

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

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In the Matter of the Application of
Northern States Power Company
for Authority to Increase Rates for
Electric Service in Minnesota

MPUC DOCKET NOS. E-002/GR-24-320
E-002/GS-24-321
CAH DOCKET NO. 28-2500-40515

REPLY BRIEF OF JOINT INTERVENORS

February 25, 2026

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I. INTRODUCTION

As they did in testimony, several parties, including Joint Intervenors,¹ raised affordability concerns in their initial briefs. As the Office of the Attorney General (OAG) stated: “To put it bluntly, many residential customers are not able to pay their utility bills. For many, the rates are just too high to pay on top of increasing costs for other essentials. This is shown by energy burden, historic disconnection levels, historic levels of arrears, and persistent inflation. Several witnesses, from multiple parties, testified on these points.”² Similarly, the Department of Commerce stated: “Affordability must be high on the list of pragmatic concerns guiding the Commission. Energy affordability is a critical public concern, especially given current economic conditions.”³ In addition to citing to expert testimony, parties also highlighted the exceptionally high volume of public comments on this topic in this case. For example, the Citizens Utility Board (CUB) noted that over 7,500 public comments have been filed in this rate case, over 15 times the number filed in the last rate case.⁴ CUB stated: “Thousands of public commenters opposed the Company’s rate proposal, many of whom raised concerns about how the increase would substantially impede their ability to pay for utility service.”⁵

Northern States Power Company d/b/a Xcel Energy (“Xcel,” “Xcel Energy,” or “the Company”) also recognized the affordability challenges its customers face in its initial brief.⁶ However, the Company went on to maintain its request for a 10.30% return on equity (ROE) and

¹ Joint Intervenors are: Cooperative Energy Futures; Environmental Law & Policy Center; Minnesota Interfaith Power & Light; and Vote Solar.

² OAG Initial Brief at 86 (citing Ex. OAG-8 at 38-41; Ex. OAG-1 at 27-32; Ex. CUB-3; Ex. CUB-8; Ex. JIN-2; Ex. JIN-5; Ex. DOC-22 at 3).

³ DOC Initial Brief at 14.

⁴ CUB Initial Brief at 14.

⁵ CUB Initial Brief at 10.

⁶ *See, e.g.*, Xcel Initial Brief at 7.

a two-year revenue requirement of approximately \$365 million, with limited concessions to address customers' ability to pay and the Company's escalating rate of disconnections.

Joint Intervenors understand that Xcel must make investments to continue to provide clean, safe, and reliable service, including investments to integrate clean distributed energy resources (DERs) and to ensure equitable access to these DERs and beneficial electrification, all priorities for our organizations. And we are alarmed by Xcel's proposal to increase its authorized ROE and rates at a time when it is also disconnecting ever-growing, record numbers of its customers. We intend our recommendations to balance Xcel's need to make investments, including investments to enable clean DER integration, with the goals of improving affordability and advancing equity and energy justice. Adoption of our recommendations can help the Commission satisfy its statutory obligation to consider ability to pay in setting rates under Minn. Stat. § 216B.16, Subd. 15(a), and to resolve any doubt as to reasonableness in favor of consumers as required by Minn. Stat. § 216B.03. In this reply brief, Joint Intervenors reaffirm the recommendations in our initial brief and respond to arguments against them.

II. AFFORDABILITY AND ELECTRICITY RATES

A. Xcel's Customers Continue to Face Affordability Challenges, Which the Company Can Most Directly Mitigate Through Its Rates.

While customers can reduce their total electricity usage and resulting bills through conservation and energy efficiency, the Company's most direct means of ensuring affordable bills—the components over which Xcel has the most control—are its rates. Despite Xcel's attempts to direct attention to customers' total bills as the primary metric by which to assess affordability,⁷ the fact remains that the Company's rates have increased 98 percent since 2005,

⁷ See, e.g., Xcel Initial Brief at 7-10.

nearly double the rate of inflation.⁸ In 2023, Xcel’s average rate was among the highest of its peer utilities.⁹ In 2024, Xcel’s average rate was 3.74 percent higher than the average rate of all U.S. retail utilities.¹⁰ And Xcel now requests a nearly 10 percent increase in rates.¹¹ The Company makes this request as its customers continue to struggle with affordability challenges and escalating disconnections, as emphasized by many intervenors in this case.

Minnesota has identified electricity rates as a primary indicator of affordability. Minn. Stat. § 216C.05, Subd. 2 states: “It is the energy policy of the state of Minnesota that . . . retail electricity rates for each customer class be at least five percent below the national average.” In the Company’s last rate case, the Commission ordered Xcel to analyze its compliance with this goal.¹² As discussed in Joint Intervenors’ initial brief, Xcel did not satisfy this Commission Order and the Company’s rates do not meet this statutory affordability goal.¹³

In this context, Joint Intervenors reaffirm our recommendations in our initial brief, particularly those intended to address affordability most directly. Specifically, we underscore our recommendations for the Commission to:

- Formally recognize universal energy affordability and the elimination of energy insecurity to be in the public interest.
- Rely on its authority under Minn. Stat. § 216B.16, Subd. 15(a), as well as Minn. Stat. § 216B.03, and establish a process to develop a universal low-income rate.
- Establish a moratorium on disconnections until the Company and other stakeholders can develop a robust record that the benefits of disconnections outweigh the costs of disconnections. In the alternative, the Commission should order a robust evaluation of the Company’s disconnection practices compared to alternatives in the form of a randomized control trial. The evaluation should be conducted by a third party and could be

⁸ Ex. DOC-1 at 22; *see also* DOC Initial Brief at 5 (citing this analysis).

⁹ Ex. DOC-1, MAJ-D-3 at 4; *see also* DOC Initial Brief at 6 (citing this analysis).

¹⁰ Ex. JIN-2 at 20; *see also* Joint Intervenors Initial Brief at 26-29 (citing and discussing this analysis).

¹¹ OAG Initial Brief at 3 (citing Ex. Xcel-19, sched. 2 at 4).

¹² *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, Findings of Fact, Conclusions, and Order, at 161, Order ¶ 77 (July 17, 2023).

¹³ Joint Intervenors Initial Brief at 25-31.

complemented with additional outreach and recoverable outreach expenditures.

- Require the Company to develop and file, in this docket or another docket such as Docket No. E002/CI-24-115 (advanced rate design docket), an alternate rate proposal that is in compliance with the affordability goal in Minn. Stat. § 216C.05, Subd. 2(4), and provide its justifications for proposing rate increases in excess of the alternate proposal.
- Give primacy to energy affordability as it determines a return on equity that meets the Commission's definition of the public interest. Consistent with this position, and without taking a position on the precise ROE in this case, Joint Intervenors recommend the Commission deny Xcel's request for an ROE above its current 9.25% authorized ROE.

In the following subsections, Joint Intervenors respond to Xcel's arguments against two of these recommendations: establishing a process to develop a universal low-income rate; and the proposals related to disconnections.

B. Xcel's Objections Fail to Rebut Joint Intervenors' Recommendation for a Process to Develop a Universal Low-Income Rate.

In our initial brief, Joint Intervenors supported Xcel's low-income rates and programs and also demonstrated that these programs reach only a subset of eligible customers.¹⁴ Joint Intervenors also emphasized the Company's dramatic increases in disconnections and the far-reaching negative impacts of disconnections on customers, which make efforts to improve energy affordability and decrease energy insecurity all the more critical.¹⁵ Given persistent energy insecurity and the limited reach of the Company's existing affordability programs, Joint Intervenors recommended the Commission rely on its statutory authority to establish a process to develop a universal low-income rate.¹⁶

Xcel objected to Joint Intervenors' proposal in its initial brief for four reasons, arguing that Joint Intervenors: (1) fail to explain why the Company's existing programs are inadequate; (2) fail to address the distinction between bill credits and discounted base rates; (3) present an

¹⁴ Joint Intervenors Initial Brief at 12.

¹⁵ Joint Intervenors Initial Brief at 4-8, 12-13.

¹⁶ Joint Intervenors Initial Brief at 14-18.

“underdeveloped” proposal; and (4) cite to other states’ orders and statutes “while Minnesota statutes guide a different outcome.”¹⁷

As to its first argument, Xcel questioned Joint Intervenors witness Dr. Gabriel Chan’s use of the U.S. Department of Energy’s Low-Income Energy Affordability Data (LEAD) tool in his estimates of the numbers of energy-burdened Company customers underserved by existing affordability programs.¹⁸ Xcel emphasized that the LEAD tool is useful only for estimates, not as a program management tool, and “the data is not as current or specific as the data used by the Company in the design of its affordability programs.”¹⁹ However, the Company never provided any of its own estimates using such data, nor did it specifically dispute that the numbers that Dr. Chan provided were too high (or too low). By not providing data to demonstrate that Dr. Chan’s estimates are incorrect, Xcel has left in question whether it knows how many of its customers are energy-insecure and, in turn, how well it has assessed what percentage of energy-insecure customers its programs reach.

Moreover, Dr. Chan never presented his analyses based on the LEAD tool as anything more than estimates, based on the best publicly available data, intended to justify the need for further discussion and development of a low-income rate. For example, when describing his estimates that the Company has 300,000 low-income customers, of which approximately 150,000 also have high energy burdens, Dr. Chan stated: “These figures are rough approximations based on data from the LEAD tool and state averages and should be more carefully estimated with customer research more specifically calibrated to the Company’s customer base.”²⁰ Similarly, in estimating that the costs of capping energy burden at 6% through

¹⁷ Xcel Initial Brief at 283.

¹⁸ Xcel Initial Brief at 284-85.

¹⁹ Xcel Initial Brief at 285.

²⁰ Ex. JIN-2 at 32, n.45.

a universal low-income rate would cost residential ratepayers just \$1.25 per month, Dr. Chan stated: “While the EPPS [Energy Poverty Policy Simulator] tool [from RMI] relies on the LEAD tool, which provides high-level indicative quantifications of energy burden, I believe that this quantification is a useful starting point to assess the order of magnitude impacts of systematically addressing energy poverty.”²¹ During the recommended process to establish a universal low-income rate, Joint Intervenors would expect the Company to provide more current, specific data and analyses to inform rate design and other programmatic considerations.

Xcel also mischaracterized Dr. Chan’s table detailing the Company’s existing energy affordability programs as “incomplete” and “without appropriate context for the growth of these programs that is projected to continue into the future.”²² However, as shown below, Dr. Chan’s table includes precisely the same numbers, derived from the same sources, as the relevant portion of Xcel’s table (2023-24 Enrollment). The only differences between the two are: (1) Xcel erroneously included the Automatic Bill Credit (ABC) pilot program, even though that program began in mid-2025²³ and the column is labeled “2023-2024 Enrollment”; and (2) Xcel included a gas affordability program not relevant to this electric rate case.

²¹ Ex. JIN-5 at 35-36. Dr. Chan’s cost estimate of \$1.25 per month for residential customers assumes the Company would recover costs from ratepayers proportionally to their usage. If the Company were to recover costs only from residential customers above the poverty line, the estimated ratepayer impact for these residential customers would be \$6.57 per month. Ex. JIN-5 at 35.

²² Xcel Initial Brief at 285-87.

²³ The Commission approved the ABC pilot program in an Order dated December 5, 2024 and filed in Docket Nos. E002/M-24-173, E002/M-22-266 & E002/RP-19-368. On page 2 of its First Biennial Report filed on November 26, 2025 in those same dockets, Xcel stated: “This represents our first biannual report, six months after **the Pilot launched with the first delivery of bill credits on June 1, 2025.**” (emphasis added).

Affordability Program Table from Dr. Chan’s Direct Testimony²⁴

Program	Participation (2023-2024)
Discount Program	32,340
PowerOn	37,815
Medical Affordability	1,099
Low-Income Low-Usage Program	14,459

Affordability Program Table from Xcel’s Initial Brief²⁵

Table 23. Enrollment in Company Affordability Programs¹¹³⁸

Program	2019-20 Enrollment	2023-24 Enrollment	Percent Increase
Low-Income Discount Program	30,607	32,340	6%
PowerOn	18,561	37,815	104%
Medical Affordability	1,604	1,099	-31%
Low-Usage Affordability Credit (aka LILU)	n/a	14,459	n/a
Automatic Bill Credit Pilot	n/a	17,105	n/a
Gas Affordability Program	7,683	16,273	112%
Totals	58,455	119,091	104%

Although Dr. Chan did not include columns for 2019-20 (pre-COVID) Enrollment or the calculated Percent Increase in enrollment from 2019-20 to 2023-24, his list of programs is complete and identical for the electric programs for the 2023-24 period. In addition, on the page of his Direct Testimony following the page with the table above, Dr. Chan recognized that “the Company recently began implementation of the Automatic Bill Credit Pilot Program to deliver

²⁴ Ex. JIN-1 at 32.

²⁵ Xcel Initial Brief at 286 (citing Xcel-71 at 56).

geographically qualified bill discounts to approximately 22,000 households.”²⁶ Furthermore, while the Company may expect increases in enrollment in these programs based on past experience and additional actions it plans to take, whether these increases materialize and at what magnitude remain to be seen. Notably, in the Company’s last rate case, the prediction for enrollment in the newly established Low-Income Low-Usage rate (now Low-Usage Affordability Credit or LUAC) was roughly 92,000 customers; in 2023-24 period, only 14,459 customers enrolled.²⁷ In any case, the Company has not provided evidence that the predicted increases in enrollment in its existing programs will result in all or even most of its low-income and high-energy-burden customers receiving necessary assistance.

Joint Intervenors addressed Xcel’s second argument related to bill credits versus discounted rates in our initial brief.²⁸ In sum, Joint Intervenors demonstrated that a low-income rate would meet the statutory mandates in both Minn. Stat. § 216B.03, cited by Xcel in its initial brief and requiring, among other things that rates be equitable, and Minn. Stat. § 216B.16, Subd. 15(a), which requires the Commission to consider ability to pay in setting rates. Joint Intervenors also demonstrated how a low-income rate is consistent with rate-making principles and existing Company rates and programs, including specifically the LUAC rate. This analysis also rebuts Xcel’s fourth argument that Joint Intervenors’ recommendation has no basis in Minnesota law.²⁹ While Joint Intervenors also cite to other states, these serve as helpful examples to draw from to learn about the participatory processes and public interest concerns that could be exemplary in developing a low-income rate under Minnesota law.³⁰

²⁶ Ex. JIN-1 at 33.

²⁷ Ex. JIN-1 at 34-35.

²⁸ Xcel Initial Brief at 287-88; Joint Intervenors Initial Brief at 14-17.

²⁹ Xcel Initial Brief at 289.

³⁰ *See, e.g.*, Ex. JIN-1 at 38-40 (discussing how other states have approached the creation of universal low-income rate and how the Minnesota could benefit from their experience).

Finally, regarding Xcel's third argument that Joint Intervenors proposal is "underdeveloped,"³¹ Joint Intervenors emphasize that Dr. Chan did not intend to provide a fully developed low-income rate proposal, but rather to justify the need for a process to consider and develop such a rate.³² Contrary to Xcel's characterization in its initial brief, Joint Intervenors do not argue "that the Department's analysis supports the request for a study of a universal low-income rate."³³ Rather, as explained in our initial brief, Joint Intervenors suggest that the recommended study should consider and address the Department's concerns, along with Xcel's.³⁴

C. The Company Continues to Fail to Provide Evidence to Support the Benefits of Disconnections, and the Commission Should Order Either a Moratorium or a Randomized Control Trial to Allow for the Development of Such Evidence and Evidence of the Benefits and Costs of Other Approaches to Addressing Customer Non-Payment.

As the Joint Intervenors explained in our initial brief, the Company has provided no evidence of any benefits of disconnections, including through lower arrears, higher payment rates, lower bad-debt expense, or lower ratepayer costs.³⁵ Due to the record rates of disconnections and their harmful effects on customers, as well as demonstrated racial disparities in disconnections, Joint Intervenors recommend a moratorium.³⁶ In its initial brief, Xcel argued that high arrears resulted from the COVID pandemic moratorium (March 2020 through July 2021) and that disconnection moratoria are a likely cause of increased arrearages and past-due balances.³⁷ However, as Joint Intervenors explained in our initial brief, Xcel's position is

³¹ Xcel Initial Brief at 288-89.

³² *See, e.g.*, JIN-5 at 17-18 ("It is exactly the need for more evidence of the impact of a universal low-income rate that I have now proposed that the Commission order the development of a process to develop such a rate proposal, which should include a robust estimate of costs and benefits, behavioral impacts, cost allocation, and rate implications of such a rate. The process to study and develop a universal low-income rate should incorporate the important questions that Department Witness Mr. Schmitz raises in his Rebuttal Testimony as well as the implementation concerns raised by Company Witness Mr. Martin.").

³³ Xcel Initial Brief at 289.

³⁴ Joint Intervenors Initial Brief at 17-18.

³⁵ Joint Intervenors Initial Brief at 19-20.

³⁶ Joint Intervenors Initial Brief at 20-21.

³⁷ Xcel Initial Brief at 299-300.

unfounded because it ignores the unprecedented disruptions to employment and other unprecedented economic disruptions the COVID pandemic also caused, which themselves contributed to customers' inability to pay utility bills.³⁸ Moreover, it fails to account for persistent arrears despite recovery from the pandemic and historic levels of disconnections.³⁹ Although Joint Intervenors acknowledge that the Company has made efforts to prevent disconnections and views the practice as a last resort,⁴⁰ the Company has nonetheless failed to demonstrate that disconnecting customers provides any benefits or is otherwise in the public interest.

As an alternative to a moratorium and a way to develop evidence around the benefits of disconnections and alternative approaches, Joint Intervenors proposed a Randomized Control Trial (RCT).⁴¹ Xcel also opposed the proposed RCT because it would treat customers unequally and unfairly.⁴² However, RCTs are widely recognized as an ethically viable framework to evaluate even the most high-stakes human health approaches, including new drug development, because under an RCT, it is possible to ensure that no customer would be made worse-off than the status quo.⁴³ Joint Intervenors addressed Xcel's concerns related to unequal treatment and violation of Minn. Stat. § 216B.07 in our initial brief.⁴⁴ As to Xcel's additional concern that the proposed RCT would lead to increased arrearages, past-due balances, and bad debt,⁴⁵ in the words of Joint Intervenors witness Dr. Chan, "it is better to know what these costs are than to point to theoretical cost shifts as a basis to not provide relief to the most vulnerable customers

³⁸ Joint Intervenors Initial Brief at 20.

³⁹ Joint Intervenors Initial Brief at 20.

⁴⁰ See Xcel Initial Brief at 300-01.

⁴¹ Joint Intervenors Initial Brief at 21-25.

⁴² Xcel Initial Brief at 301-03.

⁴³ Ex. JIN-3 at 17.

⁴⁴ Joint Intervenors Initial Brief at 24-25.

⁴⁵ Xcel Initial Brief at 302-03.

served by the Company.”⁴⁶ Dr. Chan proposed that the RCT should track these outcomes in terms of net collections and bad debt expense, and evaluate them against the implied rationale for disconnections, i.e., reduction of bad debt.⁴⁷ Dr. Chan recommended applying a societal cost framework in this evaluation, because even a small decrease in mortality or other severe impacts of disconnection could have outsized societal benefits.⁴⁸ In sum, with the RCT, the Commission and the Company would have evidence to understand whether any benefits (or avoided costs shifts) associated with current disconnection practices outweigh the benefits (and avoided harms) of alternatives. Without the RCT, as Dr. Chan has demonstrated, the Commission and the Company would continue to have no evidence to justify current disconnection practices, which, absent a moratorium, will continue to harm customers and disproportionately harm customers of color.

III. EQUITY IN DISTRIBUTION PLANNING AND RATE CASES

A. **Xcel’s Mandated Evaluation of Its Capital Investment Planning and Outage Restoration Practices Does Not Preclude Commission Action in This Case to Integrate Equity Considerations into the Company’s Integrated Distribution Plans, Internal Annual Budgeting and Prioritization, and Rate Cases.**

In our initial brief, Joint Intervenors recommended the Commission require the Company to integrate equity metrics into its Integrated Distribution Plan (IDP), internal annual budgeting and prioritization, and ultimately its rate case proposals.⁴⁹ In tandem with this recommendation, Joint Intervenors recommended that the Commission require Xcel to use the Interruption Cost Estimate (ICE) 2.0 methodology from Lawrence Berkeley National Laboratory combined with demographic analysis to demonstrate how its proposed distribution investments and operational

⁴⁶ Ex. JIN-3 at 18.

⁴⁷ Ex. JIN-3 at 18.

⁴⁸ Ex. JIN-3 at 18-19.

⁴⁹ Joint Intervenors Initial Brief at 33-37.

procedures address documented service disparities.⁵⁰ Joint Intervenors also recommended the Commission require Xcel to consider operational changes to improve equity in reliability.⁵¹ Xcel opposed all of Joint Intervenors' recommendations in its initial brief.

Xcel argued that Joint Intervenors' proposed operational and planning changes are premature, pending an ongoing third-party evaluation of the Company's capital investment planning and outage restoration practices the Commission required in its January 13, 2025 Order in Xcel's 2023 Safety, Reliability, and Service Quality (SRSQ) Docket.⁵² However, as Joint intervenors argued in our initial brief, this study is not a prerequisite for the Commission to begin requiring Xcel to integrate equity considerations into its planning, budgeting, and rate case proposals, especially given disparities in reliability already demonstrated.⁵³ Joint Intervenors recommend that the Commission require Xcel to take the actions discussed in our initial brief and then ensure Xcel incorporates any learnings from its SRSQ-mandated study going forward.

Regarding use of the ICE 2.0 methodology, Xcel objected for two reasons: (1) the lack of quantitative method of implementation of examples where other utilities have applied this specific approach; and (2) concerns related to the application of reliability benefits on a more granular community level.⁵⁴ However, in surrebuttal testimony, Joint Intervenors witness William Kenworthy clarified his intent was "not to mandate a particular vulnerability-weighting method at this stage, but to acknowledge that the ICE 2.0 tool already includes features that can help the Company better reflect equity considerations when assessing the benefits of reliability investments."⁵⁵ Because Xcel is already familiar with the ICE 2.0 tool and uses it on a system-

⁵⁰ Joint Intervenors Initial Brief at 37-38.

⁵¹ Joint Intervenors Initial Brief at 38.

⁵² Xcel Initial Brief at 226-27.

⁵³ Joint Intervenors Initial Brief at 36.

⁵⁴ Xcel Initial Brief at 227-29.

⁵⁵ Ex. JIN-4 at 11.

wide basis today, and the tool now has features that can support more equitable community-level planning, Joint Intervenors recommend that the Commission require Xcel to incorporate these aspects of the tool into its planning, budgets, and rate case proposals going forward.

IV. DISTRIBUTION INVESTMENTS

A. Xcel Has Not Met Its Burden to Justify Its Targeted Undergrounding Program in This Case and It Requires Further, More Comprehensive Evaluation in the Company's Integrated Distribution Plan.

In our initial brief, Joint Intervenors recommended that the Commission deny cost recovery for the Company's proposed \$9.0 million in spending on targeted undergrounding until the Commission has conducted a more comprehensive review of Xcel's targeted undergrounding plans in the Company's Integrated Distribution Plan.⁵⁶ The Company has acknowledged that the targeted undergrounding investments for which it seeks cost recovery in this case are the initial steps in a longer-term initiative.⁵⁷ In its initial brief, the Company emphasized the additional information that the Company provided in its rebuttal testimony and its discovery responses.⁵⁸ While this information was helpful in illustrating the expected benefits and other elements of the Company's targeted undergrounding plans, it does not obviate the need for a comprehensive targeted undergrounding proposal in the Company's Integrated Distribution Plan, where stakeholders and the Commission can evaluate the proposal in the context of the Company's other proposed plans, investments, and budgets.

In particular, the Company has not offered sufficient detail on how it has integrated or plans to integrate equity considerations into identifying targeted undergrounding locations. The impetus for the Company's original targeted undergrounding proposal in its SRSQ proceeding

⁵⁶ Joint Intervenors Initial Brief at 43-45.

⁵⁷ Ex. JIN-1, Att. 3, at 5-6.

⁵⁸ Xcel Initial Brief at 215-16.

was to address areas with identified racial disparities in reliability (CELI-12).⁵⁹ In this case, the Company has stated that, for these initial 2025-26 investments, “[w]hile technical and engineering feasibility remain essential factors in project selection, equity was a key consideration in identifying areas for early implementation.”⁶⁰ It pointed back to its SRSQ analysis without offering detail, for example, on the proportion of this initial investment focused on previously identified areas with disparities in reliability or other defined disadvantaged areas. Looking ahead to its future targeted undergrounding plans, the Company described some strategies it may use to incorporate equity considerations into its targeted undergrounding program, but only in bullets with limited detail.⁶¹

Based on the information provided, it appears that the Company has evolved an initiative originally intended, at least in part, to address areas with identified disparities into the first stage of a broader undergrounding program that will, in some undefined way, integrate equity considerations. While this program may prove to be justified, it warrants further comprehensive consideration in the Integrated Distribution Plan, where it can be compared against Xcel’s other investment plans and budgets. Given the lack of detail or holistic planning for this new targeted undergrounding program in the record in this proceeding, however, Xcel has not met its burden to justify cost recovery for the beginning of its program in this case. Joint Intervenors continue to recommend that the Commission require more full consideration in Xcel’s IDP prior to considering cost recovery for these investments in a future rate case.

⁵⁹ Ex. JIN-1 at 7.

⁶⁰ Ex. JIN-1, Att. 3, at 4-5.

⁶¹ Ex. JIN-1, Att. 3, at 5.

V. DATA CENTERS AND LARGE-LOAD GROWTH

A. Xcel Did Not Address Joint Intervenors' Recommendation to Ensure This Rate Case Is Subject to the Commission's Final Order in Xcel's Super-Large Customer Tariff Proceeding.

In its initial brief, Xcel discussed its proposed super-large customer tariff and testimony related to it from Xcel Large Industrials (XLI), which the Company criticized XLI for raising for the first time in surrebuttal.⁶² The Company did not address Joint Intervenors' recommendations regarding the super-large customer tariff in rebuttal or surrebuttal, which Joint Intervenors witness Kenworthy discussed in direct testimony.⁶³ Joint Intervenors reaffirm our recommendations stated in our initial brief. Namely, Joint Intervenors recommend the Commission:

1. State that this rate case is subject to the final order in Docket No. 25-289;
2. Direct Xcel to file a refreshed CCROSS promptly after Docket No. 25-289 concludes to reflect any new tariff terms, charges, and allocation rules; and
3. Require deposit and contract provisions (from Docket No. 25-289) to protect customers against speculative projects and stranded costs.

In the meantime, Joint Intervenors recommend that the Commission should not pre-approve generic distribution capacity to serve potential data centers.⁶⁴

While we recognize that the Commission is considering the super-large customer tariff in a separate proceeding still pending before the Commission at this time, we continue to emphasize the need for the Commission to ensure any tariffs and related decisions adopted there are appropriately implemented in this and/or future rate cases. Given the affordability concerns discussed above and in our initial brief, it is all the more important for super-large customers to pay their fair share and that residential customers, especially low-income customers, do not inappropriately shoulder these super-large customer costs.

⁶² Xcel Initial Brief at 295-98; *see also* XLI Initial Brief at 52-54 (discussing these issues and its positions).

⁶³ Joint Intervenors Initial Brief at 47-50.

⁶⁴ Joint Intervenors Initial Brief at 48.

VI. VIRTUAL POWER PLANTS

A. Xcel Fails to Justify Its Opposition to Developing and Filing a Virtual Power Plant Program to Leverage Its AGIS and Other Investments and Benefit Its Customers.

In our initial brief, Joint Intervenors detailed how Virtual Power Plants (VPPs) are a cost-effective, near-term way to meet the Company's resource needs and leverage its existing and proposed investments.⁶⁵ These include the Advanced Grid Intelligence and Security (AGIS) investments for which the Company seeks cost recovery in this case, as well as investments in Distributed Energy Resource Management Systems (DERMS) that the Company is making outside of this case but does not seek to recover here. While Joint Intervenors recognize that the Company has previously justified its AGIS investments without accounting for the benefits of a VPP program, such a program could add further value for its customers, particularly at a time of increasing demand and rising costs. For these reasons, Joint Intervenors recommended that the Commission make its approval of continued AGIS cost recovery contingent on the Company developing and filing VPP program proposal.

Xcel opposed Joint Intervenors' recommendation for three reasons: (1) the Company did not propose a VPP in this case and a rate case is not the appropriate proceeding to address policy proposals that are not tied to capital investments proposed for recovery in this case; (2) the Commission has approved AGIS investments based on benefit-cost analyses independent of any VPP program; and (3) the Company has already filed a Distributed Capacity Procurement (DCP) program proposal in a separate docket (initially Docket No. E002/RP-24-67, now under consideration in Docket No. E002/M-25-378).⁶⁶

⁶⁵ Joint Intervenors Initial Brief at 50-55.

⁶⁶ Xcel Initial Brief at 221-24.

On Xcel's first argument, while Joint Intervenors recognize that the Company did not propose a VPP program in this case, it has proposed cost recovery for AGIS investments that would enable a VPP, which the Company has recognized.⁶⁷ Similarly, Joint Intervenors recognize that there is not a uniform definition of a VPP and that such programs involve, as Xcel described in its initial brief, a "complex ecosystem of technology, new employee skillsets, organizational processes and operations, customer programs, DERs, and equipment, that, among other things, all have to be orchestrated to support a VPP."⁶⁸ In addition to AGIS, Xcel's ongoing investments in DERMS—which the Company does not dispute it is making, though it does not seek cost recovery for them here—would support this necessary orchestration. Moreover, well-vetted models, such as the Solar United Neighbors' (SUN) model tariff cited by Joint Intervenors, can serve as a starting point for program design.

As to Xcel's second argument, as noted above, Joint Intervenors acknowledge Xcel's justification and the Commission's prior approval of the Company's AGIS investments without consideration of the additional benefits of a VPP program. However, given the demonstrated benefits of a VPP—most notably the benefit of increasing affordability for all at a time of rising electricity costs, rates, and bills—the Commission should require Xcel to realize those benefits. For example, as noted in our initial brief, the U.S. Department of Energy has found that VPP peaking capacity has a lower net cost than a gas peaker or a utility-scale battery—\$43/kW-yr for a VPP as compared to \$69/kW-yr for a utility-scale battery or \$99/kW-yr for a gas peaker, for an illustrative 400 MW Resource Adequacy product.⁶⁹ The Commission should require the

⁶⁷ Ex. Xcel-35 at 34 ("While certain capabilities of AGIS (*e.g.*, using advanced meters for settlement) could support development of a VPP program, AGIS is not a VPP program.").

⁶⁸ Xcel Initial Brief at 222.

⁶⁹ Joint Intervenors Initial Brief at 51 (citing Ex. JIN-1 at 42).

Company to leverage its AGIS and other investments to pursue this cost-effective resource solution.

Finally, while Joint Intervenors appreciate that Xcel has filed a DCP program proposal under consideration in Docket No. 25-378, this DCP program serves a different but complementary purpose to a VPP. While the DCP relies on utility-owned, front-of-the-meter resources, a VPP involves behind-the-meter, customer- and third-party-owned resources. As stated in our initial brief: “Both are necessary elements of a modern grid; treating them as ‘either/or’ would leave significant value on the table.”⁷⁰

Although Xcel opposed Joint Intervenors’ VPP recommendation, the Company stated: “To the extent the Commission believes there is potential value in further addressing VPPs, that should be explored as part one of the separate proceedings discussed above.”⁷¹ Joint Intervenors agree that the Commission should require exploration of a VPP program in a separate proceeding. However, Joint Intervenors recommend that, in this case, the Commission require Xcel to develop and file a VPP program proposal as the basis for such further exploration, and that the Commission make cost recovery for Xcel’s AGIS investments in this case contingent on its compliance with that filing requirement.

VII. CONCLUSION

With our recommendations in this case, Joint Intervenors have pursued three related goals: advancing equity and energy justice; ensuring affordability; and optimizing access to and use of clean distributed energy resources (DERs) on the distribution system. Joint Intervenors reaffirm our recommendations in our initial brief. In addition, we are filing separate Proposed

⁷⁰ Joint Intervenors Initial Brief at 53 (Ex. JIN-1 at 41).

⁷¹ Xcel Initial Brief at 224.

Findings of Fact, Conclusions of Law, and Recommendations consistent with our positions stated in this reply brief and our initial brief.

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Respectfully submitted,

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