STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

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In the Matter of Xcel Energy's 2025 Integrated Distribution Plan

DOCKET NO. E-002/M-25-142

REPLY COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL— RESIDENTIAL UTILITIES DIVISION

INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits the following reply comments in response to the Public Utilities Commission's Notice of Bifurcated and Extended Comment Period issued on April 7, 2026. The Commission should adopt the recommendations of the Minnesota Department of Commerce (Department) to implement new processes that would bring needed scrutiny to Xcel's distribution investments. These investments are expected to grow substantially, driving rate increases that, if unchecked, could exacerbate affordability issues for residential and small business customers. For the reasons discussed below, the Department's proposal should be adopted.

BACKGROUND

On October 31, 2025, Xcel filed its 2025 integrated distribution plan (2025 IDP). Xcel forecasts investing nearly $1 billion per year in its distribution system in 2026–2030, with an increasing proportion of that amount going to address anticipated load growth from electrification of heating and transportation.[1]

[1] *See* Xcel's 2025 IDP at 9 & fig.5.

By February 27, 2026, the Department and several other parties had filed comments on Xcel's 2025 IDP.

The Department concludes that IDP-process improvements are needed to help optimize Xcel's distribution spending.[2] One of the Department's key recommendations is to formalize a process for reviewing Xcel's distribution planning standards—the criteria that inform decisions about where, when, and how the grid is upgraded to address a variety of risks, from wildfires to age-related equipment failures to overloads.[3] Another key Department recommendation involves enhanced review of major new distribution projects, which would give stakeholders and the Commission the opportunity to vet large projects exceeding $25 million before they are included in a rate case.[4]

Xcel objects to most of the Department's recommendations. Xcel argues that its planning standards are engineering-based and not discretionary, and that the Department's recommendations would expand the scope of the IDP beyond its intended purpose.[5] Regarding major-project review, Xcel argues that an IDP is not a cost-recovery filing and that reviewing projects through IDPs would "blur the distinction between planning and ratemaking proceedings."[6]

ANALYSIS

The Department's recommendations would evolve how IDPs have been used in the past to bring more scrutiny to Xcel's distribution planning processes. These proposals are timely given the scale of investments that Xcel is planning for its distribution grid. Xcel's investments are likely to worsen the affordability crisis that its customers are already experiencing if not carefully

[2] Department Comments at 7–9 (Feb. 27, 2026).
[3] *See id.* at 23.
[4] *See id.* at 18.
[5] Xcel Reply Comments at 3–4 (Mar. 19, 2026).
[6] *Id.* attach. A at 19.

monitored to ensure that Xcel is investing in ways that maximize ratepayer value rather than simply in ways that drive investor returns. The Department's proposals—in particular its proposal to review the assumptions embedded in Xcel's planning standards and its proposal to take a detailed look at any new investments exceeding $25 million—would help to ensure that Xcel's distribution investments are optimized for ratepayers' benefit. Finally, Xcel's arguments for why the Commission should maintain the status quo are unpersuasive. For these reasons, the Commission should adopt the Department's recommended IDP-process improvements.

I. THE LEVEL OF DISTRIBUTION SPENDING THAT XCEL IS PLANNING WOULD WORSEN THE AFFORDABILITY CRISIS.

Over the last decade and a half, Xcel's allowed annual revenues increased by more than $1 billion, not counting revenues recovered through riders.[7] As a result, Xcel's residential rates eclipsed those of other rate-regulated Minnesota electric utilities in 2013, and its average rates have exceeded the national average since 2017.[8] At the same time, Xcel's residential ratepayers have struggled to afford Xcel's increasingly expensive service on top of other inflationary pressures.[9] Ratepayers' struggles have manifested notably through increased residential disconnections and ballooning past-due balances for utility service.[10] As of February 2026, the most recent month for which complete data are available, customers with past-due balances owed an average of $579, or almost three times the average monthly residential bill of $153.[11] More than 60,000 customers received disconnection notices that same month.[12]

[7] *See* Docket No. E-002/GR-24-320, OAG Comments at 4 & tbl.1 (Nov. 12, 2024).
[8] *Id.* at 6–7.
[9] *See* Docket No. E-002/GR-24-320, Direct Testimony of Katherine Hinderlie at 27–29 (Aug. 22, 2025) (discussing inflationary pressures).
[10] *See id.* at 29–32 (discussing Xcel's disconnection statistics); Direct Testimony of Annie Levenson-Falk at 7–11 (Aug. 22, 2025) (discussing arrearage and disconnection statistics).
[11] *See* Docket No. E,G-999/PR-26-2, Northern States Power Company's March 2026 Customer Status Report (Mar. 19, 2026). Xcel does not disaggregate its electric and gas customer statistics.
[12] *Id.*

Xcel's latest rate request, which is currently pending before the Commission, asks to charge its Minnesota electric ratepayers an additional $490.8 million per year,[13] or an extra $165 per year for an average residential customer.[14] Capital costs, and distribution-related capital costs in particular, are among the major drivers of Xcel's request. The largest single driver of the rate request, at $117.5 million or 24 percent of the total, is distribution capital costs for investments like those discussed in Xcel's IDP.[15] In addition, $108.3 million or 22 percent of the total increase is driven by a proposed increase in Xcel's cost of capital,[16] which represents the weighted average of Xcel's borrowing costs and authorized return on equity. Nearly all the $108.3 million cost-of-capital increase is attributable to Xcel's request to increase its approved return on equity.[17]

Xcel's 2025 IDP suggests that these costs will continue to mount in the near and medium term. Xcel forecasts investing nearly $1 billion per year in its distribution system through 2030.[18] As a result of this spending and related O&M costs, annual distribution-related revenue requirements are projected to reach $1.2 billion by 2030.[19] Assuming residential customers fund these costs in proportion to their current share of revenue responsibility, or about 39 percent, that amount represents about $370 per year per customer just for distribution-related costs.[20] Distribution cost-allocation factors used in Xcel's class-cost-of-service studies allocate a larger

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[13] Docket No. E-002/GR-24-320, Notice of Change in Rates at 3 (Nov. 1, 2024).
[14] *Id.*, Summary of Filing at 2.
[15] Halama Direct, sched. 6 at 1; *see also* Halama Direct at 13–14 (describing distribution capital costs at a high level).
[16] Docket No. E-002/GR-24-320, Direct Testimony of Benjamin Halama sched. 6 at 1 (Nov. 1, 2024).
[17] *See* Halama Direct at 15.
[18] *See* 2025 IDP at 9 & fig.5.
[19] *See* 2025 IDP attach. G at 3 (projecting total distribution-related revenue requirements of $1,192,834 in 2030).
[20] *See* Docket No. E-002/GR-24-320, Direct Testimony of Nicholas Paluck sched. 3 at 2 (projecting 1,245,401 residential customers in 2026). $1,192,834,000 * 39% / 1,245,401 = $373.54.

share of distribution costs to residents than their overall share of revenue responsibility, so $370 is likely an underestimate.

Xcel's aggressive capital spending plans are not out of line with the scale of some other investor-owned electric utilities' plans.[21] But this does not make the potential rate impacts any less concerning for its Minnesota customers who are already struggling to make ends meet. And Xcel's plans underscore the need to squeeze every last drop of service out of the existing grid to avoid unnecessarily increasing costs for customers.

II. The Department's Recommendations Would Help Maximize the Value of Xcel's Distribution Investments.

Especially given the affordability crisis, it is imperative that Xcel maximize the value of its existing system before investing in expanded capacity or replacing aging equipment. The traditional regulatory paradigm, however, does not necessarily reward the types of activities that maximize the value of existing grid investments. Utility ratemaking typically provides a financial incentive for capital spending in the form of a guaranteed rate of return, but no similar incentive for operational-efficiency measures that avoid new investments.[22] As a result, "cheaper, more cost-effective solutions such as grid enhancing technologies, energy efficiency, and demand-side solutions—which often reduce the amount of capital spending needed to achieve similar performance—are not always fully considered or leveraged."[23] Given these structural incentives and utilities' preference for capital spending, it is critical that the Commission closely scrutinize planned spending for reasonableness. And this is exactly what the Department's recommendations are designed to accomplish.

[21] *See* Powerlines, Utility Spending Is Rising at 4, 12 (Apr. 2026) (finding that investor-owned utilities are planning to spend at least $1.4 trillion through 2030 with approximately half of that slated for transmission and distribution investments), https://perma.cc/J4CF-3NJ8.
[22] *Id.* at 3, 10.
[23] *Id.* at 13.

The Department notes that, unlike generation and transmission investments, which are vetted through integrated resource plans and MISO transmission-planning processes, respectively, there is no similar process for optimizing distribution spending.[24] Despite the Commission's objectives for IDPs including to "[e]nsure optimized utilization of electricity grid assets and resources to minimize total system costs,"[25] IDP review has not, to date, required meaningful proof that the distribution system is optimized.[26] The Department concludes that existing rate-case processes have also failed to control distribution spending, raising a "clear need for further scrutiny to determine whether all of this proposed spending is actually necessary."[27]

The OAG finds that the Department's IDP-improvement proposals—in particular, its proposals for increased scrutiny of Xcel's system planning standards and major new projects—will help protect ratepayers from funding suboptimal distribution spending. The Department's proposals would accomplish this by bringing additional rigor to the IDP process and allowing the Commission to look "under the hood" of Xcel's decisions about major distribution projects and programs. This will help the Commission and stakeholders vet major projects before they appear in a rate-recovery request. Extra scrutiny, alone, may bring additional discipline to Xcel's distribution spending even without further action by the Commission: if utility managers know that the Commission is watching this spending, they will be more likely to have a strong justification for new projects in the first place.

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[24] Department Comments at 9.
[25] Docket No. E-002/CI-18-251, Order Approving Integrated Distribution Planning Filing Requirements for Xcel Energy, attach. at 1 (Aug. 30, 2018).
[26] Department Comments at 9.
[27] *Id.* at 9–10.

III. Xcel's Arguments for Maintaining the Status Quo Are Unpersuasive.

Xcel's responses to the Department generally fall into two categories. First, Xcel argues that IDPs have historically been "informational" filings that have not involved either review of planning standards or approval of specific expenditures.[28] Second, Xcel argues that reviewing its planning standards would "undermine the consistent application of engineering science, expertise, and judgment."[29] Neither of these arguments is persuasive.

Xcel is correct that the Department's proposals would change how Xcel's distribution investments are reviewed. But for the reasons already discussed, the status quo is untenable. Moreover, the Department's proposals are consistent with the Commission's longstanding objectives for IDPs, which include (1) ensuring optimized utilization of electricity grid assets and resources and (2) providing the Commission with the information necessary to understand the costs and benefits of specific investments.[30] Xcel also argues that requiring it to file the details of major new projects would "blur the distinction between planning and ratemaking proceedings."[31] The Department, however, emphasizes that it does not seek to turn IDPs into rate cases; rather, the goal is to help optimize Xcel's distribution system while supporting the record development that Xcel needs to make a case for cost recovery.[32] Assessing these investments in the IDP would help expedite their review in a future rate case. And, by incorporating feedback received in the IDP docket, Xcel could reduce the risk of disallowances for projects after they have gone into service.

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[28] *See* Xcel Reply Comments at 3, attach. A at 19.
[29] *Id.* at 3.
[30] Docket No. E-002/CI-18-251, Order Approving Integrated Distribution Planning Filing Requirements for Xcel Energy, attach. at 1 (Aug. 30, 2018).
[31] Department Comments, attach A at 19.
[32] *See* Department Comments at 10–11 (discussing alignment of its recommendations with rate cases).

Finally, Xcel argues that "decisions regarding the selection and application of planning standards are best informed by utility engineering expertise."[33] No party in this case has advocated that engineering expertise should *not* inform the selection or application of planning standards. Indeed, the Department takes pains to state that it does not want to "substitute its judgment for that of skilled distribution system engineers."[34] Rather, the Department is primarily interested in reviewing standards that involve policy rather than engineering judgments.[35] For example, Xcel's "N-0" capacity planning standard requires Xcel to mitigate any feeder loading that exceeds 75 percent of rated capacity.[36] Nothing in the laws of physics that requires the N-0 standard to be exactly 75 percent, and slight variations in either direction could yield major changes in system costs.[37] It this tradeoff between "extra" reliability and system costs that the Department seeks to explore.

Xcel's claim that the Department's planning-standard-review proposal would interfere with its engineering judgment glosses over the many non-engineering judgment calls inherent in distribution planning. The Commission should reject this claim and adopt changes to the IDP process to help ensure that Xcel's distribution investments drive maximum value for ratepayers.

CONCLUSION

For the foregoing reasons, the Commission should adopt the Department's process-improvement recommendations for Xcel's IDP, specifically:

1. Create a formal process to review system planning standards on an eight-year cycle beginning with Xcel's 2027 IDP.

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[33] Xcel Reply Comments attach. A at 6.
[34] Department Comments at 25.
[35] *See id.*
[36] *See id.* at 19.
[37] *See* Department Errata Letter at 3 (Mar. 11, 2026).

2. Establish an *ad hoc* system planning standard review process that allows any intervenor to request review of a specified planning standard. The OAG understands that the Department will be recommending in reply comments that the Commission limit *ad hoc* review to a single planning standard per IDP cycle, and the OAG agrees with this recommendation.
3. Create a new filing requirement for all new distribution spending projects and programs with a five-year budget of $25 million or greater under which Xcel would address:
    a. The estimated cost or range for the project or program;
    b. Consideration of feasible alternatives to the proposed spending;
    c. Quantitative estimation of expected outcomes; and
    d. Sensitivity analysis of cost and outcome assumptions.

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Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

/s/ **Peter G. Scholtz**

PETER G. SCHOLTZ
Assistant Attorney General
Atty. Reg. No. 0389936

445 Minnesota Street, Suite 600
St. Paul, Minnesota 55101-2125
(651) 757-1473 (Voice)
(651) 296-9663 (Fax)
peter.scholtz@ag.state.mn.us

ATTORNEYS FOR MINNESOTA
OFFICE OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION