

Staff Briefing Papers

Meeting Date	November 20, 2025	Agenda Item 3*
Company	Northern States Power Co. d/b/a Xcel Energy	
Docket No.	E-002/M-24-371	
	In the Matter of Xcel Energy’s Petition for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2024-2025 and Revised Adjustment Factors	
Issues	Should the Commission approve or modify Xcel Energy’s 2024 and 2025 Transmission Cost Recovery (TCR) Rider revenue requirements and the resulting adjustments factors by customer class?	
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✓ Relevant Documents	Date
Xcel Energy-Petition	November 1, 2024
Department of Commerce-Comments	December 9, 2024
Commission-Order	December 17, 2024
Department of Commerce-Comments	April 3, 2025
Xcel Energy-Reply Comments	April 14, 2025
Department of Commerce-Reply Comments	August 12, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Background

In 2005, Minn. Stat. § 216B.16, Subd. 7b (the Transmission Statute) was enacted, authorizing the Commission to approve a tariff mechanism for annual adjustment of charges for costs associated with eligible utility investments in transmission, and 2008 this statute was amended to allow inclusion of the costs of certain regional transmission facilities as determined by MISO.

Xcel Energy (Xcel or the Company) filed this petition with the Minnesota Public Utilities Commission (Commission) on November 1, 2024, which included Transmission facilities and MISO Regional Expansion Criteria and Benefits (RECB) costs as authorized under Transmission Statute; Distribution Grid Modernization project costs as authorized under Transmission Statute; costs related to distribution planning, Xcel calls Hosting Capacity Analysis (HCA); and participant compensation costs. Xcel requested approval for recovery of total costs related to any of these categories under a single recovery mechanism, the Transmission Cost Recovery (TCR) rider.

On December 9, 2024, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed a letter recommending approval of Xcel's provisional rate reduction to begin January 1, 2025, for Xcel's 2025 TCR Rider Petition.¹

On December 17, 2024, the Commission issued Order approving Xcel's provisional rate reduction to be implemented on January 1, 2025, subject to update in this proceeding.²

On April 3, 2025, the Department filed Comments which reviewed the initial filing of Xcel's 2025 TCR. At the end of the Department's review, the Department requested additional information related to new transmission projects and hosting capacity analysis.

On April 14, 2025, Xcel filed Reply Comments with requested information related to new transmission projects and hosting capacity analysis.

On August 12, 2025, the Department filed Reply Comments, which reviewed Xcel's Reply Comments, and recommended approving Xcel's 2025 TCR rider as filed.

¹ In the Matter of Northern States Power Company, doing business as Xcel Energy (Xcel), Petition for Approval of the Transmission Cost Recovery (TCR) Rider Revenue Requirements for 2025, Tracker True-Up, and Revised Adjustment Factors, Docket No. E-002/M-24-371, Letter of the Minnesota Department of Commerce, Division of Energy Resources (Dec. 9, 2024).

² In the Matter of Northern States Power Company, doing business as Xcel Energy (Xcel), Petition for Approval of the Transmission Cost Recovery (TCR) Rider Revenue Requirements for 2025, Tracker True-Up, and Revised Adjustment Factors, Docket No. E-002/M-24-371, ORDER (Dec. 17, 2024).

II. Discussion

A. Xcel Energy

As seen in Table 1, Xcel Energy requested a \$57.5 million revenue requirement for 2025. The amount is a decrease of \$5.2 million as compared to the 2024 TCR petition and is driven by TCR True-up carryover. The petition does include 3 newly proposed transmission projects and were approved through the MISO Transmission Expansion Plan (MTEP).

Table 1 - 2025 Forecast Revenue Requirement³

New Distribution-Grid Modernization Projects	
AGIS-ADMS	5,319,495
AGIS-AMI	48,343,834
AGIS-FAN	9,083,554
AGIS LoadSeer	548,898
AGIS-TOU Pilet	697,445
Sub-Total	\$63,993,226
Transmission Projects	
Big Stone-Brookings	0
Brookings - 2nd Circuit	5,017,760
CAPX2020 – Brookings	0
CAPX2020 – Fargo	0
CAPX2020 – La Crosse Local	0
CAPX2020 – La Crosse MISO	0
CAPX2020 – La Crosse MISO - WI	0
Huntley – Wilmarth	0
Hosting Capacity	202,921
LaCrosse - Madison	0
LRTP2 Alexandria-Big Oaks	1,187,859
Bayfront to Ironwood	496,060
Sub-Total	\$6,904,599
Projects - Total	\$70,897,825
Adjustments	\$13,372,784
Revenue Requirement	\$57,525,041

The three new projects are Brookings Second Circuit (MN/SD), Bayfront to Ironwood (WI/MI), and MISO LRTP2 Alexandria to Big Oaks (MN). Brookings Second Circuit adds a second 345 kV circuit to 2-line segments between Brookings County SD and Hampton, MN. The western portion entered service in September 2024; the eastern portion is expected in 2025. Bayfront to

³ Petition, Attachment 4, Annual Revenue Requirements.

Ironwood rebuilds aging 115kV and 88kV line across Wisconsin and Michigan to improve reliability and resilience; expected in service August 2028. MISO LRPT2 Alexandria to Big Oaks adds new 345kV segments, substation upgrades and a greenfield substation; planned in-service December 2027.

Table 2 summarizes Xcel Energy's proposed TCR revenue requirement allocation for its Minnesota Jurisdiction and compares to 2024 implemented factors.

Table 2. 2024 Implemented and 2025 Proposed Adjustment Factors⁴

	2024 Implemented	2025 Proposed
Total Revenue Requirements	\$62,708,031	\$57,525,000
Residential Rate / kWh	\$0.005474	\$0.004442
Commercial Non-Demand /kWh	\$0.003634	\$0.003009
Demand / kW	\$0.240	\$0.323
Critical Peak Price TOU Pilot / kWh	0.000625	\$0.000848

Xcel plans to provide customer notice as it relates to the change in TCR Adjustment Factors which will be reflected in monthly electric bills. Below is the proposed language:

This month's Resource Adjustment includes a change in the Transmission Cost Recovery (TCR) Adjustment, which recovers the costs of transmission and distribution investments, including delivery of renewable energy sources to customers. The TCR portion of the Resource Adjustment is \$0.004442 per kWh for Residential Customers; \$0.003009 per kWh for Commercial (Non-Demand) customers; \$0.323 per kW for Demand billed customers; and \$0.000848 per kWh for Critical Peak Price TOU customers.⁵

When compared to previous approved TCR adjustment factor, an average residential customer using 650 kWh per month will see a \$0.67 monthly savings. Tables 3 – 5 show Xcel Energy's updated costs and related cap for the distribution projects.

Table 3. AMI Forecast O&M and Capital - in Millions⁶

AMI	Pre 2022	2023	2024	2025	2026	2027	2028	Total	Cap	Variance
Capital	\$43.10	\$93.90	\$117.70	\$33.70	\$29.60	\$20.20	\$0.00	\$338.20	\$366.30	\$(28.10)
O&M	\$5.30	\$4.30	\$9.50	\$20.10	\$20.10	\$0.00	\$0.00	\$59.30	\$92.90	\$(33.60)
Total	\$48.40	\$98.20	\$127.20	\$53.80	\$49.70	\$20.20	\$0.00	\$397.50	\$459.20	\$(61.70)

⁴ Petition pg. 13, Table 1.

⁵ Petition pg. 24

⁶ Petition pg. 19.

Table 4. Fan Forecast O&M and Capital - in Millions

FAN	Pre 2022	2023	2024	2025	2026	2027	2028	Total	Cap	Variance
Capital	\$19.60	\$45.00	\$12.60	\$12.00	\$3.00	\$2.50	\$1.20	\$95.90	\$98.10	\$(2.20)
O&M	\$0.80	\$0.40	\$0.10	\$0.10	\$0.10	\$0.00	\$0.00	\$1.50	\$6.40	\$(4.90)
Total	\$20.40	\$45.40	\$12.70	\$12.10	\$3.10	\$2.50	\$1.20	\$97.40	104.5	\$(7.10)

Table 5. ADMS Forecast O&M and Capital - in Millions⁷

ADMS	Pre 2022	2023	2024	2025	2026	Total	Cap	Variance
Capital	\$49.90	\$0.60	\$0.60	\$0.00	\$0.00	\$51.10	\$69.10	\$(18.00)
O&M	\$6.20	\$0.60	\$0.80	\$1.90	\$1.80	\$11.30		
Total	\$56.10	\$1.20	\$1.40	\$1.90	\$1.80	\$62.40	\$69.10	\$(6.70)

The Company continues to recover costs for the following distribution-grid modernization projects:

- Advanced Distribution Management System (ADMS)
- Advanced Metering Infrastructure (AMI)
- Field Area Network (FAN)
- Residential Time-of-Use (TOU) Pilot
- Advanced Planning Tool (APT-LoadSEER)
- Hosting Capacity Analysis (HCA)

These programs enhance visibility, automation, and data analytics across Xcel's grid, supporting integration of renewable energy and distributed resources.

Xcel Energy complied with the Commission's November 2021 Order by excluding Hosting Capacity Analysis (HCA) costs from its next rate case if recovery is sought through the TCR Rider. According to Minn. Stat. § 216B.16, subd.7b(4), the TCR Rider allows recovery of costs related to distribution planning as outlined in Minn. Stat. § 216B.2425, subd.8. While the statute mandates biennial reporting, Xcel complies by filing the study annually, with the HCA Report submitted alongside the biennial transmission report, although as a separate document since 2018. Xcel provided the following costs estimates for HCA in its previous TCR Rider in Docket No. E-002/M-23-467. HCA costs are outlined in the Table 6:

⁷ Petition pg. 20.

Table 6. Summary of HCA Costs⁸

Development Roadmap Items	Estimated Costs (+50% Contingency)	One-time or Recurring Costs	
Foundational Improvements	\$2,895,000	One-Time	
ADMS CIM Extract	\$825,000	One-Time	
CRS Integration/Cleanup	\$470,000	One-Time	
Modeling Database and Hardware	\$400,000	One-Time	
Project Team Labor	\$900,000	One-Time	
Additional Support Staff	\$ 300,000/year	Recurring	Not yet included in TCR cost recovery
Monthly Updates	\$600,000		
Additional Support Staff	\$ 600,000/year	Recurring	Not yet included in TCR cost recovery
Modeling Software Review	\$2,095,000	One-Time	

For 2025, Xcel forecasted expenses under MISO's schedule 26 and 26A at \$128.9 million, with corresponding revenues of \$138.3 million, yielding a net credit of \$6.9 million to Minnesota customers. Xcel Energy states that the cost recovery is calculated in accordance with Transmission Statute and complies with previous Commission orders.

To calculate its 2025 annual revenue requirement in this filing Xcel Energy used the 9.25% return on equity (ROE), that was approved in its most recent rate case Docket.

Following a 2024 Commission order in Docket No. E-002/GR-21-630, Xcel included \$72,854 for participant compensation payments to advocacy organizations. The company proposes annualized recovery of such costs through the TCR Rider rather than base rates to simplify accounting.

B. Department of Commerce – Comments

1. Project Eligibility

The Department reviewed the three new transmission projects. Xcel did not provide the initial costs/ approved costs or Commission Order related to these projects. The Department requested the related information on approval for the project in Xcel's reply comments. Once the Department has that information the Department will recommend cost cap for the three new transmission projects. The Department did conclude the three new projects Brookings

⁸ Petition Attachment 4, page 14.

Second Circuit, Bayfront to Ironwood, and MISO LRTP2 Alexandria to Big Oaks qualify for recovery under the TCR Statute.

2. Distribution Projects and HCA

The Commission established cost caps for Xcel's AMI, FAN and ADMS, and after reviewing the Department concluded the projects do not exceed current cost caps. The Department requested Xcel provide HCA costs explanation and how the costs compare to approved HCA cost caps.

3. MISO RECB

As in previous TCR petitions, Xcel proposed to recover the net charges it pays other electric utilities through MISO Schedules 26/26A in TCR Rider. Net revenues for 2025 are estimated at (\$6.9 Million) and 2026 is estimated at (\$0.9 million). The Department concluded that Xcel complied with the Commission's Order in Docket No. E-002/M-21-814.

4. ROE, Internal Capitalized Labor and Tax Treatment

Xcel used 9.25% ROE which is consistent with the last rate case. Capitalized Labor was to be removed for HCA calculation as ordered by the last TCR Rider order and the Department concluded the capitalized labor costs were removed. The Company also applied the prorated accumulated deferred income tax (ADIT), and the Department found this treatment consistent with prior decisions and notes its customer impact is minimal.

5. Tracker Balance and Tariff Revisions

Xcel's proposed 2025 track balance of (\$6.5 million) for 2025 and (\$0.4 million) for 2026 appear to be reasonable based on the Department's review. The proposed tariff revisions and customer notices have been reviewed by the Department and approval is recommended.

6. Participant Compensation

Following enactment of Minnesota Statute 216B.631 in 2023, utilities must compensate eligible intervenors for participation cost in certain proceedings. Xcel included \$72,754 in participant compensation for 2024, and the Department supports approval of expense as filed.

7. Conclusions and Recommendations

The Department stated:

The Department recommends that Xcel provide the approved costs and Commission Orders approving the following projects for Brooking Second Circuit, Bayfront to Ironwood, and MISO LRTP2 Alexandria to Big Oaks transmission in reply comments. The Department will provide its final recommendations regarding cost caps for these projects after reviewing the additional information.

The Department recommends that Xcel explain in reply comments whether any of its HCA costs included in the 2025 forecasted revenue requirements in the instant Petition exceed the values included in Table 6. The Department will make its final recommendations regarding HCA cost caps after reviewing the Company's reply comments.⁹

C. Xcel Energy – Reply Comments

1. New Transmission Projects – Approved Costs

To comply with the Department's request, Xcel provided Table 7 which summarizes the initial cost forecasts, the 2025 TCR Petition forecasts, the percentage variance and corresponding regulatory approvals.

⁹ DOC Comments at 17

Table 7. Approved Costs for New Transmission Projects¹⁰

Project	Initial Forecast	2025 TCR Petition Forecast	Variance	Commission Order
Brookings Second Circuit	\$102,000,000	\$99,200,000	-3%	August 15, 2023; E002/CN-23-200
Bayfront to Ironwood	\$132,000,000	\$167,300,000	27%	Certificate of Public Convenience and Necessity on April 15, 2022 in PSCW Docket No. 4220-CE-183.
MISO LRTP2 Alexandria to Big Oaks	\$134,600,000	\$133,800,000	-1%	October 30, 2024 in Docket Nos. E002,E017,ET2,E015,ET10/ CN-22-538 and E002,E017,ET2,E015,ET10/ CN-23-159; MISO approval July 2022

As shown above, two of the three projects are projected to cost less than their respective amounts approved in earlier filings. The Bayfront to Ironwood project, reflects a higher cost than originally forecasted. The higher costs are driven by more refined understanding of rock excavation, increased labor costs and higher costs for materials. A new estimated forecast for Bayfront to Ironwood has increase to \$199.5 million and the cost balance will be included in Xcel's 2026 TCR filing.

2. Hosting Capacity Analysis Costs

The Department also requested that the Company clarify whether any HCA project costs included in the 2025 forecasted revenue requirements exceed the values shown in Table 6. As of the 2025 TCR filing, total expenditures, excluding internal labor, amount to \$841,590. These costs do not exceed the total estimate previously present in Table 6. Due to system limitations, the Company cannot track project spending at the detailed line-item level used in Table 6, but the project costs are within budget.

The Department observed that the HCA cost estimate included a 50% contingency, which they characterized as significant. In their petition, Xcel Energy noted that the project originally carried a 100% contingency, consistent with the Company practice for new or first-of-kind projects with limited scope definition. Contingencies are progressively refined as actual cost

¹⁰ Xcel Reply Comments at 2

data and project experience accumulate. After Phase 1, the project team reassessed the full scope and determined that less development work was required than initially expected. This refinement reduced both contingency levels and overall costs.

The HCA project was completed and placed in service in December 2024, and the final total cost is below the initial estimated provided in the 2022 Hosting Capacity Program Report. The Company will present final cost and corresponding TCR impacts in the next TCR Rider.

D. Department of Commerce – Reply Comments

Based on the review of the additional information provided in Xcel Energy's Reply Comments, the Department found the Company's responses to be sufficient and satisfactory.

The Department Concluded:

- The Brooking Second Circuit and MISO LPTP2 Alexandria to Big Oaks projects present no issues for recovery.
- The Bayfront to Ironwood project's increased costs were not included in current TCR revenue requirements and therefore do not affect this proceeding.
- The HCA costs included for recovery are reasonable and consistent with prior estimates.

Accordingly, the Department recommended that the Commission approve Xcel Energy's 2025 TCR Rider revenue requirements and resulting revised adjustment factors by customer class.

III. Staff Analysis

Staff has reviewed TCR filing and parties' responses and agrees with the approval recommendations of Xcel Energy's 2025 TCR. The new transmission projects are reasonable, and grid modernization are within spending caps. Staff notes that in Xcel's last TCR rider the Commission did not rule on including participant compensation expenses in next TCR Rider.

IV. Decision Options

1. Approve Xcel Energy's 2025 TCR revenue requirement of \$57,525,041, as proposed in Xcel's November 1, 2024 Petition. (Xcel, Department)

And

2. Approve the TCR adjustment factors proposed in Xcel's November 1, 2024 petition. (Xcel, Department)

And

3. Approve the tariff revisions and customer notice proposed in Xcel's November 1, 2024 Petition. (Xcel, Department)