up Report - May 1, 2020
Attachment B - Page 2 of 2

Actual 2019 Capital-Related Revenue Requirements

(1)	(2)	(3)	(4)	(5)	(6)			(7)	(8)	(9)	(10)	(11)	(12)
		Base						SUBTOTAL	Adjustment			Secondary	
Line No.	NSPM - 11 Bridge by Report Label	DOC Position Subtotal from Illustrative Schedules[1]	Remove Non-Capital[1]	Add back TCR[1]	Add back RES[1]	R&R Investments	Unprotected ADIT	All-In Capital-Only Subtotal[1]	Remove TCR[2]	Remove RES[2]	Remove LED Street Lighting[2]	Secondary Calculations[3]	Total
44	Operating Revenues	N/A	N/A	N/A	N/A								
45	Retail Revenue	N/A	N/A	N/A	N/A								
46	Interdepartmental	N/A	N/A	N/A	N/A								
47	Other Operating	N/A	N/A	N/A	N/A			191,996			27		192,024
48	Total Revenue	N/A	N/A	N/A	N/A			191,996			27		192,024
49		N/A	N/A	N/A	N/A								
50	Expenses	N/A	N/A	N/A	N/A								
51	Operating Expenses	N/A	N/A	N/A	N/A								
52	Fuel & Purchased Energy	N/A	N/A	N/A	N/A								
53	Power Production	N/A	N/A	N/A	N/A								
54	Transmission	N/A	N/A	N/A	N/A								
55	Distribution	N/A	N/A	N/A	N/A								
56	Customer Accounting	N/A	N/A	N/A	N/A								
57	Customer Service and Information	N/A	N/A	N/A	N/A								
58	Sales, Econ Dev, & Other	N/A	N/A	N/A	N/A								
59	Administrative and General	N/A	N/A	N/A	N/A								
60	Total Operating Expenses	N/A	N/A	N/A	N/A								
61		N/A	N/A	N/A	N/A								
62	Depreciation	N/A	N/A	N/A	N/A			602,047	(20,234)	(9,870)			571,942
63	Amortization	N/A	N/A	N/A	N/A			3,387					3,387
64		N/A	N/A	N/A	N/A								
65	Taxes	N/A	N/A	N/A	N/A								
66	Property	N/A	N/A	N/A	N/A								
67	Deferred Income Tax and ITC	N/A	N/A	N/A	N/A			18,906	(18,311)	(14,222)			(13,627)
68	Federal and State Income Tax	N/A	N/A	N/A	N/A			(261,049)	41,318	30,329	11		(189,392)
69	Payroll and Other	N/A	N/A	N/A	N/A								
70	Total Taxes	N/A	N/A	N/A	N/A			(242,143)	23,006	16,107	11		(203,019)
71		N/A	N/A	N/A	N/A								
72	Total Expenses	N/A	N/A	N/A	N/A			363,291	2,772	6,237	11		372,311
73		N/A	N/A	N/A	N/A								
74	Allowance for Funds Used During Construction	N/A	N/A	N/A	N/A			26,818					26,818
75		N/A	N/A	N/A	N/A								
76	Total Operating Income	N/A	N/A	N/A	N/A			(144,476)	(2,772)	(6,237)	16		(153,469)
77		N/A	N/A	N/A	N/A								
78	Calculation of Revenue Requirements	N/A	N/A	N/A	N/A								
79	Rate Base	N/A	N/A	N/A	N/A			8,311,888	(645,984)	(575,233)			7,090,672
80	Required Operating Income	N/A	N/A	N/A	N/A			588,482	(45,736)	(40,726)			502,020
81	Operating Income	N/A	N/A	N/A	N/A			(144,476)	(2,772)	(6,237)	16		(153,469)
82	Income Deficiency	N/A	N/A	N/A	N/A			732,958	(42,964)	(34,490)	(16)		655,488
83	**Revenue Deficiency**	**N/A**	**N/A**	**N/A**	**N/A**			**1,250,141**	**(73,279)**	**(58,826)**	**(27)**		**1,118,009**

NOTES:

1) The Actuals data starts as All-In, Capital Only. The buildup shown in columns (3) to (6) does not apply.
2) Removes items that are trued up outside of base rates
3) Placeholder for Secondary Calculations (NOL, cash working capital, etc.) that will be included in the comparison schedules to calculate a proposed refund, if any.

INTRODUCTION

The Company has been making great strides in developing programs that can drive the adoption of electric vehicles (EV) in Minnesota. We have a slate of EV offerings already in the market to serve residential customers, fleet operators, and public charging applications. As a part of the Commission's call for projects that can spur investment in our communities and assist in Minnesota's economic recovery, the Company is proposing four EV projects within our first tranche of investments. The four projects are:

- Electric Vehicle Purchase Rebates,
- Public Fast Charging Stations,
- Acceleration of Xcel Energy fleet electrification, and
- Expansion of existing EV Fleet Pilot Service.

These four programs will not only assist in generating economic activity that can boost the state's economy, but they can also help further adoption of EVs in Minnesota, which provides substantial customer and community benefits. Increased EV adoption will not only benefit the customers who drive EVs, but also all customers through downward rate pressure as well as society at-large via reduced carbon and nitric oxide emissions. Studies by M.J. Bradley & Associates and Energy and Environmental Economics estimate that each light and medium-duty EV added and charged off-peak can provide significant ratepayer and societal benefits through new revenues that exceed the costs to provide charging, particularly when vehicles are charged off-peak, and through a reduction in greenhouse gases.[1] The MJ Bradley study suggests that Minnesota could realize $10 billion in ratepayer benefits from EVs by 2050. With the transportation sector now the largest emission source in the state,[2] these programs will also help Minnesota meet its emission reduction and climate goals related to mobility. These programs seek to help jumpstart EV adoption through multiple segments of the market.

[1] Electric Vehicle Cost-Benefit Analyses. Plug-In Electric Vehicle Cost-Benefit Analyses: Minnesota. July 2018. https://www.mjbradley.com/sites/default/files/MN%20PEV%20CB%20Analysis%20FINAL%2015aug18.pdf
[2] Minnesota Pollution Control Agency, Greenhouse gas emissions data, 2016. https://www.pca.state.mn.us/air/greenhouse-gas-emissions-data.

Through work with stakeholders in developing our EV initiatives, the Company has developed a set of guiding principles for our electric vehicle initiatives. The guiding principles are to:

- Empower customers with information, tools, and options;
- Increase access to electricity as a transportation fuel in an equitable manner;
- Encourage efficient use of the power grid and integrate renewable energy;
- Improve air quality and decrease carbon emissions;
- Ensure reliability, interoperability, and safety of equipment;
- Leverage public and private funding opportunities;
- Provide benefits to all customers, both EV drivers and non-EV drivers; and
- Ensure transparency and measure results.

In developing our proposals, we have engaged with a variety of potential stakeholders to provide a summary of our proposals here and to gather their reactions. The stakeholders we engaged with included Metro Transit, Fresh Energy, ChargePoint, Drive Electric Minnesota, and Union of Concerned Scientists. We also reviewed other state and utility programs and identified best practices to incorporate into these proposed programs.

REPORT

I. ELECTRIC VEHICLE PROPOSALS

A. Project 1: Electric Vehicle Purchase Rebates

1. Program Overview and Objectives

To stimulate growth of EV adoption in Minnesota, the Company is proposing a rebate program over the 2021-2025 period to help incentivize customers to purchase light-duty vehicles,[3] electric transit buses, and electric school buses. The addition of school buses to the program is a modification from our initial discussion of projects in this docket. Facilitating the purchase of school buses opens an additional market of transportation electrification and helps school districts that are interested in modernizing their transportation fleets while facing economic challenges from the pandemic.

[3] Includes sedans, SUVs, and trucks.

By pairing our education and outreach efforts with additional incentives to encourage customers to purchase EVs, we can encourage increased growth in EV adoption, which stimulates economic recovery while delivering substantial additional benefits. Increased EV adoption will not only benefit the customers who drive EVs, but it will also benefit other customers through downward rate pressure and all our communities through reduced emissions. The Company seeks to focus on near-term economic relief and recovery and as a result proposes vehicle rebates that are higher for the next few years but decline by mid-decade.

2. Program Design

a. Eligibility for Rebate – Light-Duty Vehicles

Rebates will be available for the purchase or lease of an EV – including battery electric, plug-in hybrid, and fuel cell vehicles. The Company proposes two separate rebates for the light-duty EV market – for new EVs and used EVs – to best encourage growth in, and access to, the benefits of transportation electrification.

Rebates for *new* EVs will be available to a vehicle that meets the following criteria:

- Has not been previously owned or leased,
- Has not been modified from the original manufacturer's specifications,
- Has a base manufacturer's suggested retail price (MSRP) that does not exceed $50,000,[4]
- Is purchased or leased after the launch of the program for use by the purchaser and not for resale,
- If leased, does not have a term less than two years,
- Has an odometer reading below 7,500 miles at the time of the purchase or lease,
- Is Purchased or leased via a Minnesota purchase or lease contract, and
- Must be registered in Minnesota.

Rebates for *used* EVs will be available to a vehicle that meets the following criteria:

- Has not previously received a new or used EV rebate as proposed in this filing. Each eligible vehicle can only receive one incentive over its lifetime,

[4] This cap on vehicles eligible for rebates is lower than the MSRP cap agreed to in House bill number H.F. No. 1842 (https://www.house.leg.state.mn.us/comm/docs/1292b5b8-8875-4967-862e-a0f1d32a32ba.pdf).

- Is purchased or leased after the launch of the program for use by the purchaser and not for resale,
- Is purchased or leased via a Minnesota purchase or lease contract, and
- Must be registered in Minnesota.

The light-duty vehicle rebates will be available to any customer in our Minnesota service territory who meets one of the following criteria:

- Is a residential electric service customer at the time of EV purchase,
- Is a commercial electric service customer who intends to predominantly charge the EV at a valid address within our Minnesota service territory,
- Is a nonprofit corporation electric service customer who intends to predominantly charge the EV at a valid address within our Minnesota service territory, or
- Is a political subdivision within Minnesota who intends to predominantly charge the EV at a valid address taking electric service within our Minnesota service territory?

Customers must submit a rebate application within three months of the execution of the purchase or lease agreement. The Company also intends to explore the possibility of partnering with auto dealerships to provide rebates upfront at the point of sale to enhance the incentive that rebates offer. Any customer receiving a rebate for a light-duty vehicle will be required to take charging service for the vehicles under one of the Company's time-varying rate options or a future managed charging option. Furthermore, any commercial customer applying for a rebate will also need to describe their plans to use any existing charging equipment they have or how they plan to charge their EVs.

b. Eligibility for Rebate – Electric Transit and School Buses

Rebates will be available for the purchase of an electric bus that meets the following criteria:

- Has not been previously owned,
- Has not been modified from the original manufacturer's specifications,
- Is purchased after the launch of the program, and
- Must be registered in Minnesota.

The following are applicant requirements under the Electric Transit and School Bus rebate:

- Applicant must be a public transit agency, public school district, or provider of school buses to public school districts,
- Applicant must be an electric service customer and must intend to charge the buses primarily at a valid address within the Company's electric service territory,
- Applicant must provide EV usage and charging data to the Company annually while the vehicle is owned or leased by the applicant, and
- For the larger school bus rebate, applicant must procure an approved bus with bidirectional power flow capabilities, procure approved charging equipment to enable Vehicle to Grid (V2G) participation, and agree to work with the Company on setting charging schedules and preferences and on all infrastructure and make-ready plans to ensure sites are V2G capable.

Customers receiving electric bus rebates will be required to charge purchased vehicles on an available time-varying rates and/or any future managed charging option offered by the Company.

c. Promotion and Engagement

In order to promote the rebate offering for light-duty vehicles, the Company will leverage our established network of trusted EV dealer partners. Over the last year, the Company has developed a community of over 75 dealerships to create the "Xcel Energy EV Trade Ally Network." Through this network, the Company can encourage dealers to promote this cost saving option for interested car purchasers. Having a network to engage with potential customers directly at the point of sale is an efficient method of notifying our customers of this program. As noted previously, the Company will also explore to possibility of partnering with dealerships to provide rebates upfront at the time of sale to enhance the incentive that rebates offer. The Company will also advertise this offering through other channels, including search engines and social media.

Direct engagement with transit operators and school districts in our service territory will be a primary tool for the electric bus offerings. We already have an established relationship with Metro Transit through their participation in our Fleet Service Pilot. They have expressed an interested in expanding their fleet of electric buses, and we expect them to be a major participant in this offering. This is one key example, but

our plan is to engage across all our service territories, including rural locations where some of the state's school districts have been hit particularly hard by the pandemic.

d. Rebate Operations

Light duty electric vehicles: As stated above, the Company continues to explore how these rebates could be made available at the point of sale. Our rebate operations processes will need to be modified if this option is finalized.
For light-duty rebate applications, customers will be required to submit a complete copy of the executed and signed vehicle lease or purchase agreement and proof of temporary or permanent Minnesota vehicle registration for the EV. Customers will be asked to make a copy of the documentation for their records. Customers interested in the rebate will be able to call our customer care line or a dedicated hotline to discuss and receive help in completing the rebate application form. Paperwork for the rebate can be emailed, faxed, or mailed.

Residential customers may not receive more than one rebate in a calendar year. Commercial customers can receive up to thirty rebates per calendar year, with no limit on the annual number of rebates that political subdivisions may claim.

The Company will seek to make rebate payments within six to eight weeks after the complete rebate application has been processed and approved. Since there are only limited funds available for the rebate program, they will be issued on a first come, first served basis. Rebates will be issued by check.

Electric transit buses and school buses: For electric transit and school buses, customers will be required to complete an application. However, unlike for light-duty vehicle rebates, the Company proposes a more proactive approach for issuing funds to support larger electric bus purchases by transit operators and school districts given the potential for more limited resources as the economy gradually recovers. Instead of offering only traditional rebates issued after proof of purchase or lease is provided, the Company also proposes to work with applicants to address upfront purchasing or funding needs on electric buses. The Company would then true-up any differences between final contract and invoice costs and any initial funds provided up to the pre-established annual limits in the proposed funding schedule.

With their application, customers will attach a complete copy of the vehicle lease or purchase agreement (if available at the time) and must provide documentation

regarding any required approvals to support any remaining costs beyond those covered by Company-provided rebates. After application submittal and Company approval based on a review of all applicable requirements, the Company may release funds to the applicant as needed to pay invoices. Applicants will be responsible for paying any administrative and financing costs associated with providing upfront funds for electric bus purchases. For funding true-ups, the applicant must provide copies of the fully executed purchase and/or lease contracts and paid, itemized invoices for associated charging equipment. Invoices must include the quantity, make, model number, and unit price of each invoiced item.

Since there are only limited funds available, they will be issued on a first come, first served basis, aside from $65 million in funding earmarked for Metro Transit given its status as the largest transit operator in the Company's service territory. The rebate budgets are discussed more below.

3. Rebate Amounts and Program Budget

a. Total Rebate Budget and Flexible Allocation

The Company has budgeted up to $150 million to fund the overall rebate program, with $50 million allocated to light duty vehicles and $100 million to electric transit buses and school buses. Because the COVID-19 pandemic has impacted transit agencies and school districts particularly hard, we are proposing that the $100 million not be strictly allocated to one category or the other – rather, it will be utilized on a first-come basis for the agencies and districts that want to prioritize the electric transportation as part of their recovery efforts. At this time, we are setting an aspirational target of $15 million or more of bus rebates to be paid to school districts. But, if there is ultimately less interest from our school district customers, the Company proposes to shift funding toward transit buses. This important flexibility allows for the optimal opportunity to pay out all our intended funds to support transportation electrification and provide the most economic stimulus.

b. Rebate Amounts

A large rebate program is essential in this case because it offers the opportunity to stimulate purchases of EVs and help stimulate the local economy. If the rebate levels are set too low, then they will not be effective in encouraging customers to purchase EVs and may not lead to faster growth of transportation electrification, foregoing

benefits to customers in the form of fuel and maintenance savings, downward pressure on electricity rates for all customers, and benefits from cleaner air from reduced emissions in the state.

Light duty vehicles: The Company proposes to offer a $2,500 rebate for each eligible purchase or lease of a light-duty EV for the years of 2021-2023. To best support near-term economic relief and recovery while also providing incentives to electrify light-duty vehicles, the Company proposes that rebates decline in value after 2023, offering rebates of $2,000 and $1,500 in 2024 and 2025, respectively. Based on the Company's forecast for growth in the light-duty EV market through 2025, this equates to about 23,000 new EV rebates. This assumes light-duty purchases are linked to the Company's medium scenario EV forecast.

For used light-duty EVs, the Company proposes a reduced rebate level of $1,250 for the years of 2021-2023. These rebates will help support a robust resale market for EVs–helping to encourage relief and recovery in addition to enhancing access to the benefits of transportation electrification for larger numbers of low- and moderate-income households that may not be able to afford to purchase or lease a new EV. The lower rebate level reflects a reduced lifespan for used vehicles and thus smaller potential benefits from downward pressure on electric rates for customers and from reductions in emissions for the state. Like the new EV rebates, rebates for used EVs will also gradually decline in value after 2023, reaching $750 and $500 in 2024 and 2025, respectively. While uncertain, the Company hopes to issue as many used EV rebates as possible on a first-come, first-served basis, subject to the $50 million in total funding for light-duty EV rebates.

Details on light-duty rebate levels and expected expenditures for each year are shown below in Table 1.

Table 1: Light-Duty EV Rebates by Year

	2021	**2022**	**2023**	**2024**	**2025**
New Light-Duty EVs	$2,500	$2,500	$2,500	$2,000	$1,500
Used Light-Duty EVs	$1,250	$1,250	$1,250	$1,000	$750

Electric transit buses and school buses: Based on conversations with Metro Transit, the Company proposes a funding schedule that will help facilitate purchases of vehicles and charging installations, but which declines over time. Due to budget limitations

caused by decreased ridership and funding during the pandemic, it will be necessary to have a higher level of support for buses and charging equipment initially in order to spur immediate participation. Over time, as ridership returns and more funds can be dedicated to fleet purchases, smaller rebates will be able to spur additional electrification. Importantly, the funding provided in the schedule are caps to not exceed. Final true-ups will occur to ensure that any funds provided upfront do not exceed costs from fully executed purchase orders and invoices.

Electric school bus rebates will also follow a similar model as those for transit operators. Rebate levels will decline over time to provide strong near-term incentives to electrify, particularly when school district budgets are likely to be constrained. Given that the purchase price of an electric school bus is significantly lower than the purchase price of an electric transit bus, rebate levels for school buses need to be distinct from transit buses. However, electric school bus rebates also need to provide enough incentive in the near-term to convert to electric buses. Proposed rebate levels will follow two paths: a rebate of $325,000 for applicants that agree to have school buses participate in a future vehicle-to-grid (V2G) or school bus charging optimization demonstration project and a rebate of $275,000 for all other electric school buses. The higher rebate option available for demonstration project participants will help cover any additional hardware or software costs necessary for participation. The Company proposes a cap of 20 electric school buses for the enhanced V2G or charging optimization rebate in order to have a limited pilot and evaluate the benefits.

We have had limited discussions with school districts to gauge their needed level of support via rebates but hope to provide roughly $15 million or more in funding for electric school buses. Details on electric school bus rebates for each year are shown below in Table 2.

Table 2: Electric Transit Bus and School Bus Rebates by Year

	2021	**2022**	**2023**	**2024**	**2025**
Transit Buses	$1,000,000	$1,000,000	$750,000	$500,000	$250,000
School Buses (V2G)	$325,000	$325,000	$325,000	$300,000	$275,000
School Buses (non-V2G)	$275,000	$275,000	$275,000	$250,000	$225,000

Pending approval of the program, funds will be available starting in 2021. Table 3 below shows the distribution of potential rebates by year along with program administration cost.

Table 3: Example: Potential EV Rebates by Year ($ in Millions)[5]

	2021	2022	2023	2024	2025	Total
Light-Duty EVs	$4	$8	$17	$13	$8	$50
Metro Transit	$5	$60	$0	$0	$0	$65
Other Transit and School Buses	$8	$11	$7	$5	$4	$35
Sub-Total, Rebates	**$17**	**$79**	**$24**	**$18**	**$12**	**$150**
Program Administration	$0*	$0*	$0*	$0*	$0*	$1
Total	**$17**	**$79**	**$24**	**$18**	**$12**	**$151**

*Reflects amounts of roughly $250,000 per year.

4. Accounting and Cost Recovery

The Company is requesting that the Commission grant approval to establish a regulatory asset for the cost of the rebates. Under this proposal, when the Company pays a rebate, it would be recorded as a regulatory asset and included in rate base in a future rate case, earning a return on the capitalized balance. The balance of the regulatory asset would build over time as more rebates are paid. To recover the balance of the regulatory asset, the amount would be amortized over a prescribed period. We propose that the regulatory asset be amortized over ten years.

We believe capitalizing the cost of rebates in rate base is the best way to finance these rebates and avoid customer rate shock as we offer a boost to the Minnesota economy during the pandemic and facilitate increasing EV adoption in the state, which delivers substantial customer and societal benefits. Using a regulatory asset will allow us to offer a larger benefit immediately, as we will be able to amortize the costs over ten years and avoid the immediate rate shock that would occur were the rebates treated as an O&M expense. Without a regulatory asset, a large rebate program could cause a rapid increase in customer rates, as the cost of the rebates would be expensed in the year they are paid.

[5] Note: Estimates may not add to totals due to rounding

5. Cost-Benefit Analysis

As shown in Table 3 below, we expect the total cost of EV Rebates and program administration to be about $151 million over five years. However, with our request to capitalize these costs in a regulatory asset and amortizing the costs over ten years, we can lower the annual impact to ratepayers. Table 4 shows the estimated annual revenue requirements for the rebate program from 2021 through 2025.

Table 4: EV Rebate Program Estimated Revenue Requirements ($ in Millions)

Year	Annual Revenue Requirement
2021	$1.8
2022	$9.4
2023	$18.7
2024	$21.5
2025	$20.6

However, investing in this rebate program will help spur a rapid expansion in EV adoption in our service territory. We believe that a large expansion in transportation electrification will deliver many benefits, to program participants, ratepayers, and society at large.

First, rebate programs will unlock a multitude of benefits for participants who switch from driving an internal combustion engine (ICE) vehicle to an EV. Directly, drivers of EVs will see substantial savings on fuel, because driving electric is equal to spending about $1 per gallon of gas when taking advantage of lower off-peak prices when charging overnight. By 2030, a light-duty EV would cost $700 less per year to fuel than an ICE vehicle. As participants in this program will be required to take charging service on a time-varying rate tariff or a future managed charging program, which encourage nighttime charging, we fully expect most rebate customers will reap a significant benefit in lowered fuel costs. In addition, EVs tend to have lower routine maintenance costs over the life of a vehicle than ICE vehicle. EVs do not require oil changes and, due to the electric drive, lack many parts that are standard in

internal combustion engine vehicles, including fuel injectors, radiators, spark plugs, and transmissions.

Second, the increase in transportation electrification unlocked by a rebate program will bring benefits to ratepayers in general. Increased transportation electrification will bring a solid, sustainable source of sales growth. Studies conducted by Energy and Environmental Economics (E3), a consulting firm, on behalf of Xcel Energy electric utilities in Colorado and New Mexico have found that the cost to serve incremental EV charging are less than the new revenues produced, which can help create downward pressure on customer rates in the future.[6] In addition, the requirement to charge on time-varying rates or a future managed charging program will also deliver benefits to the grid. Encouraging charging during off-peak times should further lower system costs when compared to customers charging on a non-TOU rate because system peaks are avoided, and distribution system congestion is minimized. For instance, the E3 analysis for Xcel Energy-Colorado found net ratepayer benefits in excess of $3,700 from each personal light-duty EV over its lifetime. The E3 study for Xcel Energy-Colorado also found net ratepayer benefits from commercial light-duty EVs and electric transit buses, finding those types of vehicles can provide about $13,000 and $89,000, respectively, over their lives.
Third, our communities will benefit from a decrease in emissions from transportation. Electric vehicles charged on the increasingly clean Xcel Energy system will have about 80 percent lower carbon emissions than gas-powered cars by 2030. More EVs would also improve air quality in our communities by reducing other emissions, like nitrogen oxide and fine particulate matter, that have the greatest impact on public health. This is especially important for lower-income communities, as those areas are often disproportionately impacted by the harm of transportation emissions.[7]

The E3 analysis found net societal benefits in excess of $5,400 for each personal light-duty EV, nearly $35,000 for each commercial light-duty EV, and nearly $200,000 for each electric transit bus over their lifetimes. These net benefits capture the positive driver, ratepayer, and environmental impacts from each type of vehicle. If customer

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[6] Filed as part of the 2021-2023 Colorado Transportation Electrification Plan (filed May 2020, Attachment SWW-7: https://www.xcelenergy.com/company/rates_and_regulations/filings/transportation_electrification_plan) and the 2021-2023 New Mexico Transportation Electrification Plan (filed July 2020, Attachment MCB-3: https://www.xcelenergy.com/company/rates_and_regulations/filings/new_mexico_transportation_electrification_plan).

[7] *See* Traffic, Air Pollution, Minority and Socio-Economic Status: Addressing Inequities in Exposure and Risk. Gregory C. Pratt, et al.
http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4454972/

demand for rebates matches the Company's budget presented in Table 3, this could produce significant benefits under the Company's rebate proposals in this filing that would be justified given the rebate costs.

We are still in the early days of a mass rollout of EVs in our service territory. While we provide an assessment of cost and benefits of our program in this filing, we believe that we are still at a point where investments are needed to encourage growth in EVs. In the future, after EV's have a larger footprint in our territory, we think it will be best to view our suite of EV programs more holistically and measure the overall cost of our EV programs in relation to the total benefits they provide.

B. Project 2: Public Fast Charging Stations

1. Program Overview and Objectives

We are firmly committed to promoting an increase in transportation electrification through EV-targeted programs. An issue that is consistently cited as a barrier in the greater adoption of EVs is range anxiety.[8] One service to lessen this anxiety in potential EV customers is wider access to public fast charging options in areas that they travel. This is critical, also, for customers who don't have access to home or workplace charging and need access to convenient charging options. However, the availability of public charging options is still hindering EV adoption in Minnesota. The Commission noted this in their February 1, 2019 Order in Docket No. E999/CI-17-879 when they found that an inadequate supply of, and access to, charging infrastructure was a barrier to EV adoption in Minnesota.

The Company's Public Fast Charging Stations program is intended to help address the current public charging infrastructure gap in our service territory, provide access to charging for those who cannot charge at home or at their business, and enable intra-community transportation. In rural service territories, a common problem exists, where there may not be a large enough market for private customers to serve EVs but also not enough public charging to give customers confidence in driving an EV. The Company's current public charging pilot (approved in Docket No. E002/M-18-643) is intended to address this market challenge, but, we believe there likely still are

[8] Based on reported consumer research (such as from E Source at https://drive.google.com/file/d/13W_tovzgj60Js8F9iO_MruDsxpbibcKc/view and from news outlets such as https://www.thedrive.com/news/26637/americans-cite-range-anxiety-cost-as-largest-barriers-for-new-ev-purchases-study and https://www.prnewswire.com/news-releases/carscom-study-suggests-ev-owners-lack-brand-loyalty-aside-from-teslas-cult-like-following-300834914.html).

communities that will not be adequately served, notwithstanding our pilot. For these communities, the Company proposes to own and operate a limited number of public fast charging stations.

To lower the adoption barrier created by inadequate charging access in Minnesota, the Company is proposing a new program that will see us build, own, and operate a small network of public fast charging stations in parts of our service territory that are currently underserved by the Direct Current Fast Charge (DCFC) market. Specifically, the Company is proposing a network of 21 DCFC stations.

A Company-owned DCFC network will serve to spur EV adoption by lessening the range anxiety of potential EV drivers traveling through parts of our territory that are currently lacking this service. The Commission has stated that utilities have an important role to play in facilitating transportation electrification by enhancing the availability of charging infrastructure in their service territories.[9] The Company expects that the use of public chargers will be low in the early years of the service but are still necessary as they provide an essential service to EV drivers throughout all portions of our service territory. And over time, use of these chargers should rise as EV adoption increases.

2. Program Design and Operations

a. Charging Infrastructure and Ownership

The Company is proposing to install, own, and operate 21 DCFC charging stations in our service territory over the next three years. All charging locations would feature a 150 kW DCFC charging station. Table 5 below shows the expected rollout of charging stations from 2021 through 2023.

Table 5: Charging Stations for Public Fast-Charging Program

	Installation Year			
Station Type	2021	2022	2023	Total
DCFC 150 kW	6	12	3	21

[9] *See* ORDER MAKING FINDINGS AND REQUIRING FILINGS, Order Point 4, Docket No. E999/CI-17-879 (February 1, 2019)

As a part of this effort, the Company will install the necessary service connection equipment, which includes any necessary transformer upgrades, pads, poles, new service conductors, as well as metering equipment to monitor station energy usage. Additionally, the Company will install, own, and maintain the EV supply infrastructure including new panels, conduit, and wiring up to the charger as well as any necessary civil construction work in compliance with state and local codes. This work, which is generally beyond the traditional point of connection, will be completed by a third-party contractor overseen by the Company. All work will be completed by union contractors, and our sourcing options will include criteria to consider businesses owned by women, veterans, or minorities.

b. Selection of Charging Sites

The Company will aim to place our DCFC stations in locations not currently served by the existing charging market. These locations will be in the more rural parts of the state, away from the Minneapolis-St. Paul area. For example, the stretch of roads between Minneapolis and Sioux Falls, SD is almost entirely unserved by existing charging options. These types of traveled but unserved areas are what we will be targeting.

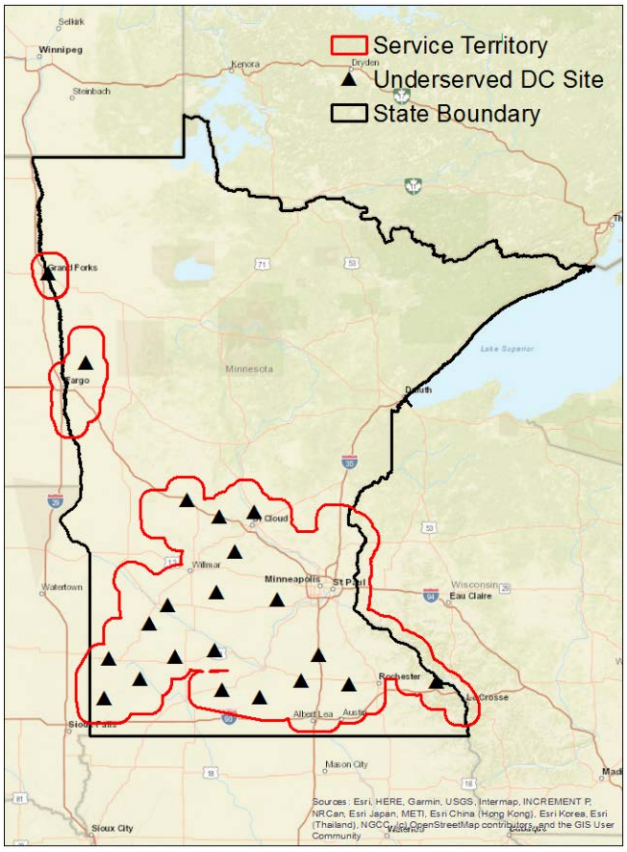
To help with determining the most advantageous locations for charging stations, we contracted with a consulting firm, Guidehouse.[10] The developed methodology identifies 21 sites, based on the $5 million budget proposed, where limited investment from the Company can best support access to public fast charging in underserved areas and help grow the EV market. The methodology relies on forecasted charging demand and EV traffic from Guidehouse's EV Market Forecast, as well as drive-time from other existing and potential public charging stations, at the Census tract level in the year 2023 – the last year of the proposed program. The result was a list of sites that were less likely to be served by the private market in the Company's service territory, but which offer high value based on forecasted EV traffic.[11]

Figure 1 below shows potential locations for public DCFC stations. However, these locations may change as we finalize our location plan and begin searching for suitable locations for stations.

[10] Formerly Navigant Consulting

[11] The methodology initially identified 23 underserved areas that the private market was unlikely to serve. Guidehouse then applied a secondary analysis, filtering out two potential charging station locations based on traffic, proximity to major highways and population centers, and the ability of surrounding stations to satisfy charging load.

Figure 1: Potential Locations for Public DCFC Stations



After selecting locations for charging stations, the Company will work to find site hosts near those locations that are interested in having the Company install and operate a public charging station. The Company will develop a customer application for interested site hosts. If selected, the Company will enter into a site host agreement with the entity who controls the property. While the Company is still developing the full agreement that will be required, at a minimum we will require the following from site hosts:

- Be an Xcel Energy non-residential electric customer located in Minnesota whose account is in good standing,
- Must prove ownership or lease of land for parking and DCFC station development,
- Allow the Company to develop and access DCFC station,
- Agree to make the charger available for public use,

- Must be located inside or near an identified underserved community,
- Must be located close to a highway or interstate
- Allow the Company to install permanent signage to increase awareness and understanding of the benefits and opportunities for transportation electrification,
- Must offer 24/7 parking availability for chargers,
- Provide at least two parking stalls for use of the charging station, with at least one parking space being ADA compliant. Additional parking stalls for future expansion is preferred,
- Site must be safe and well-lit,
- Be responsible for timely snow removal of the parking stalls, and
- Participate in program evaluation activities such as surveys and questionnaires.

If the program is approved, the Company will file the host site application and agreement with the Commission as a compliance item.

c. Design and Engineering

The Company will work directly with site hosts to discuss the program, help determine the infrastructure needs, and help identify the most suitable locations for the installation of EV infrastructure.

This determination will be based on factors such as accessibility to points of interest, proximity to transformers, length of trenching, and available transmission and distribution capacity. Through this process, the Company, with support from third-party contractors, will estimate the cost of providing infrastructure and complete design and engineering work for EV charging infrastructure. Once the design is complete, the Company will confirm with the site hosts that the site design meets their needs and follows all applicable laws, rules, and regulations.

d. Customer Engagement and Marketing

As a part of overall EV customer engagement and outreach efforts, the Company will include messages and information about the availability of our DCFC network and the locations of those sites. Our overall education and outreach efforts are accomplished through a variety of channels. More details of these efforts are discussed later in this proposal. We will also coordinate with our local communities

where the chargers are sited so that they can inform their residents of the new charging access and look to leverage the new infrastructure for economic development opportunities.

As mentioned above, site hosts must agree to allow the Company to install permanent signage to increase awareness of transportation electrification. This on-site signage will serve as a powerful marketing tool for EV drivers traveling by a location. To engage with potential customers who do not normally travel by one of our charging stations, we will also work to ensure that our charging sites are shown on EV charging mobile applications, such as ChargeHub and PlugShare, which EV drivers can use to locate charging stations that will serve their charging needs.

3. Customer Payments and Rate Structure

Charging customers will be able pay for their charging usage on-site using credit card readers built into the charging stations and via in-app payments for networked stations. Customers will pay for kWh used. We are proposing to use a three-part rate to charge customers.

Using a time-varying rate that charges customers more during on-peak times will recover the higher costs of producing and delivering electricity during on-peak times from the customers who use the electricity. Table 6 below shows the proposed rates for our charging network. The Company believes it will be necessary to create a new tariff for this program. If the program is approved by the Commission, the Company will file a proposed new tariff as a compliance item.

Table 6: Proposed DCFC Customer Charging Rates per kWh

	June – September	Other Months
On-Peak Period[12]	$0.52576	$0.49266
Mid-Peak Period[13]	$0.39013	$0.37515
Off-Peak Period[14]	$0.32784	$0.32784

[12] 3:00 p.m. and 8:00 p.m. Monday through Friday, except for certain holidays
[13] All hours not defined as on-peak or off-peak
[14] Midnight (12:00 a.m.) until 6:00 a.m. every day

The underlying design of this rate structure is based on the rates approved for our Residential Time of Use (TOU) Pilot program,[15] with $0.30 per kWh added. Increasing the rates over what is in use for residential purposes will accomplish two things. One, it helps to ensure that our charging rates are comparable to the DCFC rates charged by other private station operators. Our goal in setting rates is to keep public charging rates practical and affordable, while attempting to not undercut private charging services.

Secondly, we believe this will send important price signals to customers to efficiently use public fast charging stations. By incentivizing home and workplace charging for those who have access to those charging options, public charging stations can be available to those who need it while minimizing the costs to the electric grid from building public charging stations—be it supporting intercommunity travel or providing charging for those who are unable to charge at home or at work. We expect revenues from the charging stations to be small but will provide some incremental revenue that may place modest downward pressure on other customer rates.

4. Program Budget

The Company currently estimates that the development, installation, and operation of the 21 DCFC stations will cost approximately $5.0 million over three years. This estimate includes approximately $4.5 million in capital costs and $0.5 million in operation and maintenance (O&M) costs, which assumes that some of these program administration costs consider synergies from other similar public charging programs proposed in other Xcel Energy jurisdictions. Ongoing O&M costs after the 2021-2023 period will likely be incorporated into a future electric rate case. Table 7 below shows a breakdown of our estimated budget for the program.

[15] Approved in E002/M-17-775, Rate Codes, A72, A74. This rate structure will also be used for our upcoming EV Home Service Program, which will be launching soon.

Table 7: Estimated Program Budget – 2021-2023
($ in Millions)[16]

Category	Capital	O&M	Total
EV Service Connection	$0.8		$0.8
EV Supply Infrastructure	$1.1		$1.1
Charging Equipment	$2.3		$2.3
Installation Management	$0.1		$0.1
IT	$0.2		$0.2
Program Management		$0.1	$0.1
O&M		$0.3	$0.3
Total	$4.5	$0.5	$5.0

5. Cost Recovery

As discussed in our Comments, we are requesting Commission approval to include this project as a part of our Tranche I recovery proposal and authorize cost recovery through our proposed Capital True-Up. We also request Commission approval to defer certain O&M expenses related to program marketing, outreach, and customer engagement via our existing EV Tracker Account. This tracker account was initially established in Docket No. E002/M-15-111 for communication costs related to our residential EV rate under Minn. Stat. § 216B.1614. The Commission subsequently approved the expanded use of the EV tracker account to defer other O&M costs for our Residential EV Service pilot in Docket No. E002/M-17-817.

6. Evaluation of Company Investment in Public Charging Infrastructure

In their February 1, 2019 Order, the Commission found that a three-step process for evaluating utility investments in public charging infrastructure, originally proposed by the Minnesota Office of the Attorney General (OAG), should be incorporated when seeking approval of investments. In compliance with that Commission guidance, the Company here presents information that follows the OAG's three-step process.

[16] Note: Estimates may not add to totals due to rounding

b. Step One – Expected Number of EVs in Minnesota

Focusing exclusively on light-duty vehicles, Table 8 below shows the expected EV adoption rates in 2023 within our service territory, as opposed to the entire state. This forecast is based on our current estimates of future growth and does consider the negative impact from the COVID-19 pandemic. We foresee a 50 percent downturn in EV sales in 2020, with a consistent lower rate of growth out through 2023.

Table 8: Forecasted Light-Duty EV Adoption: Service Territory

Adoption Scenario	Number of EVs - 2023
Low	18,925
Medium	29.954
High	72,503

Turning to the state of Minnesota as a whole, EV adoption is also expected to grow, though also at a reduced rate in the near-term due to the pandemic. Table 9 below shows forecasted EV adoption in 2023, up from the 11,940 light-duty EVs in Minnesota as of 2019.

Table 9: Forecasted Light-Duty EV Adoption: Minnesota

Adoption Scenario	Number of EVs - 2023
Low	21,606
Medium	35,686
High	89,331

c. Step Two – Level of Charging Infrastructure Needed to Support Expected EVs

To support a growing market for EVs, charging infrastructure will also have to increase. According to the Electric Vehicle Infrastructure Projection Tool Lite tool at the U.S. Department of Energy, supporting roughly 36,000 EVs from the medium scenario for the state of Minnesota by 2023 there will need to be about 320 public DCFC charging ports to enable inter-community travel, provide back-up charging on-route, and provide charging for vehicles without access to home charging. Currently,

however, there are only 187 public DCFC charging ports in Minnesota, and more than half are Tesla Superchargers available only to Tesla vehicles.[17]

d. Step Three – Assessment of the Competitive Market for Charging Infrastructure

The Company has designed this proposal to fill underserved parts of the public charging market. As discussed earlier, the Company engaged with Guidehouse to develop a methodology and identify potential sites to optimize the location of charging stations. Optimal locations will be those that are not expected to be served by the private market in the next few years. As a result, we do not expect our charging services to directly compete geographically with other charging providers in the near term. In fact, the Company seeks to foster EV adoption and private investment in charging infrastructure by helping to stimulate the market in underserved areas and ensure sufficient access to public fast charging.

In addition, Guidehouse helped the Company benchmark our proposed charging rates at public DCFC stations against other public charging rates offered in the market. Guidehouse found that the proposed public charging rates are very comparable to those at other public fast charging stations in both urban and rural parts of Minnesota. Guidehouse found that, on average, 20 kWh of charging (the equivalent of about 60 miles of range) would cost about $7.00 and $8.33 at rural and urban locations throughout Minnesota, respectively. Similarly, the Company's proposed rates equate to about $9.85 during on-peak periods, $7.50 during mid-peak periods, and $6.56 during off-peak periods for the same 20 kWh of charging during non-summer months, with slightly higher on-peak and mid-peak rates during summer months.

The Company developed our proposed charging rates to be in line with other comparable charging providers in the market and not undercut the business of other charging operations. The Company seeks to support continued growth in market investment in charging infrastructure.

[17] Based on data from the Alternative Fuels Data Center at the U.S. Department of Energy. The estimate for the number of public DCFC plugs to support a given level of EVs is from the Electric Vehicle Infrastructure Projection Tool Lite at the Alternative Fuels Data Center, if about 82 percent of people have access to home charging.

7. Waiver of Service Policy Provision

To facilitate the operations of the public fast charging network, the Company is requesting Commission approval to waive a provision within our Service Policy. We request the Commission approve Company ownership of the EV service connection, EV supply infrastructure, and EV charging equipment assets installed as a part of this pilot.

C. Project 3: Accelerate Xcel Energy Fleet Electrification

1. Project Overview and Objectives

The Company has undertaken a slate of offerings to aggressively encourage the electrification of transportation. To embody that effort in our own operations, the Company is proposing a project that will accelerate our planned electrification of our Company fleet. The Company was initially planning on electrifying a portion of our fleet over ten years, starting in 2021. With this proposal, the Company plans to accelerate this effort, to take place over two years instead.

The objective of accelerating the program is to modernize our Company fleet in order to deliver lower emissions and improve the impact we have on the environment in our area. Modernizing our fleet with EVs will also lower our maintenance costs as EVs tend to have lower overall cost of ownership than an internal combustion engine vehicle.

2. Project Design and Operations

This program will involve purchasing light-duty fleet vehicles for our business purposes. In conjunction with the vehicle purchases, and to facilitate vehicle charging, we will also be installing charging infrastructure. In total, we plan on purchasing 40 vehicles, 20 each in 2021 and 2022.

In addition, the Company will install charging infrastructure at Company-owned sites where the fleet vehicles will primarily be used. The Company is currently determining how many chargers it will need to install to serve its electric fleet.

3. Project Budget

The Company currently estimates that the purchase of EV fleet vehicles and operation and maintenance of the vehicles will be approximately $2.2 million over four years. In addition, we plan on installing enough charging infrastructure to serve these vehicles. At this time, we are still determining how many charging ports will be required and at what locations. We estimate a cost of approximately $10,000 for each charging station, inclusive of all infrastructure and site work., with some additional O&M needed for maintenance after the charger is placed in service.

4. Cost Recovery

As with our Public Fast Charging Stations and EV Fleet Pilot service projects, we are requesting Commission approval to include this project as a part of our Tranche I recovery proposal and authorize cost recovery through our proposed Capital True-Up.

D. Project 4: Expand existing EV Fleet Pilot Service

1. Program Overview and Objectives

In 2019, the Commission approved our EV Fleet Pilot Service.[18] The pilot is designed to study utility investment in installing and maintaining EV infrastructure for fleet operators. In conjunction with this, we are also studying how utility investment can lower the upfront costs for fleet operators in order to impact EV fleet adoption. Finally, under the pilot we are also studying the costs and impacts of charging behavior and utilization under time-varying rates and advisory services related to fleet conversion.

The pilot was launched in the latter part of 2019. As of now, the Company only has one fleet operator participating in the program, Metro Transit. In the near future, we expect to add further partners, including the Minnesota Department of Administration and the City of Minneapolis.

Given the unique requirements of each of these partners, however—as well as the significant intervening event of the COVID-19 pandemic—negotiations have been

[18] *See* Order Approving Pilots with Modifications, Authorizing Deferred Accounting, and Setting Reporting Requirements, July 17, 2019, Docket No. E002/M-18-643

protracted. Moreover, additional participants have been difficult to find. Per the Commission Order for the pilot, we can only allow one participant that is a private or non-profit entity. With this restriction in place, we are no longer confident that we will be able to use the full budget for the pilot as initially planned. For this reason, the Company is requesting removal of the participant restriction from the existing EV Fleet Pilot Service. Doing so will allow us to fully use the program to continue the important investigation of fleet charging efforts to help fleet operators accelerate their own electrification efforts in the most efficient and optimal manner.

In addition to opening the program to more fleet operators, we are also asking for explicit approval from the Commission to open the pilot to serve a market need not initially considered when we proposed this pilot. We are asking that the Commission allow us to work with car dealerships to install required charging infrastructure and equipment that will allow them to expand the EV offerings on their lots.

2. Customer Eligibility and Enrollment

Customers eligible to enroll in the EV Fleet Pilot Service are non-residential customers who operate fleets that include light-, medium-, and/or heavy-duty vehicles. Under the Commission's order, all but one of the participating entities must be public agencies. Our request here is removal of that restriction, allowing any fleet operator or car dealership intending to sell EVs to participate in the program.

3. Serving Car Dealerships

Currently, there is a relatively low level of EV usage in Minnesota compared to other states, both in terms of total EV sales as well as market share. For instance, states like Washington, Oregon, and Colorado have seen higher sales volumes and market share. Minnesota has a market share of about 2.8 percent for advanced technology vehicles, compared to about 7.4 percent in Washington, 6.8 percent in Oregon, and 3.7 percent in Colorado.[19] While there are a variety of reasons for this, one is that it can be hard for consumers to find many EVs for purchases when they go to a car dealership. This results in is a bit of a chicken or an egg issue: Car dealerships do not see an incentive to sell EVs because there is not a large market for them yet, and the market has not developed, in part, because of the lack of EV availability. We believe a tweak to our fleet pilot will give us an opportunity to help with this issue.

[19] The Alliance of Automobile Manufacturers, Advanced Technology Vehicle Sales Dashboard. https://autoalliance.org/energy-environment/advanced-technology-vehicle-sales-dashboard/

The reason dealers are hesitant to move into selling EVs is that car dealerships face requirements that they must meet before they can access EV inventory. Car manufacturers have minimum thresholds of EV charging infrastructure that dealerships are required to have before they can sell EVs. With a small market for EVs in Minnesota, many car dealerships in Minnesota may determine that it does not make economic sense to incur the upfront costs for charging infrastructure and charging equipment. To lower this barrier, we are recommending a modification to our pilot that would allow car dealerships in our service territory to participate.

Under this modification, we will work with car dealerships in our service territory to install charging infrastructure and charging equipment that they are required to have to meet manufacturer infrastructure requirements. This equipment will primarily serve to charge the inventory of EVs they have on their lots. However, chargers at the dealership will allow them to utilize more EVs for more in-house business uses.

Finally, charging equipment on-site will encourage car dealerships to promote that they have charging facilities, which they can use to draw potential customers. Some dealers plan to set up charging lounges that people can use while they wait for their vehicles to charge. This can serve as a powerful marketing tool that can be used to advertise new EV offerings. This is an intangible benefit of this infrastructure investment as dealers will be helping us with our effort to engage with potential EV customers and promote EV offerings. As we look toward economic recovery from the pandemic, we have a great opportunity to help our local dealers expand options for our collective customers.

We believe that modifying this pilot program to also serve car dealerships is a small departure from the initial scope, but still meets the spirit of the program. This modification will allow us to help car dealerships build out a larger fleet of EV vehicles on their lots. This, in turn, can accelerate purchases of EVs by customers, especially when paired with the EV rebates we are offering. With charging infrastructure for dealers and EV rebates for customers, we believe we will be able to lower the barriers on both sides of the dilemma that is limiting EV adoption in Minnesota.

4. Pilot Tariff

The tariff for the EV Fleet Pilot Service is included in our Minnesota Electric Rate Book in Section No. 5, Sheet Nos. 51-51.3. We do not believe that our requested change to pilot eligibility necessitates a tariff change. The restriction on entities was included in our tariff language.

5. Pilot Budget

The Company has budgeted $14.4 million for the Fleet EV Service Pilot over the three-year pilot period. This budget is detailed in Table 10 and represent total program costs. We note that the breakdown of the budget into the subcategories below is illustrative and provides our current projected estimates based on installation cost assumptions and market data. However, while the amounts may shift between categories based on actual installation costs, the total pilot budget will not exceed $14.4 million.

Table 10: Estimated Fleet Pilot Budget

Cost Item	Capital	O&M	Total
EV Service Connection	$1,864,000	$30,000	$1,894,000
EV Supply Infrastructure and Charging Equipment	$9,396,000	$457,000	$9,853,000
Installation Management	-	$575,000	$575,000
Advisory Services and Outreach, including Analytics Services	-	$1,163,000	$1,163,000
Program Management	-	$735,000	$735,000
IT	-	$175,000	$175,000
TOTAL:	**$11,260,000**	**$3,135,000**	**$14,395,000**

Our proposal to remove the participant restriction for the pilot will not impact our proposed budget and does not result in any additional incremental spend. We are proposing this change in order to fully utilize our budgeted funds, allowing us to fully study our fleet charging option.

6. Cost Recovery

The Commission has already approved the accounting for this program, including a temporary deferral of pilot costs incurred before January 1, 2020. We are not asking for any change in accounting in this request, and we are no longer deferring costs for the pilot itself. The deferred cost and remaining rate base for capitalized assets installed under the pilot will be recovered in a future rate case. As with our Public Fast Charging Stations and Company Fleet Electrification projects, we are requesting Commission approval to approve this project as a part of our Tranche I recovery proposal and authorize cost recovery through our proposed Capital True-Up.

II. Response to Commission's Conditions for Investment Proposals

In their May 20, 2020 Notice in this docket, the Commission asked that utilities identify specific investments that will:

- Provide significant utility system benefits;
- Be consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders;
- Reduce carbon or other pollutant emissions int eh power sector or across economic sectors;
- Increase access to conservation and clean energy resources for all Minnesotans;
- Create jobs or otherwise assist in economic recovery for Minnesotans; and
- Use women, veteran, or minority-owned businesses to the extent possible, which can be document for verification purposes.

In this section of our discussion, we will highlight how the four EV proposals in this filing meet these requirements from the Commission.

A. Utility System Benefits

Our proposed EV programs will benefit all utility customers as we increase electrical sales for EV charging purposes. Increased sales places downward pressure on rates, which can lower rates for all rate payers over time. A study by M.J. Bradley & Associates estimates that each light and medium-duty EV added and charged off-peak can provide significant ratepayer and societal benefits through new revenues that exceed the costs to provide charging if vehicles are charged off-peak and through a

reduction in greenhouse gases.[20] This study also suggests that Minnesota could realize $10 billion in ratepayer benefits from EVs by 2050. An additional study by Energy and Environmental Economics found that each bus added could also provide significant net benefits to utility customers for the same reasons.[21]

Our proposed EV programs will also deliver utility system benefit by encouraging a move toward a higher penetration of EVs. If greater EV adoption is paired with programs that encourage nighttime charging (which each of these programs does by requiring the use of managed charging or time-varying rates), then system efficiency is improved. Renewable generation from wind is often high at night but electricity usage low. Finding new load at night allows us to reduce any curtailments and improve the utilization of low-cost, no emissions renewable generation.

B. Consistent with Resource Plans, Conservation Plans, and Existing Commission Orders

The Commission has recognized that electric utilities have an important role in facilitating the electrification of Minnesota's transportation sector and the Commission has encouraged utilities to adopt initiatives and investments to further this goal, such as public and private charging infrastructure, fleet electrification, and time-of-use and EV rate designs.[22] The Company's existing EV offerings have made strides in taking up our role expected by the Commission. Through our new offerings however, the Company will continue playing this pivotal role in working with our customers and communities to advance the benefits of EVs for all of our customers, all while helping to support the state's recovery efforts

Each of our proposals meets specific roles that the Commission views for utilities, primarily facilitating the electrification of Minnesota's transportation sector. The Public Fast Charging Stations will improve access to public charging infrastructure. The EV Rebates, Expansion of EV Fleet Pilot Service, and acceleration of Xcel Energy's fleet all work to facilitate greater EV adoption, and the associated economic and environmental benefits, through various mechanisms. Each proposal in this filing aids in optimizing the cost-effective integration of EVs, as each program is linked to a

[20] Electric Vehicle Cost-Benefit Analyses. Plug-In Electric Vehicle Cost-Benefit Analyses: Minnesota. July 2018. https://www.mjbradley.com/sites/default/files/MN%20PEV%20CB%20Analysis%20FINAL%2015aug18.pdf
[21] Benefit-Cost Analysis of Transportation Electrification in the Xcel Energy Colorado Service Territory. May 2020.
[22] *See* ORDER MAKING FINDINGS AND REQUIRING FILINGS, Order Point 4, Docket No. E999/CI-17-879 (February 1, 2019)

requirement to charge EVs on a time-varying rate, which improves system utilization and efficiency.

C. Reduce Carbon or Other Pollutant Emissions

The transportation sector is a leading source of greenhouse gases in Minnesota, and the adoption of EVs provides a variety of environmental and public health benefits. These benefits from reduced carbon and nitric oxide emissions include reduced atmospheric and oceanic concentrations and public health benefits from reduced mortality and asthma rates. Based on our internal analyses, we estimate that each light-duty EV could reduce CO_2 emissions by approximately 4.1 tons of CO_2 per year and each bus by 45.6 tons of CO_2 per year.[23]

Increased access to public charging and EV rebates will make it easier to our customers to own and operate an EV. Rebates lower the initial cost of EVs, which can open ownership opportunities for a wider customer base. Public fast charging programs create new charging opportunities in areas currently underserved by charging options. This can help in two ways. First, it can help those in the area of the stations who do not own homes with private garage access, or those who rent/own dwellings without the ability to add charging access, allowing more people to own EVs and not have to worry about where they will charge their vehicles. Second, a wider public charging base can give EV owners the peace of mind that they will be able to drive where they need to without worry about potentially running out of vehicle charge.

Increasing the adoption of EVs and electric buses will allow for less reliance on the use of diesel fuel or gasoline. Reducing the use of these carbon-heavy sources of energy create a significant opportunity for reducing carbon and other pollutants from the transportation sector.

D. Increase Access to Conservation and Clean Energy Resources

The Commission has recognized that electrification of Minnesota's transportation sector is in the public interest, provides environmental and public health benefits, and enhances clean energy goals by reducing statewide greenhouse gas and other

[23] Based on 2030 emissions

environmentally harmful emissions.[24] Increased EV usage can improve utilization of renewable generation resources, especially when vehicles are charged on time-varying rate tariffs, which each of our four proposals is aligned with. With time-varying rate tariffs, users are encouraged to charge vehicles at night when system usage is lower, but also when wind generation tends to be the highest in the Midwest. For customers interested in accessing clean energy transportation options, our EV offerings will allow them greater access.

E. Create Jobs or Otherwise Assist in Economic Recovery

We estimate that every $20,000 in expenditures on public transit infrastructure will support one new job. This estimate is based on American Public Transportation Association's "Economic Impact of Public Transportation Investment: 2020 update" report, which suggests that every $1 billion in investment will create or support up to 50,000 jobs per year. Based on the total budget of approximately $157 million[25] the EV programs proposed here, we estimate that the programs could indirectly support up to 7,800 new jobs.

F. Use of Woman, Veteran, or Minority Owned Businesses

The Company is committed to the use of woman, veteran, or minority-owned business when available. For our projects in this proposal, all sourcing and contractor options will include criteria to consider business owned by women, veterans, or minorities, and we will select union labor when possible. Further, bus rebates will only be available to transit authorities supported by union labor.

III. Public Interest and Benefits of EV Proposals

Although ambitious, the EV initiatives proposed in this filing are reasonable and in the public interest. Our EV portfolio is designed to help overcome barriers to EV adoption that a utility is well suited to address, namely high upfront costs for charging infrastructure and EVs and range anxiety created by a lack of public charging options. The portfolio includes offerings that can lower the purchase price of EVs via rebates, lower upfront costs of charging equipment through programs where the Company will install and own equipment and increase access to public charging options by

[24] *See* ORDER MAKING FINDINGS AND REQUIRING FILINGS, Order Point 1.c, Docket No. E999/CI-17-879 (February 1, 2019)

[25] Assumption does not include EV Fleet Pilot Service program.

building a fast charging network that will target underserved markets. It is important that EV initiatives be designed to provide access in an equitable manner to address the needs and opportunities of all our communities.

Our proposed periodic reporting of data and information on pilot operations will provide transparency on an ongoing basis to inform the Commission, interested parties, and the public of the results of our EV offerings. We discuss our proposed annual reporting commitments later in this filing.

The group of EV investments in this filing are being proposed in direct response to the Commission's interest in investments. They are projects we believe can deliver an immediate impact that can help boost economic activity in Minnesota and spur quicker adoption of EVs. While the projects share characteristics with our other EV offerings (or in the case of the Fleet EV Pilot Service are simply a modification), they are unique and warrant special considerations.

Each of these programs can deliver benefits resulting from an increase in EV adoption. EV adoption can spur an increase in electric sales which place downward pressure on rates for all customers. In addition, EVs are a key to decreasing transportation emissions in our state. For all these reasons, we believe the Company has appropriately balanced these objectives in our pilot design, resulting in a portfolio of EV pilots that is reasonable and consistent with the public interest.

IV. Annual Reporting

The Company submits an EV annual report to the Commission on June 1 of each year. This is a convenient method for us to report on all our EV activities in a holistic manner. We intend to use this annual report to provide meaningful information about the operations of the programs being proposed in this filing. As each of these programs have unique characteristics, we will have a distinct set of reporting items for each program. We list our proposed reporting items below. A set of reporting items for our EV Fleet Pilot Service have already been approved, and they were filed in our most recent EV annual report.[26] As the modification to the program we are requesting here does not material affect the information we were reporting, we intend to continue with the reporting items already approved. We have included those items below for reference.

[26] Report filed June 1, 2020 in Docket Nos. E002/M-15-111, E002/M-17-817, E002/M-18-643, and E002/M-19-186

Electric Vehicle Purchase Rebates

- Number of light-duty vehicle rebates issued
- Breakdown of types of light-duty vehicles which rebates were issued
- Breakdown of managed charging tariff rebate recipients are participating in
- Number of electric bus rebates issued
- Breakdown of transit authorities receiving rebates
- Marketing and Outreach costs related to EV purchase rebates

Public Fast Charging Stations

- Number of stations built
- Number of charging ports
- End-user satisfaction
- Information on site-host characteristics
- Customer charging behavior in response to rate structure
- Site level, annual:
    - Location of the site
    - Number of ports at the site, and individual port capacities
    - Costs:
        - EV Service Connection
        - EV Supply Infrastructure
        - EV Charging Equipment
        - Cost of distribution system upgrade investments related to station installation
    - Revenues from end users, broken down by peak period
- Site level, monthly:
    - kWh consumed broken down by peak period
    - Coincident peak demand, including the time of day at which peak occurred
    - Non-coincident peak demand, including the time of day at which peak occurred

Acceleration of Xcel Energy Fleet Electrification

- Number of electric fleet vehicles purchased
- Breakdown of type of electric fleet vehicles

- Number of chargers installed, including number of ports and individual port capabilities
- Costs:
    - Vehicle Purchases
    - EV Service Connection
    - EV Supply Infrastructure
    - EV Charging Equipment
    - Cost of distribution system upgrade investments related to charger installations
    - Maintenance costs for vehicles and chargers
- kWh consumed for charging purposes, broken down by peak period

<u>Expansion of existing EV Fleet Pilot Service</u>

- Program Level:
    - Participation over time on:
        - The number of fleets;
        - The number of vehicles;
        - The number of ports
    - End-user satisfaction, including surveys of fleet EV drivers and transit users riding electric buses;
    - Publicly accessible information on site host characteristics; and
    - Customer charging behavior in response to rate structure.
- Site level, annual:
    - Location of the fleet charging site;
    - Number of ports at the site, and individual port capacities;
    - Costs:
        - Program implementation;
        - Installation costs:
            - EV service connection;
            - EV supply infrastructure;
            - Optional EV charging equipment;
            - Cost of distribution system upgrade investments for the make-ready component of the pilot, including cost per kW.
        - Customer service and technical assistance needs;
        - Dollar estimate of public and private funds being leveraged; and
        - Any other costs not reflected in list above.

- Revenues, broken down by:
  - Energy revenues;
  - Demand charge revenues;
  - Fixed costs revenues; and
  - Optional charger cost revenues.
- Whether the customer elected to charge with renewable energy.

CONCLUSION

We appreciate the Commission's leadership in this time by opening the conversation to discuss investments utilities could make that would assist in Minnesota's economic recovery from the COVID-19 Pandemic. At Xcel Energy, we believe we have a role to play in the recovery of the economy, through both immediate relief for customers who are facing hardships as a result of COVID-19 and stimulating economic development, recovery, and job creation over the coming years. We look forward to discussing these investments and the ways we can do our part to support Minnesota's economic recovery through the coming years.

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this proposal for approval of the Payment Plan Credit program designed to help prevent disconnections when the Minnesota Cold Weather Rule protections expire on April 15, 2021 by establishing an economic recovery incentive for residential electric customers entering and completing a payment plan while also helping to keep those customers up to date on their current bill.

The Payment Plan Credit program has been designed to provide relief to residential electric customers who are in arrears and have continued to accumulate a delinquent balance during the months of the pandemic. Customers with a current balance between $1,000 and $4,000 are eligible to receive 75 percent of their balance in bill credits issued as a partial up-front credit and then monthly bill credits for up to eleven months, provided they continue to make payments as arranged. We have targeted this customer segment as having large enough arrears to be most at risk of permanently falling behind in their payments. The program will provide up to $17.5 million in bill credits funded through an increase to the existing Low-Income Surcharge for a period of two years.

The Company respectfully requests that the Commission approve:

- the Payment Plan Credit program as detailed below; and
- our proposed increase of the Low Income Energy Discount surcharge for a period of two years.

I. BACKGROUND

The COVID-19 pandemic has resulted in an economic downtown and subsequent widespread job furloughs and losses due, in part, to the required temporary closure of many businesses.[1] The Company voluntarily suspended service disconnections in mid-March 2020 that would have ordinarily resumed on April 15, at the conclusion of the Cold Weather Rule (CWR) period, and is waiving late fees for all residential

[1] Governor Walz's Emergency Executive Orders 20-04, 20-18, 20-33 and 20-48, in particular, kept businesses closed.

customers.[2] As the pandemic continued with many people still unable to return to work, the Commission extended the suspension of residential service disconnections for all utilities through the conclusion of the declared peacetime emergency.[3] The Commission ordered that utilities may file a plan to resume disconnections at the conclusion of the peacetime emergency, with disconnections allowed to resume 60 days later. However, the Company is concerned about the long-term effects for customers who are in arrears.

We have observed that residential customers are making fewer payment arrangements than in a usual year. Therefore, the arrears balances are growing for customers who are in arrears without making payment plans.

Table 1: 2020 Payment Arrangements Compared to 2019 Payment Arrangements

	2020 Payment Arrangements		2019 Payment Arrangements	
Installments	Count	%	Count	%
1-3 Months	9,785	34.9%	33,712	47.4%
4-6 Months	13,759	49.1%	31,841	44.8%
7-12 Months	4,319	15.4%	5,345	7.5%
13+ Months[4]	148	0.5%	237	0.3%

In a usual year, these customers would be prompted to make payment plans when they receive disconnection notices for non-payment during the spring and summer months. During the pandemic, these notices have not been sent during the disconnection suspension since we will not be disconnecting service. Of those customers making payment arrangements in 2020, a larger percentage of them are asking for longer payment arrangement terms than customers seeking such arrangements in 2019. Given the most recent extension of the peacetime emergency through October 12, 2020, disconnections will not be permitted to resume before the CWR period begins on October 15. If customers have not made a payment plan at this time, some customers may be in arrears for up to 18 months by the time the

[2] See the Company's March 26, 2020 letter in Docket No. E,G999/CI-20-375 in which we indicated that late fees would be waived for residential and small business customers. In our June 8, 2020 letter in that docket, we extended the suspension of late fees to all customer classes, including large businesses.
[3] See the Commission's August 13, 2020 Order in Docket No. E,G999/CI-20-375.
[4] Payment arrangements extending beyond 12 months are typically reserved for special needs situations and handled by the company's Low Income and Medical (PAR) and Customer Advocate groups.

CWR ends on April 15, 2021. At that time, these customers may have amassed very large arrears balances and be at risk of disconnection.

The Company has designed the program around this segment of customers after reviewing a sample set of customer data and discovering that more than 50 percent of past due customers had a balance of less than $200[5]. We believe that customers with lower arrears balances are less likely to fall significantly further behind, and so this program should focus on customers with higher balances who are most likely to keep falling behind. We also note that income-eligible customers are eligible for multiple forms of assistance to pay towards utility bills. This program targets those customers whose balance exceeds available assistance and includes households who may still be struggling while maintaining income levels over typical low-income criteria. To address this issue, we have developed a Payment Plan Credit program, which we detail below.

II. PROGRAM PROPOSAL

A. Overview

Through the Payment Plan Credit program, the Company proposes to issue approximately $17.5 million in arrearage reduction bill credits to approximately 11,600 residential electric customers to incentivize them to make payment arrangements with the goal of allowing them to get caught up on their past-due bills without falling further behind. Customers with a current arrearage balance between $1,000 and $4,000 will be eligible for bill credits equal to 75 percent of the individual customer's arrearage balance at the time they make the payment arrangement. A customer's total credit will be between $750 and $3,000, depending on the individual arrearage balance. To incentivize participation, 25 percent of the arrearage balance will be provided as an upfront credit, and then 50 percent of the arrearage balance will be issued in equal monthly credits for the remaining period of their payment arrangement. The combination of a larger upfront payment followed by ongoing support is intended to help customers continue to pay their current bill as well as their payment arrangement so as not to fall further behind while paying for the arrearage balance.

The initial, upfront bill credit will be applied to the customer's account beginning the month following the establishment of the payment arrangement. Smaller monthly

[5] Numbers based on a snapshot of past due customer data taken on July 8, 2020.

credits will be issued thereafter until the conclusion of the payment arrangement. The credit will be shown as a separate line item. At this time, the application process will be manual, with a customer needing to call to initiate the process with Company call center agents, though we will research the ability to add an online application to be available in 2021.

B. Program Eligibility

As noted above, customers with a current arrearage balance between $1,000 and $4,000 are eligible for the program. However, the program will be restricted to customers not in an existing payment arrangement prior to the launch of the program because the intent of the program is to assist customers struggling as a result of the pandemic and associated economic impacts by providing an incentive to make arrangements and resolve their balance.

In addition, if a customer on the Payment Credit Plan breaks their payment arrangement by missing a month's payment, they cannot re-enter the program. As per the Cold Weather Rule,[6] a "reasonably timely payment" allows for receipt of payment within five business days of the agreed-upon due date. LIHEAP or other Energy Assistance customers are a minimal customer base in the eligible arrearage group, but they are eligible for the program.

C. Payment Arrangements

To help customers pay down balances, the Company already offers the option to make a specialized payment arrangement. Any customer having trouble paying their total balance every month who does not use the Averaged Monthly Payment, Auto Pay, or Custom Due Date programs is already able to request a pay arrangement to spread their balance over one to eleven monthly payments. These pay arrangements are developed per each customer's unique circumstances. As part of the Payment Plan Credit program, the customer's pay arrangement will be tailored to their circumstances to meet the customer's needs as well. Factors such as heavy winter usage caused by electric heat or heavy space heater usage will be considered when designing a customer's pay arrangement.

Table 2 below is an example of a customer pay arrangement under the Payment Plan Credit program.

[6] MN Stat. 216B.096, Subd2(f)

Table 2: Payment Arrangement Example

Example: Electric Customer in an Apartment	
Total Balance[1]	$1,190.00
Current Bill[2]	$35.00
Initial Credit from Plan	$(288.75)
AMP[3] Amount	$68.00
Monthly Installment from Arrearage[4]	$78.75
Monthly Credit from Plan	$(52.50)
Customer Payment (arrearage + current)	**$ 94.25**

[1] Usage and billing history include high winter consumption, indicating potential electric heat source
[2] Suggested down payment of current bill to enter plan; can be adjusted to meet individual customer needs
[3] Average Monthly Payment (aka "Budget Bill")
[4] Balance distributed over 11 additional months for 12 months total with down payment month. Prevents conflict with AMP true up month being subject to installment

D. Communication

In order to enroll eligible customers in the Payment Plan Credit program, we will perform targeted phone calls, emails and bill inserts to customers who meet the criteria for the program. To make sure customers are aware of other available assistance that they may qualify for, we will also provide the targeted customer information about LIHEAP and other Energy Assistance programs. In addition, we are exploring the option of targeting zip codes of customers that fit within the program parameters and use it for micro-segmentation to set up outreach in community newspapers or other local forums.

E. Recovery

The costs of the program will be funded through an increase in the electric Low Income Energy Discount surcharge for all customer classes. We have designed the program to issue $17.5 million in credits and have calculated the recovery of these costs over two years, so $8.75 million will be recovered from customers in each of two years. Residential customers will see an increase of $0.51 per month ($6.12 per

year), which is a 52 percent increase over the current surcharge rate. Table 3 below shows the proposed surcharge increases for all customer classes.

Table 3: Current and Proposed Monthly Surcharge

Customer Class	Current Charge	Increase	Proposed Charge
Residential	$0.98	$0.51	$1.49
C&I Non-Demand	$1.27	$0.68	$1.95
C&I Demand	$3.60	$2.04	$5.64

The Company will implement the proposed rate increase on the first of the month following Commission approval. We will submit a tariff compliance filing within 10 days of the Order to update the following tariff:

Minnesota Electric Rate Book—MPUC No. 2
Sheet No. 5-96, revision 13

F. Reporting Plan

The Company will track the number of program applicants, the rate by which customers retain this payment arrangement, the disbursement of the funds, and the revenue from the increase to the surcharge. We propose to include this information with the Annual Report of our electric Low Income Energy Discount Program filed on December 1 each year in Docket Nos. E002/M-04-1956 and E002/M-10-854 where we already provide details of the Low Income Discount Surcharge revenue and disbursements, with a financial tracker.

CONCLUSION

Xcel Energy respectfully requests that the Commission approve the Payment Credit Plan program designed to incentivize residential electric customers to enter and complete a payment plan to help prevent disconnections and authorize the proposed increase to the Electric Low Income Energy Discount surcharge to fund the program.

CERTIFICATE OF SERVICE

I, Lynnette Sweet, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

Docket Nos. E,G999/CI-20-492
E,G002/CI-20-___

Dated this 15th day of September 2020

/s/
_____
Lynnette Sweet
Regulatory Administrator

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