

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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In the Matter of the Application of Northern
States Power Company d/b/a Xcel Energy for
Authority to Increase Rates for Electric
Service in the State of Minnesota

MPUC Docket Nos. E002/
GR-21-630, G-002/GR-23-413

REPLY COMMENT

Pursuant to the Minnesota Public Utilities Commission’s (“Commission”) December 23, 2025, Notice of Comment Period (“Notice”),¹ the Xcel Large Industrials (“XLI”)² submit this reply comment to respectfully reiterate the request for the Commission to decline to allow Northern States Power Company d/b/a Xcel Energy (“the Company” or “Xcel”) to earn a return on prepaid pension asset (“PPA”) through rate base. The evidence and analyses contained in the Company’s initial comment do not overcome its failures throughout this proceeding to meet its burden to demonstrate that its request to include PPA in rate base is just and reasonable. The Company still has not offered meaningful evidence to support its proposal, nor has it successfully refuted XLI’s evidence in the record supporting denial of the inclusion of PPA in rate base, consistent with other Commission decisions. XLI reiterates its request that the Commission not deviate from established precedent and record evidence by allowing the Company to recover PPA in rate base.

I. INTRODUCTION

The Company’s initial comment offers no new evidence to support its request to earn a return on PPA through rate base, instead relying on outdated Commission decisions to support its proposal.³ Xcel also fails to describe the differentiating factors between the Court of Appeals

¹ *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, MPUC Docket Nos. E-002/GR-21-630, G-002/GR-23-413, Notice of Comment Period (Dec. 23, 2025) (eDocket No. 202512-226164-01) (establishing March 10, 2026 as the due date for initial comments).

² XLI is an ad hoc consortium of Commercial and Industrial Demand (“C&I” or “C&I Demand”) customers served by Northern States Power Company d/b/a Xcel Energy.

³ The initial comment cites for support a Commission decision from 2013, which the Commission made very clear in its 2015 MERC order that it did not find persuasive or precedential. *In re Appl. of Minn. Energy Res. Corp. for Auth. to Increase Rates for Nat. Gas Serv. in Minn.*, Docket No. G-011/GR-15-736, FINDINGS OF FACT, CONCLUSIONS, & ORDER at 11–12 (Oct. 31, 2016) (“Nor does the Commission find the 2013 Xcel Energy rate

decision in *Minnesota Power* and its own appeal of PPA, namely that the appellate court found Minnesota Power had provided sufficient evidence to show investors fully funded its PPA, while Xcel did not.⁴ Xcel's continued failure to provide meaningful evidence that investors alone funded its PPA means the Company has still not met its burden in this case.

II. ANALYSIS

A. Xcel's New Legal Theories Lack Merit.

As previously addressed, the Company bears the burden of proof to show that its proposal is just and reasonable.⁵ Where any doubt exists as to reasonableness, that doubt "should be resolved in favor of the consumer."⁶ Xcel suggests a new, unsupported, legal presumption, stating "any 'doubts' to be resolved in the favor of the consumer must still be based on substantial evidence in the record and logical conclusions."⁷ Instead of citing a case decided under Minn. Stat. § 216B.03 for this proposition (there are none), or even generally referencing Chapter 216B as supportive, Xcel's comment points to Minn. Stat. § 14.69 on appellate review. Xcel may wish the record in this proceeding were different, but such wishes do not change the clear and unambiguous language in Chapter 216B that doubt "should be resolved in favor of the consumer."⁸

Moreover, XLI has provided substantial evidence in the record to demonstrate that such doubt does exist.⁹ Unfortunately, the Company's initial comment provides no substantive evidence to refute XLI's position that Xcel has not demonstrated its PPA is solely funded by investors. Therefore, the Company continues to fail to meet its burden and XLI continues to urge the Commission to deny the Company's request to earn a rate of return on PPA through rate base.

case treatment of pension and other post-employment regulatory assets to be persuasive or precedential.") ("MERC Order").

⁴ *In re Application by Minn. Power for Auth. to Increase Rates for Elec. Serv. in MN*, 12 N.W.3d 477, 490 (Minn. App. 2024).

⁵ Minn. Stat. § 216B.16, subd. 4 ("The burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change."). Minn. Stat. § 216B.16, subd. 4 ("The burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change.").

⁶ Minn. Stat. § 216B.03.

⁷ Xcel Initial Comments at 12.

⁸ Minn. Stat. § 216B.03.

⁹ E.g., Ex. XLI-4 at 45:19-46:5 (LaConte Direct).

B. The Company Is Not Entitled To a Rate of Return on PPA If It Cannot Demonstrate Investors Alone Fund the PPA.

In furtherance of the Company's argument that it is entitled to earn a return on PPA, the Company's initial comment likens earning a return on PPA to earning a return on capital investments. This comparison is misguided and demonstrates a fundamental misunderstanding the Company has about this issue. As a threshold matter, PPA is "the result of GAAP accounting function."¹⁰ It is therefore entirely distinct from ordinary capital investments and the analogy fails.

Another foundational difference between earning a rate of return on capital investments and PPA is that customers benefit from the investment in capital investments, whereas unless investors alone have funded a PPA, customers are not receiving benefits where they may be funding the PPA. Xcel would not be able include, for example, the total investment into a generating asset if it did not fund 100% of the investment (i.e., the investment was shared with another electric utility). The same principle applies here, except that, unlike a jointly owned generating asset, which joint ownership is documented in various agreements (e.g., a joint-venture agreement specifying ownership share), Xcel cannot and continually fails to demonstrate the percentage its shareholders funded. The Company cites the *Hope* and *Bluefield* decisions to support its request to earn a return on PPA, but those decisions only entitle the utility to a reasonable opportunity to earn its authorized rate of return on assets the utility demonstrates were prudently deployed to serve customers.¹¹ Therefore, demonstrating its PPA is solely funded by investors is paramount to the question of whether the Company should be allowed to earn a rate of return on PPA through rate base. Based on the evidence the Company has provided to date, the answer to that question is a resounding 'no.' The Company has not demonstrated that its investors alone have funded its PPA, which is a prerequisite to customers deriving a benefit from the PPA, such that the Company can earn a return on it pursuant to *Hope* and *Bluefield*. Without such a demonstration, the Company continues to fail to meet its burden here. This continued failure is further detailed below.

¹⁰ XLI Ex. 4 at 45:8 (LaConte Direct)

¹¹ See *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944); *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n*, 262 U.S. 679, 692 (1923).

C. The Company Continues to Produce No Evidence That Investors Alone Fund Its PPA.

The Company continues to argue that its PPA is solely investor-funded but provides no meaningful evidence to support its contention. As evidence that investors alone fund its PPA, Xcel states that

Xcel Energy has never had negative pension expense for the NSPM plan at issue due to its use of the Aggregate Cost Method, which has a minimum expense provision of zero and therefore cannot go negative. In other words, there has never been a time when the NSPM pension costs paid by customers have exceeded the costs of the pension plan, and therefore there has been no prepayment of pension costs by customers, which would be included in the calculation of the prepaid pension asset.¹²

It states that for this reason, “there is no source for the existence of the prepaid pension asset except investor contributions.”¹³ However, the surrebuttal testimony of Company witness Schrubbe cited for this proposition does not, in fact, state that pension costs paid by customers have never exceeded the costs of the pension plan. Instead, it states that the entire PPA is attributable to Company contributions because “NSPM uses the ACM to calculate pension expense, none of NSPM’s prepaid pension asset is attributable to negative pension expense,” because the Aggregate Cost Method (“ACM”) “cannot go negative.”¹⁴ This is the same flawed argument Xcel has made before. This argument is misleading because the ACM pertains to the overall pension expense, not the PPA.¹⁵ Further, the Company’s statement is legally conclusory. A negative pension expense can be created at any time that payments to the pension exceed negative pension expense, including through excess earnings on pension. While the Company contends it has produced “uncontroverted evidence that market gains and losses are not factored into the calculation of the prepaid pension asset,”¹⁶ it ignores market returns do impact PPA, something the Commission

¹² Xcel Initial Comments at 10-11.

¹³ Xcel Initial Comments at 11.

¹⁴ Ex. Xcel-58 at 29:3-7 (Schrubbe Rebuttal).

¹⁵ Ex. DOC-23 at 33:16-18 (Campbell Surrebuttal).

¹⁶ Xcel Initial Comment at 12.

itself has acknowledged.¹⁷ And because pension expense necessarily determines PPA, changes in market value can impact the PPA.¹⁸

As part of its initial comment, Xcel provides a report that describes how a utility can determine whether or not its PPA is investor funded. However, Xcel provides no evidence specific to this case to show that its PPA is investor-funded per this methodology. Xcel ignores that it continues to bear the burden of proof to show that its proposal is just and reasonable, and without affirmative evidence showing its PPA is entirely funded by investors, it cannot meet that burden. Nothing in its initial comment changes XLI's position that the Company has not met its burden of proof, and should not be allowed to recover a rate of return on its PPA through rate base.

III. CONCLUSION

For the reasons provided herein above, the Company has not met its burden of proof to demonstrate its request to recover this expense from ratepayers would be just and reasonable. Therefore, XLI reiterates its recommendation that the Commission confirm its prior decisions using the substantial evidence developed by XLI and other parties to deny the Company's recovery of PPA in rate base. Further, unless and until Xcel offers credible and documented evidence to meet its burden, XLI requests that the Commission determine no amount of PPA can appropriately be recovered through rate base.

¹⁷ See Ex. XLI-4 at 46:21-47:5 (LaConte Direct); *In the Matter of the Application of Minnesota Power for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-015/GR-16-664, Findings of Fact, Conclusions and Order at 16 (Mar. 12, 2018); MERC Order at 11; *In the Matter of Otter Tail Power Company for Authority to Increase Rates for Electric Service in Minnesota*, Docket No. E-017/GR-15-1033, Findings of Fact, Conclusions, and Order at 25 (May 1, 2017).

¹⁸ Ex. DOC-21 at 48:7-10 (Campbell Direct).

Dated: April 7, 2026

Respectfully submitted,

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