COMMERCE DEPARTMENT

November 12, 2025

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G002/MR-25-357

Dear Ms. Bergman:

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

> A Petition by Northern States Power Company d/b/a Xcel Energy (Xcel Energy or the Company) for Approval of a New Base Cost of Gas for Interim Rates.

The Petition was filed on October 31, 2025 by Amber R. Hedlund, Manager, Regulatory Affairs for Xcel Energy

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve, subject to the Department's review of the demand entitlement and costs information requested in Reply Comments,** Xcel Energy's base cost of gas filing and is available to answer any questions the Commission may have.

Sincerely,

/s/DR SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

MJ/ar
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G002/MR-25-357

I. INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel Energy or the Company), requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas (BCOG) to coincide with the proposed January 1, 2026 implementation of interim rates as requested in its general rate case, Docket No. G002/GR-25-356 (Docket 25-356). Xcel Energy filed its general rate case on October 31, 2025, the same day as its BCOG Petition. The Minnesota Department of Commerce, Division of Energy Resources' (Department) analysis of Xcel Energy's Petition is presented below.

II. DEPARTMENT'S ANALYSIS

Minnesota Rule part 7825.2700, subpart 2, requires a utility to petition for a new base cost of gas, submitted as a miscellaneous rate change, to coincide with the implementation of interim rates during a general rate proceeding. This Rule requires that "The base cost of gas must separately state the commodity base cost and the demand base cost components for each class." Through its review of Xcel Energy's Petition, and for the Petition's consistency with the calculations in the general rate case, the Department concludes that the Company has complied with these requirements through its Volume 3 – Required Information, Volume 4 – Test Year Workpapers, and Company witness testimonies, exhibits, and associated schedules of Benjamin C Halama (Exhibit _____ (BCH-1), Christopher J. Barthol (Exhibit_____(CJB-1), and Michelle M. Terwilliger (Exhibit_____(MMT-1), in its rate case filing; and through its supporting data and calculations provided in Attachments A through C in the Petition. The Department discusses Xcel Energy's demand and commodity costs separately below.

A. DEMAND GAS COSTS

The Department reviewed Xcel Energy's Petition for consistency with the calculations in the rate case. The Department's analysis indicates that the information is generally consistent between the rate case and the base cost of gas filing. However, it is unclear whether Xcel Energy calculated its demand cost of gas based on the demand entitlement units filed on November 1, 2024 in Docket No. G002/M-24-271 and that were approved by the Commission on June 23, 2025 or the demand cost of gas based on the demand entitlement units filed in Docket No. G002/M-25-67 or based on some future demand entitlement units. The Department recommends Xcel in its Reply Comments explain how it calculated the demand gas costs and identify the demand entitlement unit petition(s) and units that were used in their demand gas cost calculations.

The Department notes that the demand costs are usually based on the interstate pipeline rates of Northern Natural Gas (Northern or NNG), Viking Gas Transmission (VGT), Great Lakes Gas Transmission (GLGT), ANR Storage Company (ANRS) and Williston Basin Interstate Pipeline Transmission (WBI).

The Department notes that the Company has also used the design-day and associated jurisdictional allocations from the Company's most recent information from its demand entitlement filing in Docket No. G002/M-25-67 (Docket 25-67) filed on August 1, 2025 and supplemented on October 31, 2025. The Department will file its comments in Docket 25-67 at a later date. The Company provides a description of the system demand cost calculation on pages 1 through 3 of its Petition.

Finally, in its review of demand costs, at this time the Department found no inconsistencies between the sales forecast reported in the rate case filing and that which was presented in the base cost of gas Petition.

In CenterPoint's BCOG filing in Docket No. G008//MR-17-591, Commission Staff in the August 25, 2017 Staff Briefing Papers, on page 3 stated the following:[1]

> Staff points out that commodity gas costs, although recovered dollar for dollar, is a component of total revenue and total revenue is either a component or the "driver" for various test year estimates such as bad debt expense, late payment fees and storage costs. For instance, proposed test year bad debt expense is calculated as 0.96% of firm revenue; therefore, a 10% fluctuation ($43.645 million) in commodity gas costs would impact bad debt expense by $419,000.

As a result, the Commission has required companies during the proceedings, to provide updated BCOG information reflecting changes in commodity and demand costs.[2]

Thus, the Department recommends that Xcel Energy provide updated cost of gas information in this proceeding and in its companion general rate case. The Department recommends that the Commission require Xcel Energy to work with both Commission and Department Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Xcel Energy's BCOG and reflected in the accompanying general rate case. The update(s) should be filed in both this BCOG docket and in the general rate case Docket 25-356. Additionally, when the Company files its final base cost of gas pursuant to Minn. R. 7825.2700, subp. 2, the cost of gas in that filing should equal the cost of gas approved for use in the general rate case.[3]

[1] The staff briefing papers are available in eDockets in Docket No. G008/MR-17-591, Document ID 20178-135004-01.
[2] See for example, the Commission's *December 5, 2017 Order Setting New Base Cost of Gas for Interim Rate Period* in Docket No. G011/MR-17-564, *September 29, 2017 Order Setting New Base Cost of Gas* in Docket No. G008/MR-17-591, and *December 18, 2019 Order Setting New Base Cost of Gas* in Docket No. G008/MR-19-525, respectively.
[3] Minn. R. pt. 7825.2700, subp. 2, states in part: "A new base gas cost must also be part of the rate design compliance filing submitted as a result of a general rate proceeding."

B. COMMODITY GAS COSTS

Xcel Energy estimated its commodity costs based on a combination of market indicators such as [New York Mercantile Exchange] NYMEX and various long-term price forecasts published by highly respected, industry-leading sources such as Wood Mackenzie, and S&P Global. The forecast is NYMEX based for the first two years, and then it transitions into blending for years 3 and beyond using a simple average of the NYMEX (25%), Wood Mackenzie (37.5%) and S&P Global (37.5%) forecasts to develop a composite forecast.[4]

The Department compared these estimated commodity cost rates to current NYMEX market expectations and concludes that, currently, the rate estimates are appropriate.

After estimating commodity costs for its customers, Xcel Energy calculated the estimated Weighted Average Cost of Gas (WACOG) for each customer class.[5] Xcel Energy calculated its total gas cost recovery amount by multiplying monthly test-year sales amounts by the monthly projected WACOG price, resulting in no difference.[6] Xcel Energy expects total 2026 commodity costs to be $327,688,053.[7]

C. TOTAL GAS COSTS

When Xcel Energy's proposed demand gas costs ($107,265,739) and commodity cost of gas ($327,688,053) are added together, the resulting total gas costs are approximately $434,953,792.[8] Based on the rate case exhibits and required filing, and the work papers noted earlier up above, the 2026 gas costs reported are $434,953,792, resulting in no difference between the rate case and base cost of gas Petition. The Department concludes that the total gas costs are acceptable.

D. TARIFFS

Xcel Energy provided its proposed updated tariff sheets in both clean and redlined versions as Attachment D to the Petition. The Department reviewed the proposed tariff sheets and concludes that the proposed changes correctly update the base cost of gas values in accordance with the calculations contained in Attachments A through C of the Petition. As a result, both the clean and redlined versions of the tariff sheets are acceptable.

[4] Petition at 3.
[5] Petition Attachment A pages 1-2.
[6] See Xcel Energy's rate case filing in Docket 25-356, Direct Testimony of Michelle M. Terwilliger, Exhibit _____ (MMT-1), Schedule 5. The total commodity costs are embedded in the calculations and are approximately $327,688,053 and in the Petition Attachment A they are approximately $327,688,053 resulting no difference.
[7] Petition Attachment A pages 1-2.
[8] Petition Attachments A and B.

III. CONCLUSION AND RECOMMENDATIONS

Based on its review of the Company's Petition, the Department recommends that the Commission approve Xcel Energy's BCOG filing, **subject to the Department's review of the demand entitlement and costs information requested in Reply Comments, and** as modified herein with the following additional recommendations.

The Department recommends that the Commission require that Xcel Energy:

- Explain in Reply Comments how it calculated the demand gas costs and identify the demand entitlement unit petition(s) and units that were used in their demand gas cost calculations.
- Provide updated cost of gas information in this proceeding and in its companion general rate case; and
- Work with both Commission and Department Staff to determine the appropriate timing for providing this information and whether the update(s) to the information should be applied to Xcel Energy's BCOG and reflected in the accompanying general rate case. The update(s) should be filed in both this docket and in the general rate case Docket 25-356.

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
Comments

Docket No. G002/MR-25-357

Dated this **12th** day of **November 2025**

/s/Sharon Ferguson

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