COMMERCE DEPARTMENT

October 13, 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
Docket No. E002/M-25-289

Dear Ms. Bergman:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

In the Matter of Northern States Power Co.'s, d/b/a Xcel Energy's, Petition for Approval of Large General Time of Day Service customers and Large Peak Controlled Time of Day Service Tariffs

The Petition was filed by Northern States Power Company, doing business as Xcel Energy on July 16, 2025.

The Department requests that the Company provide additional information in its reply comments. The Department will offer a recommendation on the approval of Xcel's Petition after it has had the opportunity to review the additional information.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

AB/SR/JK/RW/ad
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E002/M-25-289

I. INTRODUCTION

Northern States Power Company, doing business as Xcel Energy (Xcel or the Company) filed a petition on July 16, 2025, in compliance with Order Point 32 of the Minnesota Public Utilities Commission's (Commission) April 21, 2025 *Order Approving Settlement Agreement with Modifications* in Xcel's 2024-2040 Integrated Resource Plan (IRP) and Xcel's petition to acquire 800 megawatts (MW) of firm dispatchable resources.[1] The Company proposes to serve Large General Time-of-Day (TOD) Service customers as a new sub-class of the Commercial and Industrial (C&I) Demand class. Additionally, the Company proposes a Large Peak Controlled TOD Service tariff and revisions to the Tier 1 Energy Controlled Service rider to provide interruptible rate options which are open to data center and other Large General TOD Service customer participation. The Company states that it believes this approach meets the requirements of the April 2025 Order and provides an offering that is attractive to Large General TOD Service customers and that also protects the interests of non-Large General TOD Service customers. The Company states, "This approach also satisfies the requirements in the recent Minnesota legislation regarding large customer tariff costs and customer protections against the potential for stranded asset costs," citing Minn. Stat. § 216B.02, subd. 11.[2]

II. PROCEDURAL BACKGROUND

April 21, 2025	The Commission issued its *Order Approving Settlement Agreement with Modification* ordering Xcel to make a filing in a new docket with a proposal for development of a new rate class or sub-class and tariff for super-large customer at Order Point 32.[3]
July 16, 2025	Xcel Energy filed its Petition for TOD Service Tariff.[4]
July 29, 2025	The Commission issued its Notice of Comment Period[5] (Notice) on Xcel's Petition.

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[1] *In the Matter of Xcel Energy's 2024-2040 Upper Midwest Integrated Resource Plan, Order Approving Settlement Agreement with Modifications*, April 21, 2025, Docket Nos. E002/RP-24-67 and E002/CN-23-212, (eDockets) 20254-217941-01, (hereinafter "IRP Order"), at Order Point 32.

[2] *In the Matter of Northern States Power Co.'s, d/b/a Xcel Energy's Petition for Approval of Large General Time of Day Service customers and Large Peak Controlled Time of Day Service Tariff*, Xcel Energy, Petition Large General Time of Day Service and Large Peak Controlled Time of Service, July 16, 2025 Docket No. E002/M-25-289, (eDockets) 20257-221060-01, (hereinafter "Petition"), at 3 and fn 7.

[3] IRP Order, at 25.

[4] Petition.

[5] *In the Matter of Northern States Power Co.'s, d/b/a/ Xcel Energy's, Petition for Approval of Large General Time of Day Service customers and Large Peak Controlled Time of Day Service Tariffs, Notice of Comment Period*, July 29, 2025, Docket No. E002/M-25-289, (eDockets) 20257-221060-01.

The Notice lists the following topics open for comment:

- Should the Commission approve the Company's proposed:
  - Large General TOD Service tariff;
  - Large Peak Controlled TOD Service tariff;
  - Rules for the Application of Peak Controlled Services tariff revisions;
  - Tier 1 Energy Controlled Service rider tariff revisions;
  - CIP Adjustment rider tariff revisions;
  - Administrative revisions to the Company's Tariff Book; and
- Retail Customer Form ESA?
- Are the following key terms of the Company's Large General TOD Service Tariff reasonable?
  - Default initial contract term length;
  - Rate design;
  - Security and risk mitigation measures; and
  - Measures to address changes in contract demand (or any other changes).
- Does Xcel's proposal reasonably comply with Order Point 32 of the Company's April 21, 2025 Order in Docket Nos. E002/RP- 24-67 and E002/CN-23-212?
- Does Xcel's proposal comply with Minn. Stat. § 216B.1622 related to Service for Very Large Customers (Laws 2025, 1st Special Session, Chapter 12)? If not, what additional provisions should be addressed?
- Should the Commission modify Xcel's proposed design of the Incremental Cost Test?
- Are there other issues or concerns related to this matter?

III. DEPARTMENT ANALYSIS

A. SHOULD THE COMMISSION APPROVE THE COMPANY'S PROPOSED:

- *Large General Time of Day Service tariff;*
- *Large Peak Controlled Time of Day Service tariff;*
- *Rules for the Application of Peak Controlled Services tariff revisions;*
- *Tier 1 Energy Controlled Service rider tariff revisions;*
- *CIP Adjustment rider tariff revisions;*
- *Administrative revisions to the Company's Tariff Book; and*
- *Retail Customer Form Electric Service Agreement (ESA).*

A.1. Xcel's Tariff proposals

In its Petition, Xcel proposes a Large General TOD Service tariff as required in the IRP Order. In addition, the Company proposes a Large Peak Controlled TOD Service tariff and revisions to the Tier 1 Energy Controlled Service rider to provide interruptible rate options for Large General TOD Service customers. Further, Xcel proposes revisions to the Rules for the Application of Peak Controlled Services tariff and the Administrative revisions to the Company's Tariff Book necessary to support and accommodate the proposed tariffs and revised rider. Finally, Xcel proposes revisions to the

Conservation and Improvement Program (CIP) Adjustment rider, consistent with recent Minnesota legislation addressing data center participation in CIP programs.[6]

The stated purpose of Company's proposal for new sub-classes and the tariffs for Large General TOD Service and Large Peak Controlled TOD Service customers is to attract, equitably integrate, and serve new large load customers. The Company's proposed tariffs will serve customers that meet the eligibility demand threshold. Although open to all industries, Xcel notes the customers expressing interest to take this level of service have been almost exclusively data centers.[7]

As described by Xcel, the demand for data centers has been increasing due to the expansion of machine learning/artificial intelligence technologies. Accordingly, data center development has been rapidly expanding across the country and there is strong competition to secure new data center customers. Xcel asserts that data centers, with their high load factors, will support grid stability and their contribution to revenue can help offset existing system fixed costs for all customers. Further, Xcel states these data centers will bring tax revenue to the state and local governments, contribute to economic development, bringing substantial infrastructure investment, creating jobs in construction, information technology, and maintenance.[8]

Consistent with the definition of "data center" under Minnesota Statute, the Large General TOD Service tariffs will apply to new and existing customers with new electric demand of 100 MW or greater that begin service or expansion of their existing load after the effective date of the tariff.[9] Going forward, Xcel proposes that any non-residential customer seeking new electric general service for new demand equal to or greater than 100 MW, based on demand identified in an interconnection agreement (IA), must take service under either the Large General TOD Service or Large Peak Controlled TOD Service after the effective date of the tariff.[10]

Xcel states that it designed its proposed tariffs to protect other customers from costs caused by the addition of these new large customers to the system, in addition to attracting that new load. Xcel characterizes its approach as one to achieve a balance of these objectives through customer pricing, contract term length, risk mitigation, security provisions, and provisions relating to early termination.[11]

Xcel proposes to serve Large General TOD Service customers as a new sub-class of the Demand class. The proposal includes a tariff that sets forth the key terms of service for Large General TOD Service customers and a retail customer form ESA that details the specific terms and conditions governing service to the customer. The tariff requires an incremental cost test determination at the time the

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[6] Petition, at 4.
[7] *Id*., at 9.
[8] *Id*., at 2.
[9] Minn. Stat § 216B.241, subd. 1a (2024). "'Data center' means a facility that is designed to have a load of 100 megawatts or more and whose primary purpose is the storage, management, and processing of digital data via the interconnection and operation of information technology and network telecommunications equipment, including all related facilities and infrastructure for backup electricity generation, power distribution, environmental control, cooling, and security."
[10] Petition, at Attachment F, General Time of Day Service, Section No. 5, Sheet No. 29.
[11] *Id*., at 2.

Electric Service Agreement (ESA) is executed. In addition, Xcel proposes a Large Peak Controlled TOD Service tariff and revisions to the Tier 1 Energy Controlled Service rider to provide interruptible rate options which are open to data center and other Large General TOD Service customer participation. As Large General TOD Service customers are identified, Xcel proposes to bring forward executed ESAs and their accompanying Interconnection Agreements (IA) to the Commission for review and approval.[12]

Unlike smaller General customers, Xcel clarifies that Large General TOD Service and the Large Peak Controlled TOD Service customers will be filing customer-specific information on projected demand, energy, incremental costs, revenues, and benefits to system customers, along with an ESA for review and Commission approval. According to Xcel, this step helps to ensure that these large customers will deliver benefits to all customers by providing revenues that contribute to fixed costs above the incremental costs they are causing on the system. Xcel asserts that positioning them as incremental sub-classes to the Demand class has several advantages, while ensuring new customers are not harming system customers. Xcel identifies the following advantages to its approach:

1. Ensures rate design consistency among Demand billed customers,
2. Allows for revenue neutrality across TOD rates while shifting more cost recovery to demand charges and less to energy charges;
3. Preserves the ability to leverage Commercial three-period time of use rate design in the future;
4. Allows for stable, on-going competitive pricing for new load; and
5. Helps create certainty for new large load customers by creating a pathway for immediate rate design development, so customers can evaluate the pricing term of our service and make an informed decision to locate in Xcel's service territory.[13]

Finally, Xcel asserts the proposed tariffs will support affordability, reliability, and clean energy goals and standards. Affordability will be impacted by each dollar of Large General TOD Service customer revenue that exceeds the incremental cost to serve the Large General TOD Service customers. Xcel states this excess revenue provides a direct benefit to other customers by offsetting fixed costs that they would otherwise need to pay.[14]

A.2. Incremental Costs in the ESA

Customers taking service under the tariffs will be required to enter into a contract in the form of an ESA and IA with Xcel. The ESA includes the contract term (including any load ramp up period), contracted demand, forecasted kW and kWh per year, security and risk mitigation provisions, early exit fees, as well as the service location, delivery characteristics, delivery voltage, and excess facilities provided by the Company. The IA addresses the terms and conditions for construction of the facilities

[12] *Id*., at 3.
[13] *Id*., at 17.
[14] *Id*., at 21.

to connect the customer to the Company's grid and covers the technical, safety, and regulatory aspects of the connection and defines the responsibilities of both the customer and the Company. [15]

The Company proposes a retail customer form ESA and a template IA, which it has attached to its Petition for approval. These templates detail the specific terms and conditions governing service to the customer.[16] Prior to executing an ESA with a Large General Time of Day Service customer, Xcel will perform several analyses and studies to identify incremental resources necessary to serve customer-specific demand requirements. These studies are described below:

- Resource Planning Analysis: Assess the impacts of adding the new eligible loads. The analysis includes the identification of incremental generic resources necessary to serve the load and maintain energy adequacy.
- Transmission System Impact Study: Identifies potential impacts on the reliability and safety of the transmission system resulting from the interconnection of new eligible loads and identifies any necessary system upgrades to ensure overall reliability.
- Facilities Study: identifies the specific engineering and construction requirements to connect the new eligible load, including upgrades to transmission lines, substations, and other facilities to accommodate the new interconnection.[17]

The Large General Time of Day Service customer will be obligated to pay for interconnection cost requirements identified through these studies.[18]

The Large General TOD Service and Large Peak Controlled TOD Service tariffs require an incremental cost test determination at the time the ESA is executed. The Incremental cost test calculates the costs and benefits associated with new Large General TOD Service customers and is described further in Section C.1., below. If the Incremental cost tests determine the costs are higher than benefits, the ESA will include a mechanism developed specifically for an eligible customer to bridge the gap through additional revenues.[19]

A.3. Should the Commission Approve Xcel's Proposed Tariffs and Revisions

It is Department's understanding that Xcel's proposed Large General TOD Service tariff, Large Peak Controlled TOD Service tariff, and revisions to the Tier 1 Energy Controlled Service rider are designed

[15] *Id.*, at 16 and Attachment G & Attachment H.
[16] *Id.*, at Attachment G & Attachment H, respectively.
[17] *Id.*, at 21.
[18] *Ibid.*
[19] *Id.*, at 3.

to primarily recover the current existing system costs through the proposed rates in Xcel's proposed tariffs and rider in this proceeding.[20]

The Department understands further that the incremental costs necessary to interconnect Large General TOD Service customers to Xcel's system and to meet the customer-specific projected demand will be the subject of customer specific ESAs and accompanying IAs, but only if projected revenues are less than estimated incremental costs as determined by the incremental cost test at the time the ESA is executed. As such, if the incremental cost test shows projected costs are greater than expected revenues – the rates, terms and conditions for the recovery of these incremental costs will be described in the customer-specific ESA and IA through either up-front payments or over the term of the ESA through an additional demand charge to the customer that is separate and in addition to the rates proposed in Xcel's proposed tariffs and revised rider. Each executed ESA and accompanying IA will be brought before the Commission for review and approval in a separate proceeding. Incremental costs not subject to the ESA will be collected through annual Xcel riders and updated rates, terms and conditions in the tariff as determined in Xcel's future rate cases to account for generation and transmission resources added to Xcel's total system resources needed to serve the new large loads over the term of the ESA. **The Department requests that Xcel confirm the Department's understanding in its reply comments.**

Given this understanding, the Department has a remaining concern for Xcel's decision for the Large General TOD Service tariff to apply to new and existing customers with new electric demand of 100 MW or greater that begin service or expansion of their existing load after the effective date of the tariff Xcel bases its decision on Minn. Stat § 216B.241, Subd. 1a. definition of "data center" as a facility that is designed to have a load of 100 MW or more.[21] The IRP Order requires Xcel to develop "a new rate class or sub-class and tariff for super-large customers" and to ensure the new tariff will continue achievements "[…] of affordability, reliability, and clean energy goals and standards."[22] The IRP Order does not specify how many the number of MW constitutes a super-large customer. The Department agrees that a data center with 100 MW or more of load should be considered a super-large customer. However, the Department believes customers with loads less than 100 MW of load may also be considered a super-large customer that may have outsized impacts on affordability, reliability and clean energy goals and standards. **The Department requests that Xcel address in reply comments how the Company plans to treat customers with loads between 5 MW and 99 MW and whether these new customers should be included in existing tariffs, the new Large General TOD Service tariff or if the Company plans to propose a separate tariff(s) for these new customers.**

The Department addresses the remainder of the Notice topics and evaluates each of the specific proposals below to determine if Xcel's Petition meets its stated goals above, including whether it complies with Order Point 32 of the IRP Order and with Minn. Stat. § 216B.1622 related to Service for

[20] The Department notes the exception of the customer charge in the proposed tariffs discussed in section B.2.1., below. The customer charge recovers incremental labor costs for the extra time it will need to serve Large General Service customer for economic development, account management, and billing activities in excess of a typical General Service customer.
[21] *See fn 9 above.*
[22] The IRP Order, Order Point 32.

Very Large Customers.[23] The Department will request further clarifications and information from Xcel and recommends modifications to its proposal when necessary, below.

B. KEY TERMS

The Department Responds to the following Notice topic:

> *Are the following key terms of the Company's Large General TOD Service Tariff reasonable?*
>
> - *Default initial contract term length;*
> - *Rate design;*
> - *Security and risk mitigation measures; and*
> - *Measures to address changes in contract demand (or any other changes).*

The Department responds to each of the key terms in turn below.

B.1. ESA Initial Contract Term Length

The Company has proposed a contract term length of at least fifteen years. Xcel states a minimum fifteen-year term is appropriate given the substantial infrastructure and other investments required to serve Large General TOD Service customers.[24] Xcel's proposed tariff initial ESA term of at least 15 years and states the following:

> Customers subject to this tariff must enter into an ESA with an initial term of at least fifteen (15) years, inclusive of any Load Ramp Period of up to a maximum of five (5) years.[25]

Similarly, Xcel's proposes ESA template states:

> This Agreement shall remain in full force and effect for at least fifteen (15) years (the "Term") unless terminated by either Party pursuant to Article 16 or as otherwise provided herein.[26]

Xcel recognizes there may be a range of reasonable term lengths, depending on the individual circumstances of each new customer and therefore the term of the ESA may be subject to negotiation

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[23] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, subd. 2(2)

[24] *Id*., at 10.
[25] *Id*., at Attachment A, Large General Time of Day Service, Rate Code AXX, Section 5, Sheet No 32.2 & Attachment B, Large Peak Controlled Time of Day Service, Rate Code AXX, Section 5, Sheet No. 47.2,
[26] *Id.,* at Attachment G, Electric Service Agreement, Article 10, p. 6 of 34.

by the parties.[27] When asked by the Department to list circumstances that may require a term of an ESA to be longer than 15 years, Xcel stated the justification for extending the term of an ESA beyond fifteen (15) years may depend on a variety of project-specific, operational, and financial considerations. Such considerations include to ensure continuity of electric service and adequate capacity to support long-term investment at a particular site or to accommodate a planned load ramp and whether the expected operational lifespan or financing structure of specific generation assets necessitates extended cost recovery periods or long-term contractual commitments to ensure economic viability and system reliability.[28]

When asked by the Department to provide a range for reasonable term lengths, Xcel stated that, "[…] based on customer-specific needs, infrastructure investments, and generation resource characteristics, ESA terms ranging from fifteen (15) to thirty (30) years are generally appropriate."[29]

The Department shares the concern for operational lifespans and financing structures of investment necessitating cost recovery and financing structures that may extend beyond the default term of at least 15 years. The Department believes the ESA term should reflect the incremental costs for the full depreciation term of the infrastructure investments or assets needed to serve the specific load of the Large General Service TOD Service customer. As such, the Department recognizes an initial ESA term for longer than fifteen years may be necessary for a customer-specific ESA approved by the Commission. **The Department recommends approval of the tariff language requiring an ESA initial term of at least fifteen years inclusive of any Load Ramp Period up to a maximum of five years.**

B.2. Rate Design

All Large General TOD Service customers will be subject to a 2-period TOD schedule, which provides price signaling to encourage off-peak hours usage and ensures that customers who do not respond to these price signals pay an appropriate cost for operating during higher-demand times. The current two-period TOD schedule will eventually be transitioned to a three-period Time of Use (TOU) schedule, pursuant to the Commission's April 7, 2025 Order in Docket No. E002/M-20-86, which requires the Company to propose its successor rate design and transition plan by March 31, 2026.[30] The new TOU schedule will similarly provide financial incentive to utilize off-peak hours. When the TOU transition happens, Xcel will update this Large General TOD Service tariff with the new three-period TOU schedule.[31]

Xcel designed new base rates for the Large General TOD Service and Large Peak Controlled TOD Service tariffs to shift more cost recovery through the demand charge and less cost recovery from energy charges. Xcel asserts this approach promotes cost recovery stability and creates a higher and more reasonable basis by which the Company can assess capacity reduction and exit fees. In addition, Xcel

[27] Petition, at 10.
[28] *See* Attachment 1, Xcel Response to IR DOC-003.
[29] *Id.*
[30] *In the Matter of the Petition for Approval of a General Time-Of-Use Service Tariff, Order Requiring Pilot Program Suspension*, April 7, 2025, Docket No. E002/M-20-86, (eDockets) 20254-217332-01, Order Point 2 at 3.
[31] Petition, at 23 and fn 46.

claims this design will protect other customers from revenue erosion due to changes in a customer's usage profile resulting in a reduction of usage over the ESA contract term.[32]

B.2.1. Customer Charge

For its proposed customer charge, Xcel estimates the extra time it will need to spend on Economic Development, Account Management, and Billing activities for a Large General TOD Service customer in excess of a typical General Service customer.[33] The customer charge for the General TOD Metered customer charge is $29.98 per month.[34] Xcel proposes a customer charge for the Large General TOD Service and Large Peak Controlled TOD Service tariffs for the amount of $9000.00 per month.[35] Xcel's provides the following analysis for its Large General TOD Service customer charge in Table 1 below:

TABLE 1: LARGE GENERAL TOD SERVICE CUSTOMER CHARGE ANALYSIS COST	
Incremental Economic Development Costs	$6,200
Incremental Account Management Costs	$1,400
Incremental Billing and Billing Support Costs	$1,400
Total Monthly Customer Related Costs	**$9,000**

When asked for a more detailed accounting of the above incremental costs by the Department, Xcel responded with a breakdown of each of the costs based on hourly labor costs and the number of hours per month to provide each of the above services for the Large General TOD Service Customer.[36]

The Department agrees with Xcel's approach to ensure Large General TOD Service customers are assessed costs for the incremental labor necessary to recover the incremental costs for the new load from these customers. **The Department requests Xcel provide in reply comments a more detailed account of the types of services provided under Economic Development, Account Management and Billing support and how it determined the total monthly hours necessary to provide each of the services under each of the categories. Assuming these services are necessary to support Large General TOD Service customers, and the hours to provide them are reasonable, the Department supports Xcel's proposed methodology for determining the customer charge for the Large General TOD Service tariff.**

B.2.2. Energy Charge

Xcel based its proposed Large General TOD Service Tariff energy and demand charges on the General TOD Service Tariff or Rate Code A15. Under its proposed rate design for the Large General TOD Service, Xcel shifts fixed production and production O&M cost recovery from the energy charge to the demand charge. To accomplish this Xcel removed the Production Plant and Production Plant O&M Stratification, or "Plant Stratification" process that is traditionally used to design energy rates for the General TOD Class. The proposed removal of the stratification process is designed to be revenue

[32] *Id.*, at 11.
[33] *Id.*, at 12.
[34] Xcel MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2, General Time of Day Service, Section 5, Sheet 29. (Salesforce).
[35] Petition, at Attachment A, Large General Time of Day Service, Rate Code AXX, Section 5, Sheet No 32.2
[36] *See* Attachment 2, Xcel Response to IR DOC-001.

neutral to a stratified rate design structure. By removing the stratification process from the rate design, fewer costs are classified as energy-related and therefore results in lower energy charges, which now reflect only variable costs.[37] These variable costs primarily consist of fuel costs. Table 2 below provides the energy charge for Xcel's General TOD Service customers:

TABLE 2: GENERAL TOD SERVICE TARIFF (RATE CODE A15)[38]

Energy Charge per kWh	
On Peak	$0.06538
Off Peak	$0.03441

Xcel's proposed energy charge for Large General TOD Service customers is provided in Table 3 below:

TABLE 3: LARGE GENERAL TOD SERVICE TARIFF (RATE CODE AXX)

Energy Charge per kWh	
On Peak	$0.02751
Off Peak	$0.01448

Xcel provided work papers for how it calculated the energy and demand rates attached to its Comments.[39] The Department has reviewed the "plant stratification" methodology and calculations in the work papers. However, the Department has concern about Xcel's proposed methodology for removing the "Plant Stratification" process for determining the energy charge for the Large General TOD Service tariff. The Department understands the removal of the Production Plant and Production Plant O&M Stratification enables the cost recovery for the energy charge to only reflect the recovery for the variable fuel costs. The Department understands further that energy costs are based on the most current forecasted fuel rates on record and the customer's estimated usage.[40]

Xcel's energy charge is primarily used to recover the variable energy costs; the Department understands that the variable energy costs recovered in Xcel's energy charge consist primarily of the forecasted fuel rates from Xcel's last rate case in Docket No. E002/GR-21-630. The Department is concerned for the impact of Large General TOD Service customer usage on the actual real time market fuel rates, particularly during peak periods. The Department's concern rests on these Large General TOD Service customers significantly impacting marginal energy costs. If the marginal energy costs are greater than the marginal energy revenues collected from these large load customers, then there is a significant risk that Xcel's other, non-data customers may be negatively impacted by Large General TOD Service customers usage on the system. The Department believes this concern may be alleviated with an energy charge based on the day ahead energy market prices and/or a Real Time Pricing (RTP) rate. Xcel's Advanced Metering Infrastructure (AMI) capabilities should have the capabilities for linking to MISO energy prices. **The Department requests that Xcel confirm the Department's understanding**

[37] Petition, at 12.
[38] Xcel MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2, General Time of Day Service, Section 5, Sheet 29. (Salesforce).
[39] Petition, at Attachment I
[40] *Id.,* at 19.

of the forecasted fuel rates and AMI capabilities to link to MISO energy prices in reply comments. In addition, the Department requests that Xcel explain how other system customers are protected from the impact of large load customers on the marginal energy costs or provide an alternative Large General TOD Service tariff with an energy charge based on RTP.

B.2.3. Demand Charge

Costs not recovered by the customer charge or the energy charge will be recovered through the demand charge in a manner that produces the same revenue as if the Large General TOD Service customers were billed on the standard General TOD Service rates. Xcel explained the analysis was conducted assuming there was no change in the customer charge to achieve revenue neutrality before incremental customer charge costs were considered.[41] In other words, the analysis assumed the customer charge was $29.98 per month and not $9000 per month. Table 4 below provides the demand charge for Xcel's General TOD Service customers.

TABLE 4: GENERAL TOD SERVICE TARIFF (RATE CODE A15) [42]

Demand Charge per Month per kW		
	Oct-May	Jun-Sep
On-Peak	$11.90	$16.49
Off-Peak (in Excess of On Peak Period Demand)	$3.35	$3.35

Xcel's proposed demand charge for Large General TOD Service customers is provided in Table 5 below:

TABLE 5: LARGE GENERAL TOD SERVICE TARIFF (RATE CODE AXX) [43]

Demand Charge per Month per kW		
	Oct-May	Jun-Sep
On-Peak	$24.66	$29.25
Off-Peak (in Excess of On Peak Period Demand)	$3.35	$3.35

The Department understands Xcel's proposed methodology for determining the demand charges is based on costs not recovered by the customer charge or the energy charge with total revenues collected remaining revenue neutral with costs recovered as if the Large General TOD Service customers were billed on the standard General TOD Service rates. The Department does not oppose this methodology for determining the demand charge for the Large General TOD Service tariff**.**

B.2.4. Large Peak Controlled TOD Service Rates

Minnesota legislation exempted qualified large-scale data center customers from contributing to utilities' energy conservation plans, which are managed as an Energy Conservation and Optimization

[41] Petition, at 13.
[42] Xcel MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2, General Time of Day Service, Section 5, Sheet 29. (Salesforce).
[43] Petition, at Attachment A, Large General Time of Day Service, Rate Code AXX, Section 5, Sheet No 32.2.

(ECO) program by Xcel. Accordingly, data center customers cannot take part in demand response or energy efficiency options offered through Xcel's ECO programs. Any non-data center Large General TOD Service customers that have not been exempted from ECO, however, may participate in Xcel's ECO program offerings.[44]

Consistent with the Commission's direction to address demand flexibility, demand response, and energy efficiency, Xcel proposes a Large Peak Controlled TOD Service tariff and revisions to the Tier 1 Energy Controlled Service rider tariff to provide interruptible rate options that are open to data center customers. By participating in these tariffs, the customer would agree to reduce its electricity usage during periods of peak demand or high energy pricing, upon the Company's request. In exchange, the data center customer qualifies for discounted demand and energy rates.[45]

As explained by Xcel, Large General TOD customers that elect to take part in the interruptible rate options agree to reduce their electricity usage during periods of peak demand or high energy prices, and in exchange, the customer pays rates that are discounted from firm service to reflect the associated cost savings.[46]

The Large Peak Controlled TOD Service tariff is available to Large General TOD customers with a minimum controllable demand of 3,000 kW. The customer meets the new demand requirements of this rate schedule based on an interconnection agreement (IA) for full capacity, including any ramp period, which is defined in the ESA.[47] Customers choosing to take service under the Large Peak TOD Service tariff must execute an ESA with Xcel which will include the following:[48]

Tier 1	Tier 2
a. A Term matching the ESA Term	a. A Term matching the ESA Term
b. The Predetermined Demand Level	b. The Predetermined Demand Level
c. Maximum 150 hours of interruption	c. Maximum 80 hours of interruption
d. Cancellation charge terms	d. Cancellation charge terms
e. Control period notice	e. Control period notice

Large Peak Controlled Service customers choosing the Tier 1 rate option will be subject to an additional monthly charge for a Company-approved and -installed two-way communications system. This equipment allows Xcel to determine remotely customer load levels and to notify customers of control periods.[49]

The customer charge, energy charge and firm demand charge for the Large Peak Controlled TOD Service tariff are consistent with the Large General TOD Service tariff described above.[50] Xcel's proposed customer, energy, firm on-peak demand and off-peak demand charge for Peak Controlled TOD Service is given in Table 6 below:

[44] *Id.*, at 15-16.
[45] *Id.*, at 15.
[46] *Id.*, at 13.
[47] *Id.*, at Attachment B, Large Peak Controlled Time of Day Service, Rate Code AXX, Section 5, Sheet No. 47.2.
[48] *Id.,* at Attachment C, Rules for Application of Peak Controlled and Large Peak Controlled Services, Section 5, Sheet No. 49.
[49] *Id.*
[50] Petition, at 13.

TABLE 6: LARGE PEAK CONTROLLED TOD SERVICE ENERGY, FIRM ON PEAK DEMAND AND OFF PEAK DEMAND CHARGES (RATE CODE AXX) [51]

Customer charge per month	$9,000.00	
Energy charge per kWh		
On Peak	$0.02751	
Off Peak	$0.01448	
Firm Demand Charge Per Month Per kW	Tier 1	Tier 2
On Peak (June – September)	$29.25	$29.95
On Peak (Other Months)	$24.66	$24.66
Off Peak Period Demand (In Excess of On Peak Period Demand)	$3.35	$3.35

As with the Large General TOD Service tariff, the Department has reviewed the methodology and calculations for determining the above charges in Table 6. Like the energy and demand charges for the Large General TOD Service tariff, the Department has concerns for the impact Large peak controlled TOD Service customer has on the marginal energy rates**.** The Department has similar concerns as stated above for how other system customers are protected from the impact of large load customers on the marginal energy costs.

The controllable demand charge for the Large Peak Controlled TOD Service reflects the demand charge reduction that was approved for the Peak Controlled TOD Service's controllable demand charges in the Company's last rate case in Docket No. E002/GR-21-630.[52] Xcel's proposed controllable demand charges for Large Peak Controlled TOD Service are given in Table 7 below:

TABLE 7: LARGE PEAK CONTROLLED TOD SERVICE ENERGY CONTROLLABLE DEMAND CHARGES PER MONTH PER KW (RATE CODE AXX) [53]

Controlled Demand (Jan – Dec)	Tier 1	Tier 2
Level A: < 65% Power Factor	Not Available	$23.06
Level B: > 65% and < 85% Power Factor	$21.21	$21.93
Level C: > 85% Power Factor	$20.58	$21.39
Short Notice Rider	$20.08	Not Available

The power factor for the month is determined by permanently installed metering equipment and the Tier 1 Peak Controlled Short Notice is available subject to the provisions contained in the Xcel's existing Tier 1 Peak Controlled Short Notice Rider.[54]

The Department has reviewed Xcel's methodology for calculating the controllable demand charge and does not oppose this methodology**.**

[51] *Id.*, at Attachment B, Large Peak Controlled Time of Day Service, Rate Code AXX, Section 5, Sheet No. 47.2 – 47.3.
[52] *Id.,* at 13.
[53] *Id.*, at Attachment B, Large Peak Controlled Time of Day Service, Rate Code AXX, Section 5, Sheet No. 47.3.
[54] *Id*., at Sheet No. 47.5 – 47.6. *See also*, Xcel MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2, Tier 1 Peak Controlled Short Notice Rider, Section 5, Sheet 126. (Salesforce).

B.2.5. Tier 1 Energy Controlled Service Rider Rates

The Tier 1 Energy Controlled Service rider lists the on and off peak energy charges available to qualifying Large Peak Controlled TOD Service customers; these charges are based on the Large Peak Controlled TOD Service on and off peak energy charges and the same energy charge reduction amount available to Peak Controlled TOD Service customers that was approved in the Company's last rate case in Docket No. E002/GR-21-630.[55] Table 8 below provides the energy rates for Tier 1 Large Peak Controlled TOD Service.

TABLE 8: TIER 1 ENERGY CONTROLLED SERVICE (RATE CODE AXX)[56]

	Energy Charge per kWh
Firm On Peak	$0.02751
Firm Off Peak	$0.01448
Controllable On Peak	$0.02450
Controllable Off Peak	$0.01294
Control Period Energy	$0.09000

The Control Period Energy charge will apply when Xcel is required to use generation equipment or to purchase power that results in production costs in excess of $70 per MWh. Control Period Energy Service will not be available when Company expects system peak load conditions or during system emergencies.[57]

The Department has reviewed Xcel's methodologies and calculations for determining the rates in Tables 1, 3 and 5-8. The Department understands the controllable on-peak and off-peak energy charges are based on the same energy charge reduction amount available to Peak Controlled TOD Service customers. However, as with the concerns for the proposed energy charge in the Large Peak Controlled Service tariff, the Department has the same concerns for Xcel's proposed energy charges for the Tier 1 Energy Controlled Service rider. The Department has similar concerns as stated above for how other system customers are protected from the impact of large load customers on the marginal energy costs.

B.3. Security and Risk Mitigation Measures

Xcel included several risk mitigation and security provisions in its petition to ensure the potential for data center costs to be borne by non-data center customers and the risks of stranded assets and load that fails to materialize. These conditions include customer pricing, minimum billing, exit fees related to early termination and financial security to support enforcement of the tariff provisions.

[55] Petition, at p. 13.
[56] *Id.*, at Attachment D, Tier 1 Energy Controlled Service Rider, Rate Code AXX, Section No. 5, Sheet No. 115.
[57] *Id., at* Sheet No. 116.

B.3.1. Pricing

As discussed above, Xcel's rate design for the proposed tariffs shifts cost recovery for fixed costs from energy charges and more cost recovery through the customer and demand charges. This design will protect other customers from revenue erosion due to reductions in the customer usage over the ESA contract term by promoting cost recovery stability and creating a reasonable basis for Xcel to assess capacity reduction and exit fees.[58]

B.3.2. Minimum Bill

The tariffs also contain a minimum bill requirement of at least 75 percent of the customer's contract capacity. Xcel designed this requirement to ensure Large General TOD Service customers pay for costs incurred to serve them, if the customer's usage does not materialize as originally forecasted. The minimum bill provision adds more certainty to infrastructure planning and maintenance and helps to ensure that the incremental costs incurred to serve the high energy demands of these customers are recovered. The minimum billing demand for customers taking service under this tariff is at least 75 percent of the customer's contract capacity.[59] More details on the minimum billing requirement and the Department's concerns regarding the minimum bill are described in section B.5.5., below.

B.3.3. Exit Fee

If a Large General TOD Service customer terminates its contract early, it must pay an exit fee which reimburses incremental capacity generation cost the Company incurred to serve it. The ESA addresses the potential for a Large General TOD Service customer to exit from the contract early. Early termination requires at least 24 months' notice, and the exit fee is designed to recover the loss of the revenues associated with the customer's minimum demand and the remainder of the incremental generation costs attributable to connecting and serving the customer. The exit fee is described in further detail in the ESA. The ESA provides for an exit fee that is due and payable by Customer if (i) Customer terminates for its convenience with 24 months advance notice or (ii) Customer fails to cure a material default within 120 days of the notice of breach under the ESA. [60]

The proposed exit fee is payable for 10 years or the remaining Term of the ESA, whichever is less. In addition, if additional revenues are required through the Incremental Cost Test analysis, then the customer would be required to pay for the remainder of those revenues as part of the exit fee. Specifically, the ESA states the following:

> 16.3 Exit Fee. In the event of termination by Customer under Section 16.1 (ii)(b) and termination by Company due to Customer breach under 16.1(iii), Customer shall pay to Company an Exit Fee (a) in the case of termination pursuant to 16.1(ii)(b) 24 months from the date of the Termination Notice, or (b) in the case of termination pursuant to 16.1(ii)

[58] Petition, at 11 and 12.
[59] *Id.,* at 14.
[60] *Id.,* at 11.

> within 30 days of the Termination Date, calculated as follows: In addition to any revenue or other fees that may be due and owing, the total of (i) the current effective Tariff rates on-peak demand charges contained in Exhibit B multiplied by (ii) seventy-five percent (75%) of the Contract Capacity multiplied by (iii) the "Termination Fee Period" defined for this Section 16.3 as the lesser of the remaining contract months in Article 10 or 120 months, as liquidated damages and not as a penalty 16.2 Contract Capacity Reduction Payment. In the event of Customer Contract Capacity Reduction under Section 3.3 and subject to the Termination Notice required in 16.1(ii), Customer shall pay to Company an Early Contract Capacity Reduction.[61]

According to Xcel, the term length and exit fees are important protections to ensure that the Large General TOD Service customers are paying their fair share of the costs to provide service to them and protect other non-data customers by ensuring they are not placed at risk for paying stranded costs associated with the utility serving the very large customer.[62]

When asked to explain why the exit fee is based on a calculation of charges over the *lesser* of 10 years or the remainder of the ESA term and why it is reasonable that the calculation based on a period of 10 years is reasonable if there are more than 10 years remaining for the ESA term, Xcel stated:

> The Load Ramp Period shall not exceed five (5) years. The minimum Term of the ESA is 15 years. The 15-year Term minus the five (5) year Load Ramp Period, leaves a 10-year maximum available period to assess an exit fee.[63]

The Department remains concerned if more than 10 years remain for the ESA term, considering the ESA term may be more than 15 years. As written in the ESA and described by Xcel in its Petition this language may not protect other non-data customers by ensuring they are not placed at risk for paying stranded costs associated with the utility serving the very large customer.

The Department is also concerned by the provisions in Article 16.3 of the ESA, which limits cost recovery to seventy-five percent of the termination fee period. **The Department requests that Xcel revise this language by removing the lesser option for 10 years (120 months) and instead state the exit fee is payable for the remaining term of the ESA. In addition, the Department requests Xcel provide in reply comments an explanation for why seventy-five percent of the termination period is reasonable and why eighty-five percent or higher of termination period would not be reasonable.**

B.3.4. Parent Guarantee, Letter of Credit or Cash Deposit

Xcel states the ESA will contain specified security and risk mitigation provisions (e.g., parental guarantee, letter of credit, cash deposit), approved by the Commission, in the event the Large General

[61] *Id.,* at Attachment G.
[62] Petition at 11.
[63] *See* Attachment 3, Xcel Response to IR DOC-004.

TOD Service customer ceases operations for any reason, thus ensuring that the Large General TOD Service customer's financial commitments will still be paid. The tariff requires the ESA to contain sufficient security and collateral provisions to support enforcement of the tariff provisions and to ensure any such incremental costs are recovered from the customer or its guarantors.[64]

Xcel included the Retail Customer Form ESA, which contains examples of the types of security and risk mitigation measures that will be considered.[65] Because each individual customer's credit and financial situation will differ from another's, Xcel states the specific terms addressing risk mitigation and security will be captured in the Large General TOD Service customer's ESA and provided for Commission review and approval in a later proceeding.[66]

The Department has reviewed Xcel's Retail Customer Form ESA and believes it contains provisions necessary to address risk mitigation and financial security to support enforcement of the proposed tariff provisions. Ultimately the specific terms for risk mitigation and financial security contained in the ESA will need to be reviewed for each Large General TOD Service customer-specific executed ESA when it is brought before the Commission for approval.

B.3.5. Measures to Address Changes in Contract Demand

Xcel states the tariff contains terms to address the potential for changes in customer demand. As explained by Xcel, Large General TOD Service customers must provide a five-year rolling energy and demand forecast, with updates required twice a year at designated times. Because of the criticality of resource planning for large load, customers are encouraged to forecast with precision, which helps to reduce overall system costs.[67]

B.3.6. Measures to address increases in contract Demand

Through the process of collecting required forecast data from the Large General Time of Day Service customer, and from reviewing actual monthly averages, the Company will monitor changes in demand. Xcel explains that increases to the contract capacity after the execution of the ESA are subject to generation and transmission capacity availability, as determined at the sole discretion of the Company and not to exceed the Connected Load as described in the executed ESA.[68]

> 3.1 Contract Capacity. The effective Contract Capacity is contained in Exhibit E and is subject to periodic amendment according to the adjustment process as follows:
>
> 3.1.1 Contract Capacity Increases. The effective Contract Capacity will be increased, subject to generation and transmission capacity availability as determined at the sole discretion of the Company and not to exceed the

[64] *Id.,* at 25.
[65] *Id.,* at Attachment G.
[66] *Id.,* at 13.
[67] *Id.,* at 15.
[68] *Id.,* at 14.

> Connected Load (as described in Exhibit E), if either of the following occur: (a) if the prior year actual average monthly on-peak demand exceeds the effective Contract Capacity plus nine percent (9%); or (b) in the event that a Customer Load Forecast of monthly on peak demand provided pursuant to Section 3.5 exceeds the effective Contract Capacity as described in Exhibit E, the parties will meet and confer regarding an increase to the effective Contract Capacity.[69]

The Department is concerned for contract capacity increases that may exceed the connected load as defined in the ESA; further, a meet-and-confer regarding the increases does not fully mitigate the risk placed on Xcel's other non-data customers. Specifically, the Department is concerned that other non-data customers may be at risk for paying for the incremental costs for the resources necessary to meet contract capacity increases that exceed the connected load as defined in the executed ESA. The Department believes any such increase in capacity should be brought to the attention of the Commission and should necessitate a requirement for a new updated ESA, including an updated Exhibit E subject to Commission approval. **The Department requests that Xcel provide updated language in reply comments for section 3.1.1 of the retail customer form ESA to ensure other non-data customers are not placed at risk for Contract Capacity Increases that exceed the Connected Load as described in the executed ESA or provide a reasonable justification for why updated language is not required to protect other non-data customers.**

B.3.7. Measures to address decreases in contract Demand

Xcel states the ESA will also contain specific terms of the capacity reduction fee for each customer designed to provide appropriate customer protections against the risk of stranded assets. In the event that a Large General Service Time of Day customer does not achieve their contract capacity, the customer is subject to a minimum billing demand charge. They are also required to pay a capacity reduction fee if demand reaches a level below the minimum billing demand. A customer may reduce their contract capacity by providing twelve (12) months' notice to the Company. Reduction of the contract capacity will be subject to a capacity reduction fee. According to Xcel, the capacity reduction fee will be designed to recover costs associated with meeting the Large General TOD Service customer's initially forecasted capacity needs that would not otherwise be recovered via reduced billing associated with its reduced usage.[70]

> 3.1.2 Contract Capacity Reductions. The Customer is subject to a minimum demand bill according to Section 3.3 of this Agreement. The Customer (i) may reduce the effective Contract Capacity or (ii) may reduce the Customer Load Ramp under Section 3.2 by providing a twelve (12) months' notice to the Company ("Customer Notice of Capacity Reduction") and making the necessary Contract Capacity Reduction Payment under Section 16.2.

[69] *Id.,* at Attachment G, Section 3.1 & 3.1.1.
[70] *Id.,* at 14.

> 16.2 Contract Capacity Reduction Payment. In the event of Customer Contract Capacity Reduction under Section 3.3 and subject to the Termination Notice required in 16.1(ii), Customer shall pay to Company an Early Contract Capacity Reduction Payment as of the date of the Customer Notice of Capacity Reduction, calculated as follows: In addition to any revenue or other fees that may be due and owing, Customer shall pay within 30 days of the Termination Date the total of (i) the difference between the effective Contract Capacity and reduced Contract Capacity or the difference between the effective Load Ramp Capacity and reduced Load Ramp Capacity multiplied by (ii) the current effective Tariff rates on peak demand charges contained in Exhibit C multiplied by (iii) seventy-five percent (75%) multiplied by (iv) the "Termination Fee Period," defined for this Section 16.2 as the lesser of the remaining contract months in Article 10 or 120 months from the date of the Termination Notice, as liquidated damages and not as a penalty.[71]

The Department has the same concern with the capacity reduction fee as it has for the exit fee. The Department is concerned if more than 10 years remain for the ESA term. The Department is also concerned by the provisions in Article 16.2 of the ESA, which limits cost recovery to seventy-five percent of the termination fee period. **The Department requests that Xcel revise this language by removing the lesser option for 10 years and instead state the contract reduction fee is payable for the remaining term of the ESA. In addition, the Department requests Xcel provide in reply comments an explanation for why seventy-five percent of the termination period is reasonable and why eighty-five percent or higher of termination period would not be reasonable.**

B.3.8. Minimum bill

As noted above, in addition to the contract capacity reduction fee, if a Large General Service Time of Day customer does not achieve their contract capacity, the customer is subject to a minimum billing demand charge. The proposed tariff requires that a Large General Time of Day Service customer pay a minimum bill of at least 75 percent of its contracted demand for the full term of the ESA:[72]

> 3.3 Minimum Bill. Upon Company Facilities achieving the technical requirements for energization, and no later than the Customer Load Ramp period start date documented in Exhibit D, the Customer is subject to a monthly minimum bill equal to the greater of (i) on peak period demand to be billed, or (ii) seventy-five percent (75%) of either (a) the Load Ramp Capacity as provided in Exhibit D or (b) the Contract Capacity as provided in Exhibit E (as applicable), multiplied by the effective monthly demand charge plus the effective customer charge and other applicable Tariff related charges.[73]

[71] *Id.,* at Attachment G, Section 3.1.2 & 16.2.
[72] *Id.,* at 14 & 25.
[73] *Id.,* at Attachment G, Section 3.3.

The Department is concerned that a minimum bill of seventy-five percent of its contracted demand may not be sufficient to protect Xcel's other customers given the potential large loads of these customers. **The Department requests Xcel provide in reply comments why seventy-five percent is reasonable and why a minimum bill of eighty-five percent or higher of contracted demand would not be reasonable.**

C. IRP ORDER COMPLIANCE

The Department responds to the following Notice topic:

> *Does Xcel's proposal reasonably comply with Order Point 32 of the Company's April 21, 2025 Order in Docket Nos. E002/RP- 24-67 and E002/CN-23-212?*

Order Point 32 of the Commission's April 2025 Order states:

> *By July 16, 2025, Xcel must make a filing in a new docket with a proposal for development of a new rate class or sub-class and tariff for super-large customers. In the proposal, Xcel must describe how it will ensure continued achievement of affordability, reliability, and clean energy goals and standards. Specifically, the proposal must detail what combination of existing and new renewable or thermal energy resources, transmission (both high voltage alternating current and high voltage direct current), demand flexibility from super-large customers, demand response, and energy efficiency resources Xcel will use to serve the super-large class or sub-class. Xcel must also discuss how existing and future electric service agreements will be incorporated into a future rate case.*
>
> *The initial proposed tariff must include the following nonexclusive factors:*
>
> - *Ensure that all incremental costs attributable to super-large customers are assigned to the super-large class or sub-class.*
> - *Provide electricity to the super-large class or sub-class that achieves each benchmark of the state's electricity standards under Minn. Stat. § 216B.1691.*
> - *Include provisions to ensure that super-large customers financially commit to purchasing a certain level of electricity to protect non-super-large customers from the risk of stranded costs.*
> - *Include provisions to ensure that all super-large customer-related incremental costs will be recovered over the life of the service agreement.*
> - *Include provisions to ensure that, if the super-large customer ceases operations for any reason, all remaining financial commitments will still be paid.*
> - *Xcel must consult with the Department and consider filing a voluntary carbon-free electricity procurement program that enables more*

> *customers to achieve annual CFE goals and increase hourly matching CFE levels*

The requirements of the Order Point are discussed in turn below.

C.1. Incremental costs

Section 9 of Laws 2025, 1st Special Session, Chapter 12 creates Minn. Stat. § 216B.1622 concerning Service to Very Large Customers.[74] Minn. Stat. § 216B.1622 Subd. 2(1) states:[75]

> (1) all costs attributable to the utility's very large customers not exempt under subdivision 3 are assigned to the very large customer class or subclass determined by the commission under paragraph (a);

As discussed above, Xcel proposes several provisions in its Petition to ensure each Large General TOD service customer pays for the incremental cost for serving its connected load, including an incremental cost test. As discussed further in section E below, the Xcel proposes to utilize an incremental cost test to determine that the incremental costs of the service to the very large customer are exceeded by the revenues brought by the Large General TOD Service customer.[76] If the incremental cost test shows costs are exceeded by revenues, then the customer is paying the incremental costs they bring to the system and the costs are not imposed on other customers.[77] Xcel discusses further that, if costs exceed revenues, Xcel and the Company will create a proposal to rectify the discrepancy and provide a benefit to system customers when the customer comes before the Commission for a decision on its ESA.[78]

C.2. Minn. Stat. § 216B.1691

Minn. Stat. § 216B.1622 Subd. 2(2) states:[79]

> (2) the electricity to be provided by the utility to a very large customer achieves each quantitative benchmark of the state's electricity standards under section 216B.1691, as demonstrated by a plan submitted by the utility to serve the additional load without recourse to requesting a delay or modification of these standards;

The State's electricity standards as outlined in Minn. Stat. § 216B.1691 include the Eligible Technology Standard,[80] the Solar Energy Standard,[81] and the Carbon Free Standard.[82] The Company states that the

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[74] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, Subd. 2.
[75] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, Subd 2(1)
[76] Petition at 18.
[77] *Id.*
[78] *Id.*
[79] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, subd. 2(2)
[80] Minn. Stat. § 216B.1691, subd. 2a.
[81] Minn. Stat. § 216B.1691, subd. 2f.
[82] Minn. Stat. § 216B.1691, subd. 2g.

resources that it will acquire system resources for Large General Time of Day Service customers will be acquired in line with the Company's approved IRP, which is aligned with the State's electricity standards in Minn. Stat. § 216B.1691. Xcel states further that when a customer's ESA is brought forward to the Commission, the Company will provide Encompass (or similar economic modelling tool) analysis of the customer's load and the Company will demonstrate compliance with the statute. The Company also states any additional costs to demonstrate compliance will be included in the Incremental Cost Test.[83]

C.3. Protect non-super large customers from stranded costs

Minn. Stat. § 216B.1622 Subd. 2(3) states:[84]

> (3) the tariff or agreement contains protections necessary to ensure that other customers of the public utility are not placed at risk for paying stranded costs associated with the utility serving the very large customer; […]

The tariff, as proposed, requires that a Large General Time of Day Service customer pay a minimum bill of at least 75 percent of its contracted demand for the full term of the ESA. The customer, should it terminate its contract early, will be required to pay an exit fee which includes the full amount of the minimum bill through the remainder of the contract term.[85] These provisions and others are discussed in section B.3., above.

C.4. Cost recovered over the life of the service agreement

The basis of cost recovery will start with the incremental cost test. If costs exceed revenues, such incremental costs will be included in the ESA and will be subject for recovery over the term of the ESA through either a separate demand charges or collected upfront. Further, the tariff includes the requirement for the ESA to include sufficient security and collateral provisions, such as a parent guarantee or a letter of credit, a minimum bill requirement, as well as exit and capacity reduction fees to ensure that costs are recovered by the Large General Time of Day Service customer itself, or its guarantors.[86] These provisions and others are discussed in section B.3., above.

C.5. Financial Commitments

Many of the same components discussed in C.4. also work to ensure the Large General Time of Day Service customer's financial commitments will be fulfilled. According to Xcel, the exit fee component will reimburse incremental capacity generation costs that Xcel incurred to serve the customer. The ESA, subject to Commission approval, will include specified security and risk mitigation provisions

[83] Petition at 24.
[84] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, subd. 2(3).
[85] Petition, at 25.
[86] *Id.*

should the customer cease operations for any reason, such as a parental guarantee, a letter of credit and/or a cash deposit.[87] This provision are discussed in section B.3 above.

C.6. Carbon-free electricity (CFE) procurement program

As noted above, the April 2025 Orders states that "Xcel must consult with the Department and consider filing a voluntary carbon-free electricity procurement program that enables more customers to achieve annual CFE goals and increase hourly matching CFE levels." The Order does not require Xcel to file such a program.

In its Petition, Xcel states it met with the Department and discussed the potential of a voluntary carbon-free electricity procurement program as well as the recently passed legislation requiring public utilities to offer a Clean Energy and Capacity Tariff. The Company states it will continue to work with the Department as it considers the potential for a voluntary carbon-free electricity procurement program.[88] While the Department met with Xcel for discussions, the discussion was in general terms and did not include details on a specific voluntary carbon-free electricity procurement program or what such a potential voluntary procurement program may actually look like in practice. **The Department recommends the Commission direct Xcel to develop a specific voluntary carbon-free electricity procurement program through either a request for information (RFI) or request for proposal (RFP) to discuss with and receive input from interested stakeholders at a scheduled meeting before filing with the Commission for approval by December 1, 2026.**

C.7. Department Conclusion

The Department concludes that Xcel's Petition addressed the factors required by the Commission's April 2025 Order.

D. MINN. STAT. § 216B.1622

The Department responds to the following Notice topic:

> *Does Xcel's proposal comply with Minn. Stat. § 216B.1622 related to Service for Very Large Customers (Laws 2025, 1st Special Session, Chapter 12)? If not, what additional provisions should be addressed?*

Section 9 of Laws 2025, 1st Special Session, Chapter 12 creates Minn. Stat. § 216B.1622 concerning Service to Very Large Customers.[89] Minn. Stat. § 216B.1622, subd. 2 states:

> Subd. 2. **Tariff or energy supply agreement.** The commission may approve, modify or reject a tariff or electric service agreement proposed between a public utility and a very large customer establishing the terms and

[87] *Id.,* at 25.
[88] *Id.,* at 26.
[89] Laws 2025, 1st Special Session, Chapter 12, Sec. 9, Subd. 2.

> conditions under which the utility will provide electric service to the customer. As it evaluates a tariff or agreement under this section, the commission must consider how best to achieve the following required outcomes:
>
> (1) all costs attributable to the utility's very large customers not exempt under subdivision 3 are assigned to the very large customer class or subclass determined by the commission under paragraph (a);
>
> (2) the electricity to be provided by the utility to a very large customer achieves each quantitative benchmark of the state's electricity standards under section 216B.1691, as demonstrated by a plan submitted by the utility to serve the additional load without recourse to requesting a delay or modification of these standards;
>
> (3) the tariff or agreement contains protections necessary to ensure that other customers of the public utility are not placed at risk for paying stranded costs associated with the utility serving the very large customer; and
>
> (4) any other outcome deemed important by the commission to ensure the tariff or agreement is in the public interest.
>
> **Subd. 3. Existing tariff or agreements.** This section shall not apply to existing, renewed, or extended electric service agreements of public utility customers meeting the threshold of a very large customer, or to very large customers that have been actively taking electric service from the public utility prior to 2020.

The requirements of new Minn. Stat. § 216B.1622, subd. 2. were captured in the Commission's April 2025 Order at Order Point 32.[90] The Department has incorporated its review for compliance with this statute section into its compliance review of Order Point 32 of the Commission's April 2025 Order in section C above.

The Department concludes that Xcel's Petition addresses each of the factors required by Minn. Stat. § 216B.1622 Subd. 2.

E. INCREMENTAL COST TEST

The Department Responds to the following Notice topic:

> *Should the Commission modify Xcel's proposed design of the Incremental Cost Test?*

[90] April 2025 Order, at Order Point 32.

Xcel states the tariff requires an incremental cost test determination at the time the ESA is executed.[91] The incremental cost test is used to confirm that the revenues from a new Large General Time of Day Service customer are larger than the incremental costs associated with service to the customer before executing an ESA. The Company discusses that any revenues in excess of the incremental costs to serve the new customer will confirm that the customer is paying for all the incremental costs that they bring to the system and providing additional. If the incremental cost test shows that projected revenues are to be lower than incremental costs, the customer and Xcel will develop a proposal in the ESA to bring additional revenues such that the incremental costs are paid. The Company states that this incremental cost test is the same tool it has used in previous dockets in front of the Commission concerning ESAs for large load customers. [92]

The incremental cost test includes the following elements:

- Base Rate Revenue: Customer charge, energy charge, demand charge and interim revenues.
- Rider Revenue: Based on current rider rates effective at the time of incremental cost test calculation (current riders include Conservation Improvement Program rider,[93] State Energy Policy Rate rider, Renewable Development Fund rider, Transmission Cost Recovery rider, Low Income Energy Discount rider, Sales True-up rider, and Renewable Energy Standard rider).
- Fuel Revenue: based on the most current forecasted fuel rates on record and the customer's estimated usage.
- Energy Costs: Based on the most current forecasted fuel rates on record and the customer's estimated usage.
- Capacity Costs: Based on the potential need for a mix of incremental generation and energy storage resource additions consistent with the Company's most recent IRP, current market price estimates of incremental resources, and the customer's contribution to increased peak load estimated by year.
- Jurisdictional Cost Allocation Increase to Minnesota: "The jurisdictional cost allocation increase to Minnesota, based on the Company's twelve-month coincident peak demand by jurisdiction, will be used to develop the cost causative allocators for electric expense and plant investment to Minnesota's jurisdiction."
- Incremental MISO Costs: The net increase in MISO transmission-related costs is based on the customer's peak load and energy consumption, estimated by year, and the following revenue and cost factors:

[91] Petition *at 3.*
[92] *Id.,* at 18.
[93] The Department notes Xcel the Conservation Improvement Program Adjustment is applicable to Large General Time of Day Service customers that are not qualified data centers. Qualified data center customers are exempt, pursuant to the new Minnesota legislation (Minn. Stat. § 216B.241, Subd. 2a(c)), as amended.

  - Increased retail share of the revenue requirement due to a higher retail load ratio share driven by the increased load;
  - Increased ancillary expenses driven by the increased load;
  - Increased administration expenses due to the increased load;
  - Increased transmission expansion plan expenses due to the increased load; and
  - Reserve margin increase due to the increased load.
- Benefits Large General Time of Day Customers provide to All Classes of Customers: The test compares the revenues and costs listed above to determine whether the Large General Time of Day Service customer will provide benefits to system customers, or if additional revenues are needed. [94]

The Department has examined Xcel's incremental cost test and its results in previous dockets regarding large load customers ESAs in docket Nos. E002/M-19-39 and E002/M-22-579.[95] The Department believes the incremental cost test is a helpful tool for apprising the Commission at a base level if the estimated revenues generated by large load customers will exceed forecasted costs. The results of the incremental cost test can inform the Commission on the potential risks for additional costs being placed on other system customers. The proposed solutions to instances where a large load customer's costs exceed revenues will be analyzed at the time a customer's ESA is presented to the Commission for approval.

While the Department appreciates the incremental cost test may inform the Commission on the potential risks for estimated incremental costs being greater than projected revenues at the time the ESA is executed, the Department is concerned that the incremental cost test does not ensure that all incremental costs attributable to Large General Service customers will be assigned to these customers over the term of the ESA. The Department notes there are likely to be several changes in rates assigned to the Large General Service customer that will affect the projected revenues over the term of the ESA. Likewise, system costs will also be allocated to these customers based on the class cost of service study (CCOSS) that is reviewed in each rate case over the term of the ESA. Therefore, as a result of each rate case, there is likely to be a change in the cost allocation for system costs that include the incremental costs attributed these customers. As such, the actual revenues collected from the Large General Service customer and the actual incremental costs attributed to these customers may vary substantially from the projected revenues and the estimated costs informing the incremental cost test at the time the ESA is executed.

The Department requests that Xcel address in reply comments how the potential discrepancy, between the incremental cost test at the time the ESA is executed and actual revenues and costs, may be trued-up over the term of the ESA—either through periodic incremental cost tests over the term of the ESA comparing actual revenues with actual incremental costs, or through existing

[94] *Id*., at 18-21.
[95] Docket No. E002/M-19-39, *In the Matter of the Petition by Northern States Power Company d/b/a Xcel Energy for Approval of Contracts and Ratemaking Treatment for Provision of Electric Service to Google's Data Center Project* and Docket No. E002/M-22-579, In the Matter of Xcel Energy's Petition for Approval of Contracts for Provision of Service to a New Large Customer's Minnesota Data Center Project.

measures such as Xcel's Sales True-up and updated cost allocations for the new subclass as a result of updated CCOSS with each subsequent rate case over the term of the ESA.

F. OTHER ISSUES

The Department responds to the following Notice topic:

Are there other issues or concerns related to this matter?

The Department has two other concerns related to the following matters.

- Rate Case Impacts
- Interconnection Agreements

F.1. Rate Case Impacts

As noted in Section E above on the incremental cost test, both revenues and costs assigned to the new Large General Service subclass will be impacted by future rate cases. As such, it is important to understand how Xcel will treat the new subclass in upcoming rate cases. Given that Xcel should ensure that all incremental costs attributable to large load customers are assigned to the large load class or sub-class and an understanding that revenues collected from these customers should meet or exceed these costs, future rate cases are likely to have a significant impact on whether these customers are actually paying for the entirety of incremental cost or whether other customers are picking up a portion of these incremental costs. For this reason, it is important for the Commission to understand how Xcel intends to account for these customers in upcoming rate cases. In addition to reviewing the prudency of investments in system resources representing the incremental costs to serve the large load customers during the upcoming rate case, the Commission also reviews the Company's proposed Sales True-up[96] and cost allocation as a part of the rate case. The Department discusses each in turn below.

F.1.1. sales True-up

Xcel's sales true-up rider mechanism establishes a rate adjustment to offset annual differences between base rate revenue authorized by the Commission and actual base rate revenue. Within the Sales true-up rider, base rate revenue from actual annual sales are compared to the base rate revenue at the sales level authorized by the Commission in the most recent rate case. The base revenue differences are determined separately for the Residential, C&I Non-Demand, C&I Demand-Billed, and Street Lighting customer classes.

The Department understands that the new Large General Service subclass will exist within the C&I Demand-Billed class. As such, as currently designed, the Company's sales true-up rider will treat the new subclass as a new addition to the C&I Demand class. Under the current commission approved

[96] The Company currently has a Sales True-up up for the C&I Demand customer class. The Department assumes the Company will continue its Sales True-up in upcoming rate cases. Any proposed modifications of the Sales True-up would be reviewed by the Commission.

sales true-up rider, any base revenues collected from this new subclass will be included within all C&I Demand-Billed class base revenues and compared to the base rate revenue approved by the Commission in the most recent rate case. If the actual base revenues are greater than the amount approved by the Commission, the difference will be refunded to the C&I Demand Billed customer class through the rider in subsequent years. Conversely, if the actual base revenues are lower than the amount used to establish rates, the difference will be collected from these customers through a surcharge in subsequent years. There is no limit on refund levels but there is a three percent cap on surcharge levels

Normally, Xcel's sales true-up mechanism acts similarly to a revenue decoupling mechanism as both are designed to reduce the Company's disincentive to promote energy efficiency. Revenue decoupling is "a regulatory tool designed to separate a utility's revenue from changes in energy sales."[97] Furthermore, "the purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency."[98] Decoupling is designed to address the utilities' throughput incentive. Under traditional regulation, which does not include a decoupling mechanism, the utility has an incentive to increase revenues between rate cases by encouraging increases in sales. This incentive is called a "throughput incentive." It is the throughput incentive that creates a disincentive to encourage conservation because conservation results in lower energy sales, which leads to lower revenue for the utility.

Because Xcel recovers a significant portion of its authorized fixed costs through volumetric charges on electricity, increases or reductions in consumption will affect recovery of these costs, even though the costs themselves do not vary with consumption. Decoupling addresses the throughput incentive through rate adjustments to prevent fluctuations in sales (either up or down) leading to over- or under-recovery of Xcel's previously approved non-fuel costs. The objective of a properly designed decoupling mechanism is to allow the utility to recover the revenue requirement the Commission has reviewed and approved—no more and no less.

As discussed above, for the new Large General Service subclass, Xcel has proposed to remove fixed costs from the energy charge, so it only reflects variable costs consisting primarily of fuel costs. Therefore, there will be no throughput incentive for the new subclass and Xcel's sales true-up will not act as revenue decoupling mechanism for the new subclass. However, as the Department discusses above in section E on the incremental cost test, the Sales True-up rider, or a modification of, may be useful for ensuring that actual base revenues collected from the new subclass are greater than the incremental costs to serve these customers. **The Department requests that Xcel provide in reply comments how it intends to treat the new Large General Service customer subclass within its sales true-up rider in future rate cases. Xcel should provide an example for how actual revenues from the subclass will be tracked and potentially trued-up to ensure actual revenues collected are greater than the incremental costs.**

[97] Minn. Stat. § 216B.2412, subd. 1.
[98] *Id.*

F.1.2. COST ALLOCATION

Potential inequities from regulatory lag will be magnified by the scale of the investments needed to serve the very large loads at issue in Xcel's Petition. As incremental costs are added as system resources to serve large general service customers it will have a significant impact on cost allocation factors within the CCOSS. Over the term of the ESA, generation fixed costs will increase as a result of new resources being built to meet the anticipated increase in demand; transmission costs can also be expected to rise, as power from new resources is interconnected with growing load centers and investments are made in local transmission projects, regional network upgrades, and extensions for reliability and improved system efficiency.

CCOSS are reviewed and approved during rate case proceedings. Load growth attributed to new large loads can be expected to increase system costs, but the fixed costs associated with generation and transmission can be difficult to assign effectively. Generation and transmission system resources added to the system are allocated among customers based on cost allocations factors determined in the most recent rate case. As such, it is important that the cost allocations are closely reviewed and updated regularly.

Given these large loads and the size of their associated incremental costs, it can be assumed that the percent of total system generation and transmission costs allocated to customer classes other than the new subclass will decrease as the new system resources needed to serve these new Large General Service customers begin coming on the system and the costs are recovered through riders and tariffed rates. Therefore, it is important that the cost allocation factors for these resources are updated regularly.

Because the cost recovery for new generation and transmission costs will be collected from customer classes between rate cases through Xcel's riders based on the cost allocation factors within the CCOSS approved by the Commission in the most recent rate case, failure to update cost allocation factors in an accurate or timely manner has the potential to produce inequities due to existing customers being allocated a higher percentage of incremental costs based on an out-of-date and inaccurate CCOSS. The regulatory lag associated with the timing between rate cases can be source for these potential inequities.

The Department requests that Xcel describe in reply comments how it plans to assign the system generation and transmission costs to customers falling within the new subclass and describe how it intends to account for the changes in cost allocation factors for new generation and transmission system resources due to the regulatory lag between rate cases. Xcel should provide an example for how generation and transmission costs will be allocated to the new subclass over the term of the ESA and describe how the incremental costs will be tracked and potentially trued-up to ensure actual revenues collected are greater than the actual incremental costs.

F.2. Interconnection agreements

Below, the Department discusses provisions in the IA regarding backup and has concerns for how the provision may impact behind the meter generation. The Department notes that the IA contains the following provision concerning behind-the-meter generation:

> Section 1.03 General Provisions
>
> (e) This Interconnection Agreement provides no rights to Customer with respect to any backup generation located at the premises used to support the Data Center. Under no circumstance, whatsoever, including without limitation during an Emergency (except as may be necessary to prevent damage to the Company Facilities and the Company System), will Customer's backup generation at the Data Center be allowed to feed any energy over the Point(s) of Interconnection onto the Company System.[99]

The Department is concerned with the breadth of this provision and questions the need for a categorical ban on the possibility that behind-the-meter generation may be permitted to feed energy onto Xcel's Company System. The Department acknowledges that there may be engineering or safety concerns with allowing behind-the-meter generation to feed energy onto Xcel's Company System but believes that those concerns could be mitigated through interconnection standards and processes that must be satisfied in the event a customer seeks the ability to feed energy onto Xcel's Company System. Additionally, if a customer's behind-the-meter generation satisfies the criteria of a qualifying facility under PURPA and Minnesota Rules, Chapter 7835, the customer should be permitted to enter into a contract to sell the energy to Xcel and feed the energy onto Xcel's Company System. Because there may be benefits to allowing behind-the-meter generation to feed energy onto Xcel's Company system and concerns may be addressed through appropriate interconnection standards, the Department concludes that an outright ban on energy feeding onto the system under any circumstance except to protect Xcel's Company Facilities and Company System is overbroad and unnecessary. **The Department requests that Xcel define the term "Backup Generation" in the agreement and to clarify the scope of the provision under section 1.03 (e) and whether it applies to all behind-the-meter generation or just generation that would be used to backup a data center in the event of a power outage.**

IV. DEPARTMENT RECOMMENDATIONS

Based on analysis of the Petition and the information in the record, the Department has prepared recommendations and requests for information from Xcel, which are provided below. The recommendations correspond to the subheadings of Section III above.

- A.3.1. *Incremental Cost Recovery* – The Department requests that Xcel confirm in reply comments the Department's understanding on the recovery of current existing system costs through its proposed Large General Service tariffs' rates, terms and conditions

[99] Attachment H, Article I, Section 1.03 (e) at 4 of 42.

and the incremental costs through the ESA as determined by the incremental cost test, and through updated annual riders and updated Large General Service rates, terms and conditions in the Large General Service tariffs as determined in future rate cases over the term of the ESA.

- A.3.1. *Large Load Customers* – The Department requests that Xcel address in reply comments how the Company plans to treat customers with loads between 5 MW and 99 MW and whether these new customers should be included in existing tariffs, the new Large General TOD Service tariff or if the Company plans to propose a separate tariff(s) for these new customers.
- B.1. *ESA Term Length* – The Department recommends approval of the tariff language requiring an ESA initial term of at least fifteen years inclusive of any Load Ramp Period up to a maximum of five years.
- B.2.1. *Customer Charge* – The Department requests Xcel provide in reply comments a more detailed account of the types of services provided under Economic Development, Account Management and Billing support and how it determined the total monthly hours necessary to provide each of the services under each of the categories. Assuming these services are necessary to support Large General TOD Service customers, and the hours to provide them are reasonable, the Department supports Xcel's proposed methodology for determining the customer charge for the Large General TOD Service tariff.
- B.2.2. *Energy Charge* – The Department requests that Xcel confirm the Department's understanding of the forecasted fuel rates and AMI capabilities to link to MISO energy prices in reply comments. In addition, the Department requests that Xcel explain how other system customers are protected from the impact of large load customers on the marginal energy costs or provide an alternative Large General TOD Service tariff with an energy charge based on RTP.
- B.2.3. *Demand Charge* – The Department recommends approval of the methodology for determining the Demand Charge but wishes to review the final rate in the event Xcel changes how it has determined the customer and/or energy charge.
- B.3.3. *Exit Fee* – The Department requests that Xcel revise this language by removing the lesser option for 10 years (120 months) and instead state the exit fee is payable for the remaining term of the ESA**.** In addition, the Department requests Xcel provide in reply comments an explanation for why seventy-five percent of the termination period is reasonable and why eighty-five percent or higher of the termination period would not be reasonable**.**
- B.3.5.(a) *Increases in Contract Demand* – The Department requests that Xcel provide updated language in reply comments for section 3.1.1 of the retail customer form ESA to ensure other non-data customers are not placed at risk for Contract Capacity Increases that exceed the Connected Load as described in the executed ESA or provide a reasonable justification for why updated language is not required to protect other non-data customers.
- B.3.5. (b) *Decreases in Contract Demand* – The Department requests that Xcel revise this language by removing the lesser option for 10 years and instead state the contract reduction fee is payable for the remaining term of the ESA. In addition, the Department

requests Xcel provide in reply comments an explanation for why seventy-five percent of the termination period is reasonable and why eighty-five percent or higher of termination period would not be reasonable**.**

- B.3.5.(c) *Minimum Bill* – The Department requests Xcel provide in reply comments an explanation for why seventy-five percent is reasonable and why a minimum bill of eighty-five percent or higher of contracted demand would not be reasonable.
- C.6. *CFE Procurement Program* – The Department recommends the Commission direct Xcel to develop a specific voluntary carbon-free electricity procurement program through either a request for information (RFI) or request for proposal (RFP) to discuss with and receive input from interested stakeholders at a scheduled meeting before filing with the Commission for approval by December 1, 2026.
- C. *IRP Order Compliance* – The Department concludes that Xcel's Petition addressed the factors required by the Commission's April 2025 Order.
- D. *Minn. Stat. § 216B.1622* – The Department concludes that Xcel's Petition addresses each of the factors required by Minn. Stat. § 216B.1622 Subd. 2.
- E. *Incremental Cost Test* – The Department requests that Xcel address in reply comments how the potential discrepancy, between the incremental cost test at the time the ESA is executed and actual revenues and costs, may be trued-up over the term of the ESA—either through periodic incremental cost tests over the term of the ESA comparing actual revenues with actual incremental costs, or through existing measures such as Xcel's Sales True-up ridder and updated cost allocations for the new subclass as a result of updated CCOSS with each subsequent rate case over the term of the ESA.
- F.1.1. *Sales True-up* – a The Department requests that Xcel provide in reply comments how it intends to treat the new Large General Service customer subclass within its sales true-up rider in future rate cases. Xcel should provide an example for how actual revenues from the subclass will be tracked and potentially trued-up to ensure actual revenues collected are greater than the actual incremental costs.
- F.1.2. *Cost Allocation* – The Department requests that Xcel describe in reply comments how it plans to assign the system generation and transmission costs to customers falling within the new subclass and describe how it intends to account for the changes in cost allocation factors for new generation and transmission system resources due to the regulatory lag between rate cases. Xcel should provide an example for how generation and transmission costs will be allocated to the new subclass over the term of the ESA and describe how the incremental costs will be tracked and potentially trued-up to ensure actual revenues collected are greater than the actual incremental costs.
- F.2. *Interconnection Agreement* – The Department requests that Xcel define the term "Backup Generation" in the agreement and also clarify the scope of the provision under section 1.03 (e) and whether it applies to all behind-the-meter generation or just generation that would be used to backup a data center in the event of a power outage.

Attachments

☐ **Not-Public Document – Not For Public Disclosure**
☐ **Public Document – Not-Public Data Has Been Excised**
☒ **Public Document**

Xcel Energy		Information Request No.	3
Docket No.:	E002/M-25-289		
Response To:	Minnesota Department of Commerce		
Requestor:	Andrew Bahn, Steve Rakow, John Kundert, Rachel Wiedewitsch		
Date Received:	August 05, 2025		

Question:
Topic: Large General Time of Day Service and Large Peak Controlled Time of Service Tariffs
Reference(s): Petition p. 10

ESA Term Length. "The default initial term of an ESA taken under this tariff is at least 15 years. ...The Company recognizes, however, that there may be a range of reasonable term lengths, depending on the individual circumstances of each new customer and therefore the term of the ESA may be subject to negotiation by the parties."

Regarding the above statement from the Petition, please respond to the following:

1. Please list all circumstances that may require a term of an ESA to be longer than 15 years. Provide a description for each circumstance that explains why a term greater than 15 years may be required.
2. Please provide the range for reasonable term lengths.

Response:
1. This enumeration is not intended to be exhaustive, as the justification for extending the term of an Electric Service Agreement ("ESA") beyond fifteen (15) years may depend on a variety of project-specific, operational, and financial considerations, many of which may not even be predictable in advance. In certain cases, a customer may require a longer ESA term to ensure continuity of electric service and adequate capacity to support long-term investment at a particular site or to accommodate a planned load ramp. Additionally, the Company may determine that a term exceeding fifteen (15) years is appropriate based on the expected operational lifespan or financing structure of specific generation assets, particularly where such assets necessitate extended cost recovery periods or long-term contractual commitments to ensure economic viability and system reliability.

2. The Company considers a default ESA term of fifteen (15) years to be reasonable for large load customers. However, based on customer-specific needs, infrastructure investments, and generation resource characteristics, ESA terms ranging from **fifteen (15) to thirty (30) years** are generally appropriate. Longer terms may be negotiated when justified by asset life, financing requirements, or long-term site commitments.

Preparer:	Justin L. Smiley
Title:	Dir, Corporate Economic Development
Department:	Economic Development
Telephone:	806-513-1527
Date:	August 15, 2025

☐ **Not-Public Document – Not For Public Disclosure**
☐ **Public Document – Not-Public Data Has Been Excised**
☒ **Public Document**

Xcel Energy		Information Request No.	1
Docket No.:	E002/M-25-289		
Response To:	Minnesota Department of Commerce		
Requestor:	Andrew Bahn, Steve Rakow, John Kundert, Rachel Wiedewitsch		
Date Received:	August 05, 2025		

Question:
Topic: Large General Time of Day Service and Large Peak Controlled Time of Service Tariffs
Reference(s): Attachment J – Customer Charge

1. Provide Attachment J in Excel spreadsheet format with all formulas and links intact.
2. Provide the analysis supporting each line item (Incremental Economic Development Costs, Incremental Account Management Costs, and Incremental Billing and Billing Support Costs).

Response:
Please see attachment A to this response.

Preparer:	Nick Paluck	Christopher Barthol
Title:	Manager, Regulatory Analysis	Rate Consultant
Department:	NSPM Regulatory	NSPM Regulatory
Telephone:	612-330-2905	612-321-3237
Date:	August 15, 2025	

Northern States Power Company

Docket No. E002/M-25-289
DOC IR No. 001
Attachment A - Page 1 of 5

Large General Time of Day Service Customer Charge Analysis	**Monthly Cost**
Incremental Economic Development Costs	$6,200
Incremental Account Management Costs	$1,400
Incremental Billing and Billing Support Costs	$1,400
Total Monthly Customer Related Costs	**$9,000**

Northern States Power Company

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Attachment A - Page 2 of 5

Corporate Development Costs per Month	**Item**	**Cost**
Hourly Wage	a	$60.22
Recoverability in a Rate Case	b	50%
Recovered in rate case	c = a * b	$30.11
Time Dedicated to Super Large Customers	d	80%
Hourly Wage Dedicated to Super Large Customers	e = c * d	$24.09
Monthly Hours	f	173
Corporate Development Monthly Cost - Unloaded	g = e * f	$4,175
Benefits Included (Assume 47.22%)	h	$1,971
Corporate Development Monthly Cost	**i = g + h**	**$6,146**

Job Title	**Incremental Hours Spent on Large General Time of Day Service Customers**
Account Manager	12
Account Management Team Lead	2

Job Title	**Avg Hourly Wage**
Account Manager	$61
Account Manager Team Lead	$80

Account Manager Costs per Month	**Item**	**Cost**
Monthly Hours	a	14
Account Management Weighted Hourly Wage	b = ($61*12 hours + $80*2 hours)/14 hours	$63.52
Monthly Cost	c = a * b	$889
Benefits Included (Assume 47.22%)	d	$420
Total Account Management Monthly Costs	**e = c + d**	**$1,309**

Northern States Power Company

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Attachment A - Page 4 of 5

Item	**Item**	**Cost**
Incremental Annual Hours	a	288
Months in a Year	b	12
Estimated Monthly Hours	c = a/b	24
Hourly Rate	d	$38.12
Estimated Monthly Amount	e= d * c	$915
Benefits Included (47.22%)	f = e * 47.22%	$432
Total Monthly Billing Cost	**g = f + e**	**$1,347**

Northern States Power Company

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Attachment A - Page 5 of 5

Co 10-NSP

Pension & Ins	29.70%
Benefits Non-Service	4.70%
Payroll Taxes	12.34%
WC - Ins and Other	0.48%
Annual Incentive	0.00%
Total	47.22%

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☐ **Public Document – Not-Public Data Has Been Excised**
☒ **Public Document**

Xcel Energy		Information Request No.	4
Docket No.:	E002/M-25-289		
Response To:	Minnesota Department of Commerce		
Requestor:	Andrew Bahn, Steve Rakow, John Kundert, Rachel Wiedewitsch		
Date Received:	August 05, 2025		

Question:
Topic: Large General Time of Day Service and Large Peak Controlled Time of Service Tariffs
Reference(s): Petition, p. 11

Exit Fees - "The exit fee is described in more detail in the ESA and is based on a calculation of the current effective demand charges, times seventy-five percent (75%), times the lesser period of ten (10) years or the remainder of the ESA term, as a reasonable representation of liquidated damages to compensate for a customer's failure to realize the contracted capacity."

Regarding the above statement from the Petition, please respond to the following questions:

1. Please explain why the exit fee is not based on a calculation that includes customer charge revenues.
2. Please explain why the exit fee is not based on a calculation that includes energy charge revenues.
3. Please explain why the exit fee is not based on a calculation that includes rider revenues.
4. Please explain why the exit fee is based on a calculation of charges over the **lesser** of 10 years or the remainder of the ESA term. Included in this explanation, please explain why it is reasonable that the calculation is based on a period of 10 years is reasonable if there are more than 10 years remaining for the ESA term.

Response:
1. The exit fee is intended to recover the incremental cost to the Company's system assuming the customer leaves the Company's system. If the customer leaves the Company's system, the Company no longer incurs the incremental costs used to support the Large General Time of Day Service customer charge.

2. The exit fee is intended to recover the incremental cost to the Company's system assuming the customer leaves the Company's system. If the customer leaves the Company's system, the Company no longer incurs the incremental cost included in the energy and fuel charges. This treatment aligns with the Company's proposed Large General Time of Day Service rate design that shifts fixed production and production O&M cost recovery to the demand charge.

3. The exit fee is intended to recover the incremental cost to the Company's system assuming the customer leaves the Company's system. Rider charges are not an incremental cost.

4. The calculation of the exit fee is derived from the minimum bill formula which is calculated to cover risk should the Customer fail to meet its contracted capacity during the Load Ramp Period or thereafter. The Load Ramp Period is defined as the time the parties determine is necessary for Customer to reach its agreed upon Contract Capacity on the system. The Load Ramp Period shall not exceed five (5) years. The minimum Term of the ESA is 15 years. The 15-year Term minus the five (5) year Load Ramp Period, leaves a 10-year maximum available period to assess an exit fee. This calculation assumes that the parties will undertake to adjust Load Ramp Capacity as needed to meet the Customer's needs and project timelines. This calculation further assumes that if Customer fails to achieve the Load Ramp Capacity in a timely fashion, they will be subject to a Capacity Reduction Payment. While Section 16.1 does require a 24-month notice of Customer termination for its convenience (Sec. 16.1(ii)(a)), this calculation assumes that the Customer is unlikely to terminate immediately upon execution of the ESA, so any ensuing gap between the Effective Date of the Agreement and Customer Termination Notice under 16.1(ii)(a) was considered to be a reasonably low risk.

Preparer:	Nick Paluck	Kelly A. Everhart
Title:	Manager, Regulatory Analysis	Lead Assistant General Counsel
Department:	NSPM Regulatory	Legal Services
Telephone:	612-330-2905	612-216-9243
Date:	August 15, 2025	