

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
CAH Docket No. 22-2500-37994

INITIAL 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 comment to respectfully urge 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 Company bears the burden of proof to demonstrate that its request to include PPA in rate base is just and reasonable, and it has offered no meaningful evidence to support that contention. On the contrary, the evidence in the record supports the Commission denying the inclusion of PPA in rate base, consistent with other Commission decisions. It would therefore be inappropriate for the Commission to deviate from this precedent and record evidence (or lack thereof, in this instance).

I. INTRODUCTION

The instant comment period stems from Xcel’s 2022-2024 multi-year rate proceeding (“MYRP”), which the Company filed on October 25, 2021, seeking incremental revenue requirement increases totaling approximately \$677 million. As part of its rate request, Xcel sought recovery of a PPA through rate base, and proposed to earn a return on the PPA at its weighted average cost of capital.³ Xcel asserted its “PPA was funded by shareholders and [was] not accessible for capital needs.”⁴ In its July 17, 2023, Findings of Fact, Conclusions, and Order (“July

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 Ex. XLI-4 at 44:8-11 (LaConte Direct).

⁴ Ex. XLI-4 at 44:14-15 (LaConte Direct).

17 Order”), the Commission determined that Xcel had not justified its rate-base treatment of PPA, requiring its removal from rate base. Xcel appealed the Commission’s determination to the Minnesota Court of Appeals, whereinafter the Court reversed and remanded the July 17 Order on the issue of PPA.⁵ Subsequently, the Commission authorized a notice and comment period, and issued an order stating its intent to reopen the record related to PPA to address, in relevant part, “whether the Company has met its burden to prove the size and source of the prepaid pension asset, contributions required by federal law, and possible allocation between ratepayers and shareholders.”⁶ The instant Notice puts forth four questions to be addressed in initial comments:

1. Should the prepaid pension asset be recoverable through rate base or some other method?
2. What methodology should be used to identify how much of the prepaid pension asset should be recovered through rate base?
3. What amount of prepaid pension asset should be recovered through rate base for electric (PUC Docket 21-630) and gas (PUC Docket 23-413)?
4. Are there any other issues to be addressed in these dockets?

XLI’s initial comment addresses the questions above under the construct that the Commission reviews any request for cost recovery—the relevant burden of proof.

⁵ Minnesota Power similarly appealed the Commission’s decision to deny recovery of PPA in its rate base. However, the instant case can be differentiated from the Commission’s concession that the Court of Appeals decision in *In re Application by Minn. Power for Auth. to Increase Rates for Elec. Serv. in MN*, 12 N.W.3d 477 (Minn. App. 2024) invalidated some of its reasoning for declining to allow Minnesota Power to recover PPA in rate base. In that case, the court found plausible evidence that the PPA funding source could be attributed to shareholders, whereas in this case, the Commission itself stated “Xcel failed to meet its burden to show the extent to which its prepaid asset is shareholder-funded.” *In the Matter of the Application by Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, 2025 Minn. App. Unpub. Lexis 52, Case No. A23-1672, Nonprecedential Opinion at 20 (Minn. App. 2025). Thus, the court’s decision regarding Minnesota Power’s PPA need not sway the Commission to stray from its precedent here.

⁶ *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, Order Authorizing Notice and Comment Period After Remand at 3 (Jul. 23, 2025) (eDocket No. 20257-221347-01).

II. ANALYSIS

With all issues in a rate case, the Company bears the burden of proof to show that its proposal is just and reasonable.⁷ Where any doubt exists as to reasonableness, that doubt “should be resolved in favor of the consumer.”⁸ The Minnesota Supreme Court has explained the Commission’s role in determining just and reasonable rates, in particular, explaining that

[u]tilities seeking rate changes must ... prove not only that the facts they present are accurate, but that the costs they seek to recover are rate-recoverable, that the rate recovery mechanisms they propose are permissible, and that the rate design they advocate is equitable, under the “just and reasonable” standard set by statute.⁹

The Commission has recognized that this burden can only be met by a preponderance of the evidence.¹⁰ Therefore, Xcel Energy must establish by a preponderance of the evidence (1) the amount of a given cost as a judicial fact, and (2) that it is just and reasonable for ratepayers to bear such costs, rather than the Company’s shareholders.¹¹ In this case, that means the Company bears the burden to first establish its PPA cost as a judicial fact, and then demonstrate ratepayers should reasonably shoulder the costs for its PPA. The Company has not made such a showing—in fact, the Commission repeatedly denies attempts by utilities to recover PPA in rate base. The Company offers no meaningful evidence to alter the Commission’s decision here. The Company has not satisfied its burden or made a credible showing that warrants recovery of its PPA through rate base, and therefore the Commission should keep with precedent and deny the Company’s request to recover its PPA.

⁷ 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.”).

⁸ Minn. Stat. § 216B.03.

⁹ *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-15-424, Findings of Fact, Conclusions, and Order at 4–5 (June 3, 2016) (the “CenterPoint Order”) (emphasis added); *see also St. Paul Area Chamber of Commerce v. Minn. Pub. Serv. Comm’n*, 251 N.W.2d 350 (Minn. 1977).

¹⁰ *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-15-424, Findings of Fact, Conclusions, and Order at 5 (June 3, 2016) (citing *In re Minn. Power & Light Co.*, 435 N.W.2d 550, 554 (Minn. App. 1989)).

¹¹ *In re Petition of N. States Power Co.*, 416 N.W.2d 719, 722 (Minn. 1987).

A. The Company Has Not Established Its PPA as a Judicial Fact.

The Company has failed to establish its PPA as a judicial fact and has made no credible showing that its PPA warrants recovery. The Commission has declined to find that earning a return on PPA is appropriate unless a utility can demonstrate investors alone entirely fund the PPA, rather than customers or returns on the pension trust.¹² Therefore, without a credible and documented demonstration that shareholders alone fund the Company’s PPA, Xcel should not also be able to recover its PPA through rate base and the Commission should continue its practice of denying these expenses from rate base treatment.

1. The Company Has Not Offered Meaningful Proof That Its Investors Alone Fund Its PPA.

In support of rate base treatment for its PPA, the Company makes the conclusory statement that “shareholders have funded the entire prepaid pension asset that the Company seeks to include in rate base.”¹³ However, the Company fails to provide any meaningful evidence to support that fact. To support its contention, the Company would need to provide that unequivocally, its shareholders funded its PPA. However, Xcel has not, and cannot, demonstrate that its PPA was funded by investor capital.

XLI offered strong evidence in this proceeding to show that the Commission has rejected proposals for utilities to earn a return on PPA where utilities failed to demonstrate that the PPA was funded by investor capital rather than by either pension trust returns or the funding recovered from ratepayers.¹⁴ Making such a showing is challenging—as XLI Witness LaConte testified, the Commission has recognized that “it is nearly impossible to distinguish PPA funding from utility cash contributions, ratepayers’ contributions, and market returns on the trust,” and therefore that “identifying the amount of any proposed PPA is not possible.”¹⁵ Further, in a recent Minnesota Power rate case, the Commission articulated that it “would be impractical, if not impossible, to equitably separate the prepaid amount attributable solely to Minnesota Power’s contributions from

¹² E.g., *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 15-17 (Mar. 12, 2018) (“Minnesota Power Order”).

¹³ Xcel Energy Initial Br. at 53.

¹⁴ E.g., Ex. XLI-4 at 45:19-46:5 (LaConte Direct).

¹⁵ Ex. XLI-4 at 47:2-5 (LaConte Direct).

that attributable to ratepayer contributions and market returns.”¹⁶ The Commission’s observation draws a distinction between the source of PPA funding as being: (1) utility cash contributions; (2) collections from ratepayers; or (3) market returns on the pension trust, where PPA may only be included in rate base where the PPA is solely funded by shareholder cash contributions to the pension trust. The Company itself previously conceded that the Commission has rejected proposals to earn a return on PPA on the basis that the utility must demonstrate that the PPA was solely funded by investor capital (as opposed to pension trust returns for funding recovered from ratepayers).¹⁷ However, as evidenced in the present docket, making such a distinction is impossible for the Company, and Xcel fails to offer substantive evidence to credibly rebut XLI’s demonstrations that the Company cannot prove its investors alone fund its PPA. Without demonstrating that the Company’s PPA is solely funded by shareholders, Xcel should not be allowed to earn a return on PPA through rate base.

2. The Company Fails to Provide Evidence That Its PPA Has Not Been Funded by Other Mechanisms.

PPA can be created in instances where the utility makes a zero dollar cash contribution to the pension trust (said differently, PPA can be created without any contributions to the pension trust); the Company has not provided evidence that such is not the case here.¹⁸ Where a PPA is created without a cash contribution from the utility, investor funds do not contribute toward the pension trust to create the PPA.¹⁹ Rather, the PPA is created by returns on the pension trust that exceed the annual pension expense, creating a negative annual pension expense.²⁰ Alternatively, if a utility contributes cash to the pension trust and fully recovers those contributions through collections from customers of pension expense in setting tariff rates, the resulting PPA would not be considered funded by investor capital. As explained by XLI Witness LaConte:

A prepaid pension asset may also be created when the utility makes zero cash contributions and the pension expense is negative. In this case, the payments to the pension exceed the negative pension expense, which results in a PPA. If a PPA is created by zero cash contributions from shareholders and negative pension expense, this

¹⁶ Minnesota Power Order at 17.

¹⁷ Ex. XLI-4 at 45:12-15 (LaConte Direct).

¹⁸ See Ex. XLI-4 at 45:19-46:5 (LaConte Direct).

¹⁹ Ex. XLI-4 at 45:21-46:3 (LaConte Direct).

²⁰ Ex. XLI-4 at 45:19-45:21 (LaConte Direct).

is the result of excess earnings on the pension trust and not due to investor contributions to the plan. A PPA created via excess returns on the pension asset does not benefit customers through reduced pension expense and customers are entitled to those benefits because they incurred the cost of the funding the pension trust.²¹

Plainly, if a utility fully recovers all of its pension cash contributions to its pension trust through collections of pension expense from customers in its cost of service, then the utility is not entitled to a rate of return on the PPA because customers funded the pension contributions, not investors. As testified by XLI Witness LaConte, it is impossible to reliably determine the funding sources of the PPA, and the Company's lackluster explanations to the contrary do not resolve such ambiguities.²² For example, the Company contends that its use of the Aggregate Cost Method ("ACM") to calculate pension expense "results in none of the PPA being attributable to negative pension expense," therefore allegedly proving PPA funding is entirely attributable to the Company's contributions.²³ However, this explanation fails to acknowledge that the ACM pertains to overall pension expense, not the PPA, demonstrating the Company's evidence cannot credibly prove the source of its PPA funding. The Company has failed to provide evidence clearly showing its investors as the source of its PPA funding and it therefore cannot meet its burden to prove the PPA as a judicial fact.

While the Company has attempted to offer evidence that it somehow differs from other Minnesota utilities and should thus be allowed to earn a return on PPA, its evidence lacks sufficient credibility to support the claim that "shareholders have funded the entire prepaid pension asset that the Company seeks to include in rate base."²⁴ On the contrary, XLI submitted substantial record evidence to show the Company cannot make such a demonstration, and as a result should not be entitled to unique treatment that would contravene Commission precedent. The Company's inability to offer support to establish the Company's PPA as a judicial fact demonstrates that the Company has not met the applicable burden of proof.²⁵ Therefore, XLI urges the Commission to

²¹ Ex. XLI-4 at 45:19-46:5 (LaConte Direct).

²² Ex. XLI-4 at 47:2-5 (LaConte Direct).

²³ XLI Initial Br. at 20 (citing Ex. Xcel-58 at 28:22 – 29:7 (Schrubbe Rebuttal)).

²⁴ Xcel Energy Initial Br. at 53.

²⁵ Minn. Stat. § 216B.03.

reiterate and confirm its prior decision using the substantial evidence developed by XLI and other parties to adhere to its precedent and deny the Company's recovery of PPA in rate base.

3. The Company Has Not Satisfied Its Burden to Show It Is Just and Reasonable to Recover PPA From Ratepayers.

The second step of the Company's burden in this case necessitates a showing that it is just and reasonable to recover PPA from Xcel customers. The Company fails to make the requisite showing here, as it has not provided evidence warranting divergence from substantial Commission precedent that rejects inclusion of PPA from rate base.

In previous cases across Minnesota utilities, the Commission has explicitly stated several reasons why PPA should not be recoverable through rate base.²⁶ First, the Commission has repeatedly recognized that utilities already recover the allowable pension expense from ratepayers, and thus they are not denied recovery of the operating costs associated with PPA.²⁷ Further, the Commission has observed that pension plan assets and benefit obligations fluctuate based on "funding, market conditions, or amendments to the plan."²⁸ The Commission has also noted that "[t]he balances in the prepaid pension asset are temporary," which fundamentally differs from typical rate-based assets on which the Company earns a return.²⁹ Similarly, the Commission observes that utilities already earn a return on PPA "in the form investment returns."³⁰ Finally, in relation to the need to demonstrate investor funds alone contribute to the PPA, the Commission has noted that "[i]t would be impractical, if not impossible, to equitably separate the prepaid amount attributable solely to [the utility's] contributions from that attributable to ratepayer contributions and market returns."³¹ Each reason alone is compelling as to why utilities should not earn a return on investment for PPA—together, they provide an undeniable basis to reject any utility's request to include PPA as a recoverable expense in rate base. The Commission itself acknowledged "in all recent rate cases where rate-base treatment of prepaid pension assets has

²⁶ Minnesota Power Order at 16; *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-011/GR-15-736, Findings of Fact, Conclusions, and Order at 11 (Oct. 31, 2016) ("MERC Order"); *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) ("Otter Tail Power Order").

²⁷ Minnesota Power Order at 16; MERC Order at 11; Otter Tail Power Order at 25.

²⁸ Minnesota Power Order at 16; MERC Order at 11; Otter Tail Power Order at 25.

²⁹ Minnesota Power Order at 16; MERC Order at 11; Otter Tail Power Order at 25.

³⁰ Minnesota Power Order at 16.

³¹ Minnesota Power Order at 17.

been a contested issue, the Commission has ruled that these costs should not be included in rate base.”³² It should continue that convention here, as the Company has provided no meaningful evidence that its proposal overcomes these issues and will result in just and reasonable rates for its customers. Without that affirmative evidence, the Company cannot meet its burden under Minnesota law and thus is not justified in its request to recover its PPA from ratepayers.

III. CONCLUSION

For the reasons provided herein above, the Company has not met its burden of proof to (1) establish its PPA as a judicial fact, or (2) demonstrate its request to recover this expense from ratepayers would be just and reasonable. Therefore, XLI respectfully recommends the Commission reiterate and confirm its prior decision 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.

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Respectfully submitted,

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³² Minnesota Power Order at 15.