STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

In re Northern States Power Co.'s, d/b/a Xcel Energy's, Petition for Approval of Large General Time of Day Service and Large Peak Controlled Time of Day Service Tariffs	**Docket No. E-002/M-25-289** **Comments of Tract Capital Management, LP**

Introduction

Tract Capital Management, LP ("Tract") respectfully submits these comments pursuant to the Minnesota Public Utilities Commission's ("Commission") July 29, 2025 Notice of Comment Period, and subsequent extension,[1] in the above referenced docket. Tract and its affiliates create shovel-ready development sites for data centers—pre-positioning power, fiber, zoning, and entitlements—to expedite speed to power and provide data center operators with faster build cycles at lower risk. Tract has several projects in progress in Minnesota, including in Northern States Power Co. d/b/a Xcel Energy's ("Xcel") Minnesota service territory.

As more fully explained below, Tract appreciates Xcel's dual goals of attracting new large load customers while protecting existing ratepayers.[2] Indeed, the proposed Large General Time of

[1] Notice of Extended Comment Period from the Commission, Sept. 19, 2025, eDockets ID No. 20259-223180-01.
[2] Petition for Approval of a Large General Time of Day Service Tariff and Large Peak Controlled Time of Day Service Tariff from Xcel at 2, July 16, 2025, eDockets ID No. 20257-221060-01 ("The Company, the Commission, and stakeholders are positioning Minnesota for readiness in this rapidly changing landscape by developing a framework that attracts new large load and protects other customers from costs caused by the addition of these new large customers to the system.") ("Petition").

Day Service and Large Peak Controlled Time of Day Service Tariffs ("Proposed Tariffs") are a significant step toward balancing those two objectives. However, the Proposed Tariffs in their current form lack the predictability and transparency necessary to make Minnesota a competitive market for large load customers. As a general principle, prospective large load customers depend on the ability to reasonably predict costs for electric service to evaluate both the feasibility of specific projects and the attractiveness of a broader energy market.

While Tract appreciates the need for flexibility to respond to individual large load customers, Tract believes that minor modifications to the Proposed Tariffs would better accomplish the goal of attracting large load customers, while protecting existing ratepayers of all classes. In particular, Tract recommends (i) providing more detail on the calculation of the Incremental Cost Test ("ICT"), (ii) clarifying and adjusting the credit support requirement, (iii) providing more clarity on timing and queue management, (iv) altering the Minimum On Peak Demand Charges to reflect natural fluctuations in energy usage, and (v) making minor modifications to the assignment provision. These changes would still allow Xcel to protect ratepayers while also providing the clarity and predictability necessary to attract new large load customers.

I. The Proposed Tariffs Should Contain More Detail on the Calculation of the ICT.

One of the cornerstone provisions of the Proposed Tariffs is the ICT that Xcel will utilize to evaluate system costs associated with serving a new large load customer to ensure, consistent with Minn. Stat. § 216B.1622, subd. 2, and Commission's April 21, 2025 order,[3] that they are borne by the large load customer. Xcel describes the ICT as the mechanism to "confirm that the revenues from a new Large General Time of Day Service customer are larger than the incremental

[3] Order Approving Settlement Agreement with Modifications by the Commission, April 21, 2025, eDockets ID No. 20254-217941-01.

costs associated with the customer."[4] Yet, neither Xcel's petition for the Proposed Tariffs ("Petition"), the Proposed Tariffs, or the Electric Service Agreement ("ESA") (collectively, "Xcel's Filings") include sufficient information about the ICT for potential large load customers to understand how it will be calculated or reasonably predict their related cost of service.

The limited information about the ICT is contained solely in the Petition, which outlines the eight elements used to calculate the ICT and provides brief definitions of each element.[5] Several of the elements incorporate existing Xcel tariffs and riders that apply additional costs to customers based on a fixed amount or costs per kilowatt-hour ("kWh").[6] For example, the interim rate is precisely defined in Xcel's tariff,[7] and each of the riders have defined charges per kWh used.[8] With specific, fixed amounts or defined rates per kWh, customers can reasonably calculate anticipated charges. In contrast, three of the elements—capacity costs,[9] jurisdictional cost allocation,[10] and incremental Midcontinent Independent System Operator costs[11]—lack the same detail required to reasonably predict costs. Unlike the other elements of the ICT, these elements do not include a specific rate or a fixed cost, nor do they incorporate rates from other documents or tariffs by reference. Instead, they are described with only general statements about what they are designed to address without providing insight into how each element will be calculated.

[4] Petition at 18.
[5] *Id.* at 18–21.
[6] *Id.* at 19–20.
[7] *See, e.g.*, Interim Rates Compliance Filing from Xcel at 2, Dec. 31, 2024, eDockets ID No. 202412-213427-01.
[8] *See*, Minnesota Electric Rate Book from Xcel at Sec. 5-144, available at https://www.xcelenergy.com/company/rates_and_regulations/rates/rate_books (defining the Transmission Cost Recovery Rider as a set cost per kWh depending on customer categories).
[9] Described as the cost "based on the potential need for a mix of incremental generation and energy storage resource additions," "market price estimates," and "the customer's contribution to increased peak load estimated by year." Petition at 20.
[10] Described as accounting for demand increases in specific jurisdictions and the "electric expense and plant investments" costs associated with responding to the increased demand. *Id.*
[11] Described as considering the "net-increase in MISO transmission-related costs" based on the customer's peak load and energy consumption. *Id.*

Although those elements may be less amenable to formulaic or schedule-based calculations, without more, potential customers cannot begin to estimate potential costs.

In addition to limited information about the elements included in the ICT, the Proposed Tariffs do not contain enough information about how Xcel will compare the cost elements of the ICT to the revenue elements. The Petition notes that Xcel will use the ICT to "compare[] the costs and revenues" and "develop a proposal in the ESA to bring additional revenues" from a large load customer if the incremental cost elements exceed the revenue.[12] However, Xcel's Filings contain no guidelines or further explanations of the cost and revenue comparison. Accordingly, it is not clear whether Xcel will require the revenue elements to significantly exceed the cost elements or if it is enough that the costs of providing service to a new large load customer are equal to the revenues that new customer generates. Without more about how these elements are balanced and compared, potential customers again will be left guessing as to the cost of service.

At this stage, additional information about the ICT is critical, but, based on the information provided, Tract may have additional comments regarding whether the ICT is the appropriate mechanism for complying with the statutory requirement to assign the costs attributable to very large customers to the very large customer class.[13]

II. Minor Changes Could Bring the Proposed Tariffs in Line with the Market and Better Support Xcel's Efforts to Attract New Large Load Customers.

In addition to the ICT discussed above, Xcel's Filings contain four provisions—queue management, credit support, minimum charges, and assignment of the ESA—that may undercut Xcel's efforts to attract large load customers and, in several instances, are inconsistent with broader market terms.

[12] *Id.* at 18, 21.
[13] Minn. Stat. § 216B.1622, subd. 2, as amended.

1. Interconnection Queue Management and Timelines

More information about how Xcel will manage the interconnection process and sequence the interconnection queue requests is necessary for prospective large load customers and a common feature of other similar large load tariffs. Currently, the only details about the interconnection process are contained in the Petition where Xcel notes that prior to executing the ESA, it will conduct a resource planning analysis including a transmission System Impact Study, a Facilities Study, and an assessment of "incremental generic resources needed to serve the load and maintain energy adequacy."[14] Xcel's Filings do not include any information on the potential timeline for the referenced facility studies, what other steps may be included in the interconnection process, or how Xcel will evaluate or manage multiple requests from several large load customers.

In contrast, utilities developing tariffs for new large load customers in other states have provided at least some information on the interconnection process—the number of potential steps and the focus and potential timing of each[15]—and general guidelines for queue management, including utilization of a cluster study or sequential study model.[16] Recent trends in regulation of broader interconnection processes underscore the importance of providing clarity about the interconnection process, as well as the potential harms associated with delays. For example, under Federal Energy Regulatory Commission ("FERC") Order 2023 on Improvements to Generator Interconnection Procedures and Agreements, there are now firm deadlines by which utilities are

[14] Petition at 21.

[15] Direct Testimony of Jeff Martin on Behalf of Every Missouri Metro and Evergy Missouri West at 9–12, Missouri Public Service Commission Case No. EO-2025-0154 (Feb. 14, 2025), available at https://efis.psc.mo.gov/Document/Display/819047 (explaining the different phases on the interconnection process for new large load customers and the general, anticipated timeline for each phase).

[16] Direct Testimony of Bradley D. Lutz on Behalf of Every Missouri Metro and Evergy Missouri West at Schedule BDL-1 p. 45, Missouri Public Service Commission Case No. EO-2025-0154 (Feb. 14, 2025), available at https://efis.psc.mo.gov/Document/Display/819048 (proposed tariff outlining the use of the cluster study process to manage the queue). *See also Explainer on the Interconnection Notice of Proposed Rulemaking*, FERC, Dec. 12, 2024, https://www.ferc.gov/explainer-interconnection-notice-proposed-rulemaking (discussing the implementation of the cluster study process).

required to complete their interconnection studies for new generation sources and penalties for missing the deadline.[17]

While Tract appreciates the complexity of managing interconnection queues, information about timing and how the queue will be managed is crucial for prospective large load customers as they develop their own financing and construction timelines. Without any details about the process, there is the potential for projects to end up stranded in the interconnection process and for the queue to be managed in an opaque manner, potentially resulting in stranded costs for ratepayers. This lack of detail neither protects ratepayer interests nor supports Xcel's efforts to attract data center customers to Minnesota.

2. Credit Support

Xcel's Filings understandably require credit support, but such support requirement should be clear, predictable, and tied to project progress. In their current form, the Proposed Tariffs do not provide enough information for prospective large load customers to estimate the potential amount or type of such credit support. Details about the security requirement are limited to the ESA,[18] which establishes deadlines for providing credit support and caps the amount required,[19] but does not indicate how Xcel will calculate how much credit support each customer is required to provide. Notably, there is no list of factors that may influence the amount of required credit support, such as credit rating, balance sheet balance, access to credit instruments, or other relevant

[17] 184 FERC ¶ 61,054 (July 28, 2023). The change was prompted based on FERC's assessment of the harms to the electrical system and projects due to the uncertain and expanding timelines for the interconnection process for generators. *Explainer on the Interconnection Notice of Proposed Rulemaking*, FERC, Dec. 12, 2024, https://www.ferc.gov/explainer-interconnection-notice-proposed-rulemaking.

[18] Similar to the ICT, the Proposed Tariffs contain no meaningful information about the credit support requirement, requiring only "[s]ufficient credit support." Petition at Sec. 5-32.7. The Petition's section on security and risk mitigation justifies the security requirement due to the need to "ensure that Large General Time of Day Service customers follow through on their (potentially significant) financial commitments," but provides no information on how the security amount is calculated or what constitutes "sufficient" security. Petition at 13–14.

[19] *Id*. at ESA Sec. 14.

financial information about the large load customer. Thus, Xcel is proposing an unknown and likely significant upfront investment from potential customers without providing a mechanism for those customers to calculate the potential range of needed credit support. Unknown credit requirements lead to unknowable costs, increasing the risk of stranded investments and speculation. Instead, if credit requirements and allowed instruments are known before entry into the large load interconnection process, prospective large load customers can progress projects with accurate cost knowledge or avoid Xcel's territory altogether—both practices reduce the risk of stranded investment that could potentially be borne by Xcel's ratepayers.

Additionally, Tract recommends including a mechanism in the credit support requirement to more closely tie the credit support to the achievement of milestones. Under the current terms of the ESA, new large load customers are required to provide the full credit support within ten business days after the Commission approves the ESA.[20] Instead, Tract recommends that the credit support amount increase step-wise and in proportion to Xcel's investment or expenditures as the project progresses and decrease based on payments made by the large load customer. Each dollar committed by Xcel to serve a large load customer should be financially secured by that large load customer prior to that dollar being committed by Xcel. No more and no less, and no earlier and no later.[21]

While Tract appreciates the significant investment required to prepare for interconnection, a milestone-based credit support requirement more fairly allocates any risks associated with Xcel's expenditures and is more consistent with Xcel's goal for the Proposed Tariffs. For large load customers, milestone-based credit support would make Minnesota an attractive location because

[20] *Id*.
[21] Energy and Environmental Economics, *Balancing Risk and Growth: Best Practices for Utility Credit and Collateral Requirements for Large Load Customers* at 11 and 14, July 2025, available at https://www.ethree.com/wp-content/uploads/2025/08/E3_Utility-Credit-and-Collateral-for-Large-Load_Whitepaper.pdf.

it establishes a predictable capital outlay and reduces the likelihood of large load customers being required to bear an outsized risk at the beginning of the interconnection process. For Xcel and ratepayers, milestone-based credit support would still guarantee Xcel access to credit support proportionate to its investments or expenditures. It also reduces the risks associated with Xcel functioning as a de facto bank during the development of projects and better reflects broader trends in project development.[22]

3. Minimum On Peak Demand Charges

Tract recommends Xcel replace or revise its proposed "Minimum On Peak Demand Charges" to avoid impractical results. Based on the limited information available in Xcel's Filings, the Minimum On Peak Demand Charges are intended to compensate Xcel if a large load customer's "usage [does] not materialize as originally forecasted."[23] Under the provision, if a customer's demand in a single month is below seventy-five percent of the contract capacity, the customer would be charged the monthly demand rate (plus other applicable charges) for seventy-five percent of the contract capacity.[24]

As a threshold matter, it is unclear how the Minimum On Peak Demand Charges would actually recover the costs caused by the large load customer, which is the requirement of the statute.[25] Large customers should pay for costs caused rather than basing cost obligation on committed demand. Additionally, evaluating demand on a monthly basis ignores the realities of demand fluctuation inherent for large load customers, including data centers. Tract recommends Xcel consider the actual costs incurred by serving large load customers rather than relying on

[22] *Cf.* Midcontinent Independent System Operator, *Generator Interconnection and Retirement* available at https://www.misoenergy.org/planning/resource-utilization/generator-interconnection/ (last visited Oct. 13, 2025).
[23] Petition at 14.
[24] *Id.* at Sec. 5-32.5. *See also id.* at 25.
[25] Minn. Stat. § 216B.1622, subd. 2, as amended.

demand. Utilizing actual costs would account for customers who, on average, exceeded their forecasted demand but experience unexpected months below the seventy-five percent capacity threshold. In contrast, the Proposed Tariffs could allow Xcel to collect windfall revenue from large load customers who on average meet the demand threshold and more revenue than is required to offset the incremental costs associated with providing service.

Assessing the Minimum On Peak Demand Charge—or some alternative forecasted usage metric—based on actual costs incurred still ensures Xcel ratepayers are not left with the costs associated with a demand that did not materialize. An actual costs-based metric would protect ratepayers against projects where the actual demand is lower than anticipated. Yet, for projects with fluctuation in an acceptable range, utilizing actual costs prevents Xcel from over collecting. In the alternative, if Xcel retains a minimum payment system based on demand, Tract recommends a provision allowing large load customers to receive credit for months when their demand exceeded the forecasted amount to offset months when demand is lower.

4. Assignment Provision

Lastly, Xcel's limited assignment provision forecloses development opportunities without increasing protection for ratepayers. Under the terms of the ESA, the assignment provision requires prior written consent for any assignment and does not include a timeframe by which the non-assigning party is required to provide such consent.[26]

This limited assignability ignores the reality of developing large projects and is inconsistent with prevailing assignment provisions in the market. Tract recommends that the ESA be modified to allow for assignment by right: (i) to an assignee with an equal or better credit rating; (ii) to an assignee if the credit support obligation of the ESA are guaranteed by a parent business

[26] Petition at ESA Sec. 15.

with an appropriate credit rating; or (iii) due to a merger or consolidation where the large load customer's assets are being assigned to a party with a credit rating equal to or greater than the customer's. Additionally, Tract recommends revising the assignment provision to require a response from the non-assigning party within 30 days or, at a minimum, that consent to assignment shall not be unreasonably delayed. Adding such language is consistent with the market and provides necessary certainty for the assigning party.

Tract's proposed revisions are consistent with Xcel's goals: A revised assignment provision makes Minnesota a competitive development location because it recognizes the reality that assignment is often anticipated in the development of large projects. The proposed revisions also protect ratepayers by allowing projects to change hands in the event of commercial developments, which reduces the risk of stranded assets. Further, Tract's proposed assignment by right categories are appropriately limited, including based on credit rating, to protect Xcel and its ratepayers without unnecessarily restricting a customer's ability to assign the agreement.

Conclusion

Tract appreciates the opportunity to participate in this docket and Xcel's interest in developing Minnesota as an attractive market for large load customers, including data centers. Tract looks forward to working with Xcel to develop tariffs that continue to attract large load customers while protecting Xcel's ratepayers.

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Respectfully Submitted,

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