

January 24, 2024

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: **Reply Comments of the Minnesota Department of Commerce, Division of Energy Resources
Xcel Energy 2023 Integrated Distribution Plan**
Docket No. E002/M-23-452

Dear Mr. Seuffert:

Attached are the reply comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of Xcel Energy's 2023 Integrated Distribution Plan

Xcel Energy's 2023 Integrated Distribution Plan (IDP) and Transportation Electrification Plan (TEP) were filed on November 1, 2023 by Amber Hedlund, Manager, Regulatory Project Management for Xcel Energy.

The Department recommends the Commission approve in part, modify in part, and reject in part Xcel Energy's Transportation Electrification Plan, and is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ LOUISE MILTICH
Assistant Commissioner of Energy Regulatory Affairs

LM/ar
Attachment



Before the Minnesota Public Utilities Commission

Reply Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/M-23-452

I. INTRODUCTION

On November 1, 2023, Northern States Power Company d/b/a Xcel Energy (Xcel Energy or the Company) filed its 2023 Integrated Distribution Plan (IDP) in Docket No. E002/M-23-452¹ as required by the Minnesota Public Utilities Commission's (Commission) in its December 8, 2022 Order in Docket Nos. E002/M-21-694, E999/CI-17-879 (December 8, 2022 Order).² Xcel Energy's 2023 IDP included the Company's Transportation Electrification Plan (TEP), as required by the December 8, 2022 Order and Minn. Stat. § 216B.1615.³

On November 17, 2023, the Commission issued a Notice of Comment period with two separate periods for comments. The first Xcel comment period, addressed in these comments, corresponds to Xcel's TEP and includes Notice Topics 1 through 13. The comment period for Xcel's TEP includes the following topics open for comment:

1. Should the Commission approve, modify, or reject Xcel Energy's TEP?
2. How should the Commission consider modifications or supplements to Xcel Energy's TEP?
3. Should the Commission establish any procedural or filing requirements for future TEPs under Minn. Stat. 216B.1615?
4. Are there gaps in Xcel Energy's transportation electrification programs the Commission should address to ensure equitable customer outcomes?
5. Should the Commission approve, modify, or reject Xcel's proposed expansion plan for the current EV Subscription Service Pilot. Please address whether the Commission should:
 - a. Approve the updated tariff sheets.
 - b. Approve the updated customer service agreements.
 - c. Approve the proposed accounting treatment.
 - d. Grant Xcel a waiver for Minn. R. 7820.3200, .3400, .3700, and .3800, and for Section 3 of Xcel's Electric Rate Book Section 6 tariff.
 - e. Approve the proposed reporting requirements.
 - f. Address any other issues or concerns.

¹ 2023 Integrated Distribution System Plan, Appendix H, Transportation Electrification Plan, Northern States Power Company, d/b/a Xcel Energy, Docket No. E002/M-23-452 (November 1, 2023) (eDocket No. [202311-200135-01](#)). Hereinafter "TEP."

² Order, In the Matter of a Commission Inquiry into Electric Vehicle Charging and Infrastructure; In the Matter of Xcel Energy's 2021 Integrated Distribution System Plan; In the Matter of Minnesota Power's 2021 Integrated Distribution System Plan; In the Matter of Distribution System Planning for Otter Tail Power Company, Docket Nos. E-99/CI-17-879, E-002/M-21-694, E-015/M-21-390, E-017/M-21-612 (December 8, 2022). (eDocket No. [202212-191192-02](#)). Hereinafter December 8, 2022 Order.

³ Minn. Stat. § 216B.1615.

6. Should the Commission approve, modify, or reject Xcel's proposed Home Wiring Rebate program? Please address whether the Commission should:
 - a. Approve the proposed accounting treatment.
 - b. Approve the proposed reporting requirements.
 - c. Require Xcel to file tariff pages, including the Customer Service Terms and Conditions, for the proposed Home Wiring Rebate Program.
 - d. Address any other issues or concerns.
7. Should the Commission approve, modify, or reject Xcel's proposed Electric School Bus Demonstration? Please address whether the Commission should:
 - a. Require Xcel to follow MNDIP for school bus interconnections.
 - b. Approve the proposed accounting treatment.
 - c. Approve the proposed reporting requirements.
 - d. Require Xcel to file updated tariff pages and Vehicle-to-Grid (V2G) addendum to the Fleet EV Service Pilot for the proposed Electric School Bus Demonstration.
 - e. Address any other issues or concerns.
8. Should the Commission approve, modify, or reject Xcel's proposed budget expansion for the Fleet EV Service and Public Charging Pilots? Please address whether the Commission should:
 - a. Place a cost cap on the expanded budget.
 - b. Approve the Application Review and Scoring Framework.
 - c. Address any other issues or concerns.
9. Should the Commission approve, modify, or reject Xcel's proposed expansion to its Residential Advisory Services?
10. Should the Commission approve, modify, or reject Xcel's proposed investments in IT development and maintenance to support its TEP?
11. Should the Commission approve Xcel's request to establish a regulatory asset for its home wiring rebates and V2G Electric Vehicle Supply Equipment (EVSE) rebates and set the rate of return at the Company's weighted average cost of capital (WACC)?
12. Should the Commission approve Xcel's proposed tariff changes as outlined in Appendix H, pp. 79-80 and Attachments H6 and H13, which includes the waiver of cost-sharing requirements for EV rate customers?
13. Are there other issues or concerns related to this matter?

The following parties, including the Minnesota Department of Commerce, Division of Energy Resources (Department) submitted initial comments in this proceeding:

- SWITCH Energy Inc.;
- Fresh Energy, Minnesota Center for Environmental Advocacy, Sierra Club, Union of Concerned Scientists, Plug in America, and Environmental Law and Policy Center (collectively the Clean Energy Groups, CEG);
- The Office of the Attorney General – Residential Utilities Division (OAG-RUD);
- HOURCAR;
- Highland Electric Fleets, Inc.;
- The Coalition for Clean Transportation;
- Electrify America, LLC; and,
- EV.ENERGY CORP.

Xcel Energy filed its utility reply comments on January 10, 2024 (Xcel reply comments).⁴

II. DEPARTMENT ANALYSIS

The Department appreciates the opportunity to further comment on Xcel's TEP and the notice topics put forth by the Commission. The Department provides its comments in response to select topics addressed by Xcel in its reply comments:

- Treatment of Rebate Expenses
- Home Wiring Rebate Program
- Commercial Pilot Bridge Funding

A. TREATMENT OF REBATE EXPENSES

In initial comments in response to TEP Notice Topics 6.a, 7.b, and 11, the Department recommended the Commission reject Xcel's requested treatment of rebate expenses, which if approved would allow Xcel to place expenses for customer rebates in a regulatory asset and earn a return equal to the weighted average cost of capital (WACC).

In its response, Xcel maintains its request seeking capitalization of rebates with a return equal to WACC, predicated on its interpretation of the cost recovery provisions in Minn. Stat. § 216B.1615, subd. 4.⁵ Xcel also indicates that stakeholders called for Xcel to propose the Home Wiring Rebate program in Minnesota. Importantly, however, while the referenced stakeholders supported a program, they did not comment on the cost recovery aspects of Xcel's proposal. The Department, too, differentiates its analysis of the proposed program from the separate question of the accounting treatment.

Minn. Stat. § 216B.1615, subd. 4 states "the commission *may* approve cost recovery under section 216B.16". Cost recovery remains at the discretion of the Commission and whether it deems it warranted for a specific proposal. In addition, the statute merely contemplates an "appropriate rate of return," which, contrary to Xcel's interpretation, does not automatically grant a return equal to WACC. The statute provides the Commission authority to authorize a rate of return less than WACC, as the Department noted in its initial comments.⁶

The Commission has authority to differentiate how it applies cost recovery under the statute, whether it is warranted at all for a specific proposal, and to establish an appropriate rate of return for a specific proposal. The Department is not making a formal recommendation on the Commission's application of cost recovery generally under Minn. Stat. § 216B.1615, subd. 4, but instead providing context for the immediate decision before the Commission in its treatment of the rebates proposed in Xcel's TEP. In the specific proposals before the Commission, the customer rebates proposed for cost recovery support private charging infrastructure for assets that will not be owned and operated by Xcel. Rebate expenses are not a capital cost and, therefore, should not be included in rate base. Thus, the

⁴ Xcel Reply Comments (January 10, 2024) (eDocket No. [20241-202076-01](#)).

⁵ Xcel Reply Comments at 2-3.

⁶ Department Comments at 20, 26.

Department maintains its recommendation that the Commission reject Xcel's request for cost recovery for the specific proposals before the Commission.

The Department maintains its position that the Commission should not approve the proposed accounting treatment, as the rebate expenses do not meet statutory criteria to be rate-based and do not meet the criteria for deferred accounting.⁷ The Department continues to recommend the Commission reject Xcel's request to establish a regulatory asset for its rebates and set the rate of return at the Company's WACC.

B. HOME WIRING REBATE PROGRAM

The Department's initial comments in response to TEP Notice Topic 6 discussed the equity considerations of the Home Wiring Rebate Program, including the criteria relied upon to establish eligibility for Enhanced Rebates. The Department recommended that Xcel add additional eligibility criteria to align with the list of eligible programs to qualify as low-income households in ECO programs.

In its reply comments, Xcel indicates that the Home Wiring Rebate Program is designed to increase access to transportation electrification among low-income customers and other adversely impacted communities by lowering upfront cost barriers and by lowering eligibility barriers.⁸ Xcel supported adding the list of programs for ECO low-income programs to its proposed eligibility list for Enhanced Rebates in the Home Wiring Rebate Program.⁹

The Department appreciates Xcel's broader discussion of equity considerations in the Home Wiring Rebate Program. The Department shares Xcel's stated goals of increasing access to transportation electrification among low-income customers and other adversely impacted communities. However, the Department continues to question the appropriateness of home wiring rebates to target the specific populations noted. Home wiring rebates would predominantly support homeowners with the means to purchase an EV. The cost of the vehicle purchase itself far exceeds the costs of a Level 2 charger or the associated wiring costs. In addition, the Level 2 chargers the rebates would fund require a dedicated parking location. While these characteristics are not entirely incompatible with reaching the targeted populations, the Department remains concerned with the appropriateness of utilizing ratepayer funds for the Home Wiring Rebate Program as designed. The promotion of transportation electrification among low-income customers and other adversely impacted communities is a laudable goal, and it would be better served with more narrowly targeted programs.

For the above reasons, the Department maintains its recommendations regarding Xcel's Home Wiring Rebate program.

⁷ See Department Comments at 17-20 for discussion on statutory criteria for expenses to be rate-based and criteria for deferred accounting.

⁸ Xcel Reply Comments at 3-7.

⁹ Xcel Reply Comments at 5 and Attachment A.

C. COMMERCIAL PILOT BRIDGE FUNDING

The Department's initial comments in response to TEP Notice Topic 8 expressed reservations regarding approving additional pilot funding for the Fleet EV Service and Public Charging Pilots. The Department's reservations stem from the significant funding requested for projects in preliminary stages of development and lack of clear articulation of the additional value the funding would provide to enhance the pilot's learnings and meet pilot objectives. In addition, the Department raised concerns regarding providing additional pilot funding while Xcel continues to gather additional data and learnings from its previously funded projects to inform a potential permanent program in 2024. The Department requested Xcel provide additional information in its reply comments regarding how the bridge funding will further pilot learnings and enable Xcel to meet pilot objectives.

Xcel responded that additional funding would allow it to support more projects and provide the Company the opportunity to gather "more learnings."¹⁰ Xcel noted that the learnings and evaluations from the pilot projects are essential to the development of a successful permanent offering. Xcel also indicated a desire to collect a more robust sample of customer projects from which to draw conclusions about pilot effectiveness and that bridge funding would allow Xcel to serve a more diverse set of customers. Xcel provided a table of its pilot projects differentiated by customer types, which the Department includes below as Table 1:

Department Table 1: Xcel's Table 1¹¹

Type	Fleet	Public Charging	Total
<u>Current Projects</u>			
City/County	15	32	47
Dealership	0	25	25
Education	1	1	2
EV Spot Network	0	70	70
Government	3	0	3
Non-Profit	1	0	1
Transit	4	0	4
Other (Misc.)	0	1	1
<u>In Pipeline</u>			
Airport	1	0	1
Charger Company	0	1	1
City/County	13	14	27
Dealership	0	16	16
Education	0	2	2
Gas Station	0	11	11

¹⁰ Xcel Reply Comments at 11-12.

¹¹ Xcel Reply Comments at 12.

Medical	1	5	6
Park District	0	1	1
Parking Entity	0	2	2
Religious Organization	0	2	2
Retail	0	3	3
Service Industry	0	1	1
Transit	1	0	1
Other (Misc.)	0	17	17

The Department appreciates the additional information from Xcel and its desire to diversify the customer types supported in these pilots. However, many of the projects funded by the expanded budget would be customer types that have already received significant funding. For example, among the projects in the pipeline for the Fleet EV Service Pilot, 13 customers are identified as city/county, which is also the largest customer type among previously funded projects. For the Public Charging Pilot, current projects include 32 participants identified as city/county and 25 as dealerships. Bridge funding is proposed to support an additional 14 city/county customers and 16 dealerships. The possibility to broaden pilot learnings is limited for customer types which already have a significant number of projects funded, as is the case for city/county and dealership customer types.

To better align with Xcel's stated desire to develop new learnings from a diverse set of customer types, budget expansion could be limited to only new or under-represented customer types that are not redundant to those previously funded in the pilots. As identified above in Table 1, Xcel identifies airport and medical customers as new opportunities among Fleet EV projects in the pipeline. For the Public Charging Pilot, any additional funding is likely to provide some diversity of customer types due to the high proportion of previously funded projects associated with the EV Spot Network. Xcel identifies a broader set of customer types potentially addressed through additional funding: charger company, gas station, medical, park district, parking entity, religious organization, retail, service industry, and other (misc.).

The Department notes, however, that unique customer types may still have overlapping site characteristics with other customer types, meaning the distinction by customer type may not necessarily be representative of increasing customer diversity to expand pilot learnings. As an example, installation of Level 2 chargers in a surface parking lot adjacent to the entrance of a commercial building, regardless of the type of building and service provided, may have limited incremental learning potential within the context of the pilots.

The Department reiterates the points made in its initial comments regarding Xcel's ability to collect data and develop pilot learnings from the projects which have already been funded, which includes approximately \$13.2 million of approved but unspent funds.¹² Thus, the opportunity to gather more learnings is already available and ongoing. Xcel's justification for the bridge funding request, namely that additional learnings and evaluations are essential to the development of a successful permanent

¹² Department Comments at 33.

offering, can be addressed from the previously approved funds. The Department also maintains that Xcel's significant expanded funding request challenges the intended limited scale of pilot programs.

For the above reasons, the Department recommends the Commission reject Xcel's proposed expansion for the Fleet EV Service and Public Charging Pilots. If the Commission decides to approve some of Xcel's proposed expansion, the Department recommends the Commission place a cost cap on the expanded budget equal to the estimated \$3.0 million capital costs associated with 14 ready-to-execute projects identified in Appendix H10 of Xcel's IDP.¹³ In addition, the Department recommends the Commission limit the eligibility for the expanded budget to projects which represent new customer types or those with limited representation among previously funded projects to ensure that the expanded budget provides new learnings for the pilot.

III. DEPARTMENT RECOMMENDATIONS

The Department thanks Xcel and other parties for the thoughtful reply comments provided in this proceeding. The Department appreciates the opportunity to further comment on Xcel Energy's TEP and makes the following new recommendations, in addition to the recommendations made in its initial comments:

- **The Department recommends the Commission reject Xcel's proposed budget expansion for the Fleet EV Service and Public Charging Pilots.**
- **If the Commission decides to approve some of Xcel's proposed expansion, the Department recommends the Commission place a cost cap on the expanded budget equal to the estimated \$3.0 million capital costs associated with 14 ready-to-execute projects identified in Appendix H10 of Xcel's IDP.**
- **The Department recommends the Commission limit the eligibility for the expanded budget to projects which represent new customer types or those with limited representation among previously funded projects to ensure that the expanded budget provides new learnings for the pilot.**

¹³ The Department provided a summary table of Xcel's Appendix H10 as Table 5 on page 35 of its initial comments, which utilizes Xcel's categories for the stage of project development: ready-to-execute, likely, and TBD. The total capital costs associated with the 14 projects Xcel categorized as ready-to-execute in Appendix H10 are \$3.0 million.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Reply Comments

Docket No. E002/M-23-452

Dated this **24th** day of **January 2024**

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-452_M-23-452
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_23-452_M-23-452
Amber	Hedlund	amber.r.hedlund@xcelenergy.com	Northern States Power Company dba Xcel Energy-Elec	414 Nicollet Mall, 401-7 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-452_M-23-452
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_23-452_M-23-452
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_23-452_M-23-452
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-452_M-23-452
Taige	Tople	Taige.D.Tople@xcelenergy.com	Northern States Power Company dba Xcel Energy-Elec	414 Nicollet Mall 401 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-452_M-23-452