BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350
Saint Paul, Minnesota 55101

MPUC Docket No. E-002/GR-24-320

IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR AUTHORITY TO INCREASE RATES FOR ELECTRIC SERVICE IN THE STATE OF MINNESOTA

PETITION FOR RECONSIDERATION

AUGUST 20, 2026

I. INTRODUCTION

Pursuant to Minnesota Statutes Section 216B.27 and Minnesota Rules 7829.3000, the Citizens Utility Board of Minnesota ("CUB") respectfully submits this petition requesting that the Minnesota Public Utilities Commission ("Commission") reconsider its Findings of Fact, Conclusions, and Order issued on July 31, 2026 (the "Order")[1] in the above referenced matter. Specifically, we request that the Commission reconsider its decision to increase the authorized return on equity ("ROE") of Northern States Power Company d/b/a Xcel Energy ("Xcel" or "the Company") from 9.25 percent to 9.6 percent.

Xcel bore the burden to prove that the rate increase needed to support a higher ROE is "just and reasonable."[2] To meet that burden, Xcel relied extensively on the modeling analysis of Witness Nowak, who testified that the Company's cost of equity fell within the range of 10.34 percent to 10.43 percent, supporting a 10.0 to 11.0 percent ROE.[3] The Company undermined the credibility of that analysis by filing an 11th hour letter agreeing to an ROE well below Witness Nowak's recommendation.[4]

Ultimately, the Company did not meet its burden to prove that any increase to its ROE is necessary for it to attract capital, maintain financial integrity, or provide earnings to investors comparable to those realized in other businesses which are attended by similar risk. Rather than showing the Company is experiencing financial hardship, the record shows that, under its current 9.25 percent ROE, Xcel has maintained a strong bond rating, has had no difficulty attracting capital, and has contributed to its parent company's financial success. Conversely, over 7,500 public comments and evidence introduced by other parties show many of Xcel's customers will struggle to afford the rate increase needed to support a 9.6 percent ROE.

When operating under its quasi-judicial authority, the Commission had the responsibility to explain why its decision to approve a 9.6 percent ROE was supported by evidence on the record. The Commission did not do so when selectively relying on some evidence to support its decision, while dismissing or ignoring other evidence (without adequate explanation) that supports lowering the Company's ROE or maintaining it at 9.25 percent.

The Commission should reconsider its Order and find that the Company failed to meet its burden to prove an increase to its 9.25 percent ROE results in just and reasonable rates. The Commission should instead establish an ROE based on record evidence supporting an ROE no higher than 9.25 percent.

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[1] *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-002/GR-24-320, Findings of Fact, Conclusions, and Order (July 31, 2026). ("Commission Order").

[2] Minn. Stat § 216B.16 Subd.4 ("The burden of proof to show that the rate change is just and reasonable shall be upon the public utility seeking the change.")

[3] Ex. Xcel-25 at 6 (Nowak Rebuttal)

[4] *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota,* MPUC Docket No. E002/GR-24-320, CAH Docket No. 28-2500-40515, Letter (filed June 17, 2026) ("Xcel Letter").

II. APPLICABLE LEGAL STANDARD

A. Petitions for Reconsideration

Minn. Stat. § 216B.27 provides that "any party to the proceeding . . . may apply to the Commission for a rehearing in respect to any matters determined in the decision" and that the "Commission may grant and hold a rehearing on the matters, or upon any of them as it may specify in the order granting the rehearing, if in its judgment sufficient reason therefore exists." The statute requires the application for rehearing to "set forth specifically the grounds on which the applicant contends the decision is unlawful or unreasonable."

Minn. R. 7829.3000 adds that a "petition for rehearing, amendment, vacation, reconsideration, or reargument must set forth specifically the grounds relied upon or errors claimed," and "[a] request for amendment must set forth the specific amendments desired and the reasons for the amendments."[5] The Rule also provides that, after receiving a petition challenging the Commission's decision, "[t]he commission may vacate or stay the order, or part of the order, that is the subject of the petition, pending action on the petition."[6]

B. Standard of Review on Appeal

If the Commission denies reconsideration, the Commission's decision is subject to review by the Minnesota Court of Appeals.

When reviewing Commission decisions, the Court applies different standards of review depending on whether the decision was made in the Commission's legislative or judicial capacity.[7] When the Commission acts in its judicial capacity, its decisions are reviewed under the substantial evidence standard, and when the Commission acts in its legislative capacity, its decisions will be upheld unless they are shown to be "in excess of statutory authority or resulting in unjust, unreasonable, or discriminatory rates by clear and convincing evidence."[8] "[E]stablishment of a rate of return…is a quasi-judicial function" and therefore subject to the substantial evidence standard.[9]

When applying the substantial evidence standard, Minnesota courts must "determine whether the agency has adequately explained how it derived its conclusion and whether that conclusion is reasonable on the basis of the record."[10] Minnesota courts often use the following test for substantial evidence:

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[5] Minn. R. 7829.3000 Subp. 2.
[6] Minn. R. 7829.3000 Subp. 6.
[7] *Hibbing Taconite Co. v. Minnesota Public Service Com.,* 302 N.W.2d 5, 9 (Minn. 1980).
[8] *St. Paul Area Chamber of Com. v. Minnesota Pub. Serv. Comm'n,* 312 Minn. 250, 262, 251 N.W.2d 350, 358 (1977)
[9] *Hibbing* at 9.
[10] *In re Application of Minnesota Power for Auth. to Increase Rates for Elec. Serv. in Minnesota*, 838 N.W.2d 747, 757 (Minn. 2013) citing *Minn. Power & Light Co. v. Minn. Pub. Utils. Comm'n,* 342 N.W.2d 324, 330 (Minn.1983).

> 1) such relevant evidence as a reasonable mind might accept as adequate to support a conclusion; 2) more than a scintilla of evidence; 3) more than 'some evidence'; 4) more than 'any evidence'; and 5) evidence considered in its entirety.[11]

In its 2025 decision reviewing Xcel's appeal of the Commission's Order in Docket 21-630, the Minnesota Court of Appeals stated: "In rate-case proceedings, the substantial-evidence test requires us to 'determine whether the [Commission] has adequately explained how it derived its conclusion and whether that conclusion is reasonable on the basis of the record'[.]"[12]

C. Legal Standard Applicable to ROE Decisions

As all parties to this case agree, the *Bluefield, Hope,* and *Hibbing* decisions are most instrumental in establishing the legal standard applicable to the Commission's decisions on ROE. A Court reviewing these decisions—and others grounded in the *Hope* and *Bluefield* cases—will find they contain a far richer discussion of what constitutes a "reasonable return" than is typically discussed in utility briefs filed with the Commission. CUB has summarized that richer discussion in several prior filings.[13] Rather than repeating that longer summary, we focus on a few specific details in the *Bluefield, Hope,* and *Hibbing* decisions here.

1. Bluefield Waterworks & Imp. Co. v. Public Service Commission

In 1923, the U.S. Supreme Court decided *Bluefield Waterworks & Imp. Co. v. Public Service Commission*.[14] The Court primarily held that commissions must satisfy the following two requirements when setting returns for utilities: (1) the return must be "reasonably sufficient to assure confidence in the financial soundness of the utility;" and (2) the return must be "adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties."[15]

2. Federal Power Commission v. Hope Natural Gas Co.

In 1944, the Court decided *Federal Power Commission v. Hope Natural Gas Company.*[16] *Hope* refined the principals from *Bluefield,* stating that utilities must have an opportunity to earn a return that "enable[s] the company to operate successfully, to maintain its financial integrity, to attract capital, and to compensate its investors for the risks assumed."[17] Immediately following that statement, the Court clarifies: "[rates] cannot be condemned as invalid, even though they might produce only a meager

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[11] *Rsrv. Min. Co. v. Herbst,* 256 N.W.2d 808, 825 (Minn. 1977).

[12] *In re Appl. by N. States Power Co*., No. A23-1672, 2025 WL 249995, at *8-10 (Minn. Ct. App. Jan. 21, 2025) (internal citations omitted).

[13] *See e.g.,.In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Initial Brief of the Citizens Utility Board of Minnesota (Jan. 28, 2026); CUB Exceptions to the Findings of Fact, Conclusions of Law, and Recommendations of the Administrative Law Judge (May 15, 2026).

[14] *Bluefield Water Works & Improvement Co. v. Public Service Comm'n,* 262 U.S. 679 (1923).

[15] *Id.* at 693.

[16] *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944).

[17] *Id.* at 605.

return on the so-called 'fair value' rate base."[18] The *Hope* Court ultimately upheld a significant reduction to a utility's return as "just and reasonable" after the Federal Power Commission explained its reasoning for reducing the return based on the record before it.[19]

Finally, the *Hope* Court emphasized that "the fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests"[20] and, when applying the just and reasonable standard, "it is the result reached not the method employed which is controlling."[21]

3. Hibbing Taconite Co. v. Minnesota Pub. Serv. Comm'n

In 1980, the Minnesota Supreme Court decided *Hibbing Taconite Co. v. Minnesota Pub. Serv. Commission.*[22] The *Hibbing* Court clarified certain guidelines the Commission must follow in determining an appropriate rate of return. Namely:

> The process by which rates are fixed is, first, to determine the value of the company's property represented by the equity of its stockholders; second, to establish a fair rate of return which will provide earnings to investors comparable to those realized in other businesses which are attended by similar risk, will allow the company to attract new capital as required, and will maintain the company's financial integrity; and, third, to compute corporate taxes, depreciation reserves, and other expenses of operating the company. The rates charged subscribers are thereupon authorized in an amount which will equal the sum of the return to investors and the company's operating expenses.
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> In considering these factors, the PSC must balance the interests of the utility against the interests of the utility's customers.[23]
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> [. . .]
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> The establishment of a fair return on common equity entails lengthy and complex hearings. However, we observe that the basic principles involved in this procedure are not complex. The property of the utility must be evaluated. From this figure there is subtracted the amount of borrowed capital and capital contributed by preferred stock. The difference represents the common equity of the shareholders. The rate of return on the shareholders' equity must be sufficient to attract reasonable prudent investors.

The *Hibbing* Court also clarified that Commission "is bound to follow certain legal criteria in establishing a rate of return," specifically citing the following statutes:[24]

> *Minn. Stat. § 216B.03* (1978) provides in pertinent part:
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> > Every rate made, demanded, or received by any public utility . . . shall be just

[18] *Id.*
[19] *Id.*
[20] *Id.* at 603.
[21] *Id.* at 602.
[22] *Hibbing Taconite Co. v. Public Serv. Comm'n,* 302 N.W.2d 5 (Minn. 1980).
[23] *Hibbing* at 10-11.
[24] *Id.*

> and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of consumers.

Minn. Stat. § 216B.16, subd. 6 (1978), states in part:

> The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for public utilities, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the public utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property.

Finally, the *Hibbing* Court states that a court "cannot intelligently pass judgement on the [Commission's] determination unless it knows the factual basis…" and that the Commission "must state the facts it relies on with a reasonable degree of specificity to provide an adequate basis for judicial review." [25]

III. Argument

In every electric rate case NSPM has filed since 2015, the Company has requested an authorized ROE equal to or greater than 10 percent. Until this case, the Commission had not approved an ROE above 9.25 percent over that same time period. In Docket 15-826, the Company requested a 10 percent ROE, and the Commission approved a settlement agreement that "allow[ed] Xcel Energy to represent its authorized ROE as nine and two-tenths percent (9.20%) for settlement purposes."[26] In Docket 17-797, the Company requested that a 10 percent ROE be used to calculate its Transmission Cost Recovery ("TCR") Rider revenue requirement.[27] The Commission authorized a 9.06 percent ROE, requiring Xcel to use that ROE "in all electric dockets that require an ROE determination until the Commission issues an order in the Company's next rate case authorizing a different ROE."[28] Finally, in Docket 21-630, the Company requested a 10.2 percent ROE, and the Commission approved a 9.25 percent ROE.[29]

For several reasons, the Commission's decision to now approve a 9.6 percent ROE is unreasonable, unsupported by the record, and lacks adequate explanation. First, the Commission's Order includes no discussion of whether or how the Commission considered objective, undisputed evidence showing Xcel Energy, Inc. ("XEI") and Northern States Power Company ("NSMP" or "Company") have had no

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[25] *Hibbing* at 12.
[26] *In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota,* Docket No. E-002/GR-15-826, Findings of Fact, Conclusions, and Order, p. 10 (June 12, 2017).
[27] *In the Matter of the Petition of Northern States Power Company for Approval of the Transmission Cost Recovery Rider Revenue Requirements for 2017 and 2018, and Revised Adjustment Factor*, Docket No. E-002/M-17-797, Order Authorizing Rider Recovery, Setting Return on Equity, and Setting Filing Requirements, pp. 5-8 (Sept. 27, 2019).
[28] *Id.*
[29] *In the Matter of the Application of Northern States Power Company, dba Xcel Energy, for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-21-630, Findings of Fact, Conclusions and Order, pp. 82-93 (July 17, 2023) ("Docket 21-630 Order").

trouble attracting capital, maintaining financial integrity, and generating sizable returns for shareholders at a 9.25 percent ROE. Second, the Commission did not explain why it considered the Company's June 16th Letter as supporting, rather than undermining, the Company's justification for an ROE increase. Third, the Commission overly relied on the Company's Two-Growth DCF Model results despite record evidence strongly suggesting that model produced inflated cost of equity estimates. And fourth, the Order includes no discussion of whether or how the Commission considered ratepayers' affordability challenges when approving the substantial rate increase necessary to support a 35-basis point increase to the Company's ROE.

A. The Commission's Order includes no discussion of whether or how the Commission considered objective, undisputed evidence showing XEI and NSPM have had no trouble attracting capital, maintaining financial integrity, and generating returns for shareholders at a 9.25 percent ROE.

The record included significant evidence showing, in the words of the Department of Commerce ("Department"), that the Company and XEI have been "thriving financially and possess ample, demonstrated access to capital" at a 9.25 percent ROE.[30] Examples of that evidence include the following:

- The Company directly acknowledged in a discovery response that "NSPM has not experienced difficulties accessing capital markets since its last litigated base rate case."[31]

- From January 1, 2023 through July 9, 2025, XEI raised $1.48 billion in public securities issuances and $64.18 million in nonpublic securities issuances.[32]

- NSPM successfully issued $700 million in bonds in February of 2024 under favorable terms because of its financial strength and credit rating.[33] Fitch Ratings assigned an A+ rating to this NSPM issuance.[34]

- NSPM issued another $1.1 billion in long-term debt in April of 2025.[35]

- In each of its 2023 and 2024 Annual Reports (Forms 10-K) XEI informed its shareholders and prospective investors that "Xcel Energy expects to have adequate amounts of cash from

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[30] *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-002/GR-24-320, Minnesota Department of Commerce's Motion to take Official Notice, p. 3 (May 15, 2026). ("Department Motion").
[31] Ex. XLI-7 at 9-10 (LaConte Surrebuttal), citing NSPM Response to XLI-40
[32] Ex. CUB-2 at SK-D-25 (Kihm Direct Schedules)
[33] Tr. Vol. 1 at 42 (Wehner)
[34] Tr. Vol. 1 at 43 (Wehner)
[35] Tr. Vol. 1 at 44 (Wehner)

operating and financing activities to meet both its short-term and long-term cash requirements."[36]

- XEI reported $2.02 billion in 2025 GAAP earnings;[37] $1.94 billion in 2024 GAAP earnings,[38] and $1.77 billion in 2023 GAAP earnings.[39] These same reports show that NSPM's diluted earnings per share have increased in recent years, just as the earnings of most of Xcel's other utility subsidiaries have not.[40]

- Over 50% of the 2024 increase in earnings per share ("EPS") for XEI (from $3.21 in 2023 to $3.44) was due to NSP increasing its EPS from $1.28 to $1.41.[41]

- According to XEI's 2024 10-K, "[o]ngoing earnings [for NSP] increased due to higher recovery of electric and natural gas infrastructure investments, partially offset by increased depreciation and interest charges."[42]

- In October 2025, XEI's stock price hit an *all-time* record high—well above the stock price that NSPM claims went down following the Commission's 2023 hearing where it last set Xcel's final rates.[43]

- XEI reported 2026 first quarter GAAP earnings of $556 million, or $0.89 per share, compared with $483 million, or $0.84 per share in the same period in 2025 and ongoing earnings of $567 million, or $0.91 per share compared with $483 million or $0.84 per share in the same period in 2025.[44] NSPM's first quarter 2026 earnings per share would have reflected a similar 6.25% increase over the same period last year, but for the one-time recognition of the Prairie Island forced outage refunds.[45]

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[36] Tr. Vol. 1 at 50-51 (Wehner), citing Ex. DOC-26 (Xcel Energy Inc. 2024 Form 10-K) and Ex.DOC-25 (Xcel Energy Inc. 2023 Form 10-K).
[37] *See e.g., In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-002/GR-24-320, Public Comment of Nathan Bienias (Mar. 17, 2026) ("In February 2026, Xcel Energy reported a 2025 net profit of $2.02 billion."). *See also* Xcel Energy 2025 Year End Earnings Report (Feb. 5, 2026), available at https://investors.xcelenergy.com/news-events/news-releases/news-details/2026/Xcel-Energy-2025-Year-End-Earnings-Report/default.aspx
[38] Ex. DOC-26 (Xcel Energy Inc. 2024 Form 10-K).
[39] Ex. DOC-25 (Xcel Energy Inc. 2023 Form 10-K).
[40] *See* Ex. DOC-26 at 26 (Xcel Energy Inc. 2024 Form 10-K); Ex. DOC-25 at 27 (Xcel Energy Inc. 2023 Form 10-K). *See also* Tr. Vol. 1 at 52 (Wehner).
[41] Ex. DOC-26 at 26 (Xcel Energy Inc.'s 2024 Form 10-K).
[42] *Id.* at 26.
[43] Tr. Vol. 1 at 54-55 (Wehner).
[44] Department Motion, Ex. A at 1 (Xcel Energy, Inc., Current Report (Form 8-K) (Apr. 30, 2026)) ("Apr. 30, 2026 Form 8-K"). *See also,* Commission Order at 128, Order Pt. 3 ("The Commission grants the motion of the Department to take notice of and admit into the record Xcel's Form 8-K as attached to the Department Motion.")
[45] *Id*., citing Apr. 30, 2026 Form 8-K at 5.

- By March 31, 2026, XEI's book value per share reached $38.01, and the dividend was $0.5925 per share (up from $0.57 dividend per share for the corresponding period in 2025).[46]

- XEI recently raised its dividend by 4 percent—its twenty-third consecutive annual increase—while reaffirming 2026 ongoing EPS guidance of $4.04 to $4.16.[47]

- As of April 2026, XEI had $4.22 billion in available credit facilities, plus $1.067 billion of cash, for total consolidated liquidity of $5.287 billion. For NSPM specifically, XEI reported it had $756 million in available credit and $564 million cash for total liquidity of $1.320 billion.[48]

- In the first quarter of 2026 alone NSPM successfully issued $1.2 billion in first mortgage bonds at competitive rates.[49]

Several parties, including CUB, repeatedly emphasized this evidence in testimony, briefs, exceptions to the ALJ Report, and other filings. At the Commission's June 11th Hearing, attorneys representing at least four parties—including the Department, Office of the Attorney General-Residential Utilities Division ("OAG"), Xcel Large Industrials ("XLI"), and CUB—each referenced portions of this evidence when making opening statements to the Commission.

Meanwhile, the Company suggested that its Jurisdictional Annual Report ("JAR"), filed annually on May 1st "will ensure ongoing regulatory oversight and provide the Commission and parties a wealth of information on which to assess the Company's performance under the [multiyear rate plan]."[50] In its three most recent Electric JAR Reports, the Company reported growing net jurisdictional incomes (including CIP Incentives) of $843.08 million in 2023,[51] $941.63 million in 2024[52] and $1.08 billion in 2025.[53]

The Commission's Order does not directly reference *any* of the above facts—almost all of which come from the Company's and XEI's own regulatory filings—when explaining its decision to increase the Company's ROE. At best, the Order adopts ALJ findings that reference some of these facts when objectively summarizing the positions of various parties. However, the ALJ, too, very minimally discussed how evidence of the Company's strong financial performance and ready access to capital informed his analysis and factored into his ROE recommendation.[54]

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[46] *Id*., citing Apr. 30, 2026 Form 8-K at 16.
[47] *Id*., citing Apr. 30, 2026 Form 8-K at 3.
[48] *Id.* citing Apr. 30, 2026 Form 8-K at 9.
[49] *Id.*
[50] Ex. Xcel-15 at 42 (Liberkowski Direct).
[51] Docket No. E,G999/PR-24-4, Xcel Energy 2023 Electric Jurisdictional Annual Report, Composite E-1 (May 1, 2024) (net income not including CIP incentives is reported as $824.59 million).
[52] Docket No. E,G999/PR-26-4, Xcel Energy 2024 Electric Jurisdictional Annual Report, Composite E-1 (May 1, 2025) (net income not including CIP incentives is reported as $928.52 million).
[53] Docket No. E,G999/PR-25-4, Xcel Energy 2025 Electric Jurisdictional Annual Report, Composite E-1 (May 1, 2026) (net income not including CIP incentives is reported as $1.072 billion).
[54] See e.g., *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, MPUC Docket No. E-002/GR-24-320, Findings of Fact, Conclusions of Law, Recommendation, p. 157 (Apr. 29, 2026) ("ALJ Report")

On the other hand, the Order adopted an ALJ finding suggesting that a recent increase to the national average authorized ROEs implies that, "all else being equal, an increase in the Company's ROE from its current level is appropriate."[55] The Commission similarly adopted an ALJ finding suggesting that recent increases to the average yield on the 30-year Treasury bonds suggest "an increase in the Company's ROE from its current level is appropriate."[56] Some Commissioners highlighted these findings during their June 18, 2026 deliberations. The Order does not explain why the Commission relied on these latter findings as justifying an ROE increase while seemingly ignoring the numerous other data points listed above that provide direct, undisputed insight into the Company's ability to access capital, maintain financial integrity, and provide earnings to investors comparable to those realized in other businesses which are attended by similar risk—all at a 9.25 percent ROE.

In this way, the Commission's explanation of its ROE decision in this case differs from (and is less detailed than) its explanation in Xcel's last electric rate case (Docket 21-630). For example, in its 21-630 Order setting final rates, the Commission stated this of its decision to approve a 9.25 percent ROE:

> Xcel's financial performance has been successful with a return on equity of 9.06%. While Xcel correctly notes that the stock price and dividends are those of its parent company, and not its regulated Minnesota utility, it is clear that the Minnesota utility contributes to the success of the parent company. The fact that its enterprise has been financially strong while earning a return of 9.06% is an indication, in light of the facts on this record, that increasing its rate of return by nearly 20 basis points, to 9.25%, will not jeopardize Xcel's financial integrity.[57]

In the Order in the *instant* case, the Commission does not similarly explain how Xcel's continued strong financial performance factored into the Commission's decision to increase Xcel's ROE by another 35 basis points.

B. The Commission did not explain why it considered the Company's June 16th Letter as supporting, rather than undermining, the Company's case.

As the entity seeking a rate change, Xcel had the burden to prove that increasing its authorized ROE results in just and reasonable rates.[58] For 19 months—from the moment it filed its initial petition right up to two days before the Commission's final hearing on June 18, 2026—the Company relied on

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("The Company's demonstrated ability to access capital with an ROE of 9.25 percent. . . establish that, while it is the most reasonable analysis in the record, the Two-Growth DCF overstates the appropriate ROE for the Company."

[55] Commission Order at 126, Order Pt. 1 (adopting ALJ Report Finding 982).

[56] Commission Order at 126, Order Pt. 1 (adopting ALJ Report Finding 983).

[57] Docket 21-630 Order at 91-92.

[57] Commission Order at 97-99 (The Department estimated the Company's cost of equity to be 8.82%, XLI 9.56%, and CUB 7.7%).

[58] *In the Matter of the Application by Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota,* Minn. Ct. of App'ls A23-1672 at 6 (Jan. 21, 2025), citing Minn. Stat. § 216B.16, subd. 4; *In re Petition of Minn. Power & Light Co.*, 435 N.W.2d 550, 554 (Minn. App. 1989) (describing the utility's burden), *rev. denied* (Minn. Apr. 19, 1989).

Witness Nowak's modeling analysis to petition for a 10.3 percent ROE.[59] In its initial brief, the Company stated:

> Mr. Nowak's analysis established a conservative recommended range for ROE of 10.00 to 11.00 – a range starting below the lowest average or mean analytical result of 10.34 percent (the Two-Growth DCF analysis long relied on by the Commission) and ending below the highest ROEs indicated by the analytical results. Within this range, his recommended ROE falls below the midpoint, reinforcing the conservative nature of his recommendation, and applies to both years of the MYRP [60]

In its Proposed Findings, the Company summarized its ROE position as follows:

> Mr. Nowak's analysis established a recommended range for ROE of 10.00 to 11.00 – a range starting below the lowest average or mean analytical result of 10.34 percent (the Two-Growth DCF analysis long relied on by the Commission) and ending below the highest ROEs indicated by the analytical results. Within this range, his recommended ROE of 10.30 percent falls below the midpoint of his range and below the results of his Two-Growth DCF analysis.[61]

In its Exceptions to the ALJ Report, the Company emphasized that the ALJ found its Two-Growth DCF results to be "the most reasonable estimate of the Company's ROE in the record" and argued its "recommended ROE of [10.30] percent is fully supported and, in fact, a conservative estimate of the Company's appropriate ROE that balances customer and shareholder interests, while meeting the *Hope*, *Bluefield* and *Hibbing* standards."[62]

Then, on June 16th—two days before the Commission met to deliberate—Xcel abruptly filed a letter stating "the Company agrees that . . . a 9.6 percent return on equity . . . represents a balanced outcome that supports continued access to capital, maintains credit quality, and enables the Company to meet its obligations to serve customers reliably and safely."[63] This letter (the "Letter" or "June 16th Letter") included no meaningful explanation for the Company's sudden acceptance of an ROE 74 basis points below what it had long cited as "the lowest average or mean analytical result" of its Two-Growth DCF analysis and 70 basis points below what it had long characterized as a "conservative estimate of [its] appropriate ROE."[64] The Letter was filed well after deadlines for filing testimony and legal briefs had

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[59] *See, e.g., In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Initial Brief of Northern States Power Company D/B/A Xcel Energy, p. 29 (Jan. 28, 2026) ("Xcel Initial Brief"). ("Given . . . the fact that the Company's recommended ROE continued to fall at the low end of the updated range of his analytical results, Mr. Nowak continued to recommend an ROE of 10.30 percent.")

[60] Xcel Initial Brief at 28 (emphasis added).

[61] *In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Proposed Findings of Fact, Conclusions of Law, and Recommendation of Northern States Power Company D/B/A Xcel Energy, p. 64 (emphasis added) ("Xcel Proposed Findings"), citing Ex. Xcel-24 at 4-5 (Nowak Direct).

[62] *See In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Xcel Energy's Exceptions to the Findings of Fact, Conclusions of Law and Recommendations of the Administrative Law Judge, p. 11-12 (emphasis added) (May 15, 2026) ("Xcel Exceptions").

[63] *See* Xcel Letter.

[64] Xcel Initial Brief at 28 (emphasis added).

passed and well after the ALJ issued his report, meaning neither other parties nor the ALJ had the opportunity to consider the implications of the Letter (and its departure from the Company's prior arguments) when making written recommendations to the Commission.

During deliberations held on July 18th, at least one Commissioner referred to the Company's Letter as "essentially undermining [the Company's] case" petitioning for an ROE increase.[65] Yet, the Commission's Order does not meaningfully address—let alone resolve—that concern. Instead, the Order suggests the Commission viewed the Letter as bolstering its decision to approve a 9.6 percent ROE:

> In its initial filing, Xcel requested approval of a 10.3% return. But by the time the Commission met to consider the matter, Xcel stated that a 9.6% return would be reasonable and enable the Company to attract capital.

We see only two reasonable ways to interpret the Letter vis-a-vis the Company's prior arguments. Either interpretation undermines the credibility of Witness Nowak's modeling analysis and compromises the Commission's reliance on that analysis to determine a reasonable ROE.

1. *One explanation of the Company's Letter is that the Company believes setting an ROE well below its cost of equity meets the* Hope*,* Bluefield *and* Hibbing *standards*.

First, the Commission could interpret the Letter as the Company voluntarily agreeing that an ROE set 74 basis points below the Company's cost of equity estimate is nonetheless sufficient to meet the *Hope, Bluefield* and *Hibbing* standards. However, such an interpretation is entirely at odds with the Company's prior arguments.

In its Reply Brief, the Company dismissed other parties' ROE recommendations for being disconnected from cost of equity models:

> The Department and CUB ROE recommendations . . . assume a disconnect between the regulatory process of setting an authorized return on equity and the results of cost of equity models. Moreover, the Department's recommendation ignored key pieces of its own cost of equity analysis[.][66]

The Company is now susceptible to its own criticism: by agreeing to an ROE well below the cost of equity estimate Witness Nowak derived from his Two-Growth DCF analysis, the Company assumes a disconnect between the regulatory process of setting an authorized ROE and the results of cost of equity models and ignores its own witness's cost of equity analysis.

Further, in its Exceptions to the ALJ Report, the Company suggested that "[s]ound and reasonable market-based analysis of the cost of equity, as represented by the Two-Growth DCF model, reveals no

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[65] June 18, 2026 PUC Agenda Meeting, Webcast at 4:56:57, available at https://minnesotapuc.granicus.com/player/clip/2709?view_id=2&redirect=true.

[66] *See In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Reply Brief of Northern States Power Company D/B/A Xcel Energy, p. 21 (Feb. 25, 2026) ("Xcel Reply Brief").

significant 'gap' between a utility's cost of equity and its allowed ROE."[67] But the Company has since agreed to an ROE 74 to 83 basis points below the mean results of its Two-Growth DCF model. By any measure, this is a significant gap.

Setting the Company's authorized ROE significantly below its cost of equity would destroy shareholder value.[68] As the Commission has previously recognized, the Company and its leadership owe fiduciary duties to Xcel shareholders.[69] It is illogical to assume the Company would voluntarily destroy shareholder value and risk shareholder litigation by agreeing to an ROE so far below its cost of equity.

2. *A more logical explanation of the Company's Letter is that Witness Nowak's Two-Growth DCF results produce an inflated estimate of the Company's true cost of equity.*

The more logical explanation for the Company's sudden change in position is that the Company's *true* cost of equity is well below 10.34 percent, and that the Letter corroborates other evidence showing Witness Nowak's Two-Growth DCF modeling produced inflated results. This explanation is supported by the record.

Every other finance expert that testified in this case estimated Xcel's cost of equity to be well below what Witness Nowak estimated it to be. (The Department estimated the Company's cost of equity to be 8.82%, XLI 9.56%, and CUB 7.7%.)[70] Independent analysts at credible financial institutions, Morningstar and Wells Fargo, estimated XEI's cost of equity to be well below Witness Nowak's estimates for the Company.[71] Xcel's own former Managing Director of Investor Relations attended a public hearing to testify that Witness Nowak's analysis was "misleading" and included "significant inaccuracies."[72] He urged the Commission "not to take Nowak's recommendations at face value."[73] The Department introduced evidence showing that the ROEs recommended by Witness Nowak and/or his Concentric colleagues in 12 prior rate cases *always* exceeded 10 percent and were "remarkably static regardless of the broader economic environment or utility involved."[74] The ALJ found (even before Xcel filed its Letter) that Witness Nowak's Two-Growth DCF "overstates the appropriate ROE."[75] Finally, the Commission found (via its adoption of an ALJ finding) "there is sufficient reason to be

[67] *See* Xcel Exceptions at 8.
[68] Ex. CUB-1 at 7-8 (Kihm Direct) ("as long as the ROE is above the cost of equity—say a 9.0% ROE—the utility will create shareholder value when it issues new shares. But if the ROE were to fall [below the cost of equity] then value destruction would occur when utilities issue new shares.")
[69] Docket 21-630 Order at 22.
[70] *See* Commission Order at 97-99.
[71] Ex. DOC-12 at 67 (Addonizio Direct); Ex. CUB-6 at 2 (Kihm Surrebuttal).
[72] *See* Edina 6:00 p.m. Tr.Vol.at 20-25, 50-55 (Sep. 23, 2025) (Richard J. Kolkmann). See also Commission Order at 128, Paragraph 7 (The Commission modified ALJ Report Finding of Fact 23 to identify Rochard Kolkmann as the former Managing Director of Investor Relations of Xcel Energy, Inc.)
[73] *Id.*
[74] *See In the Matter of the Application of Northern States Power Company, d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E-002/GR-24-320, Initial Brief of the Minnesota Department of Commerce, p. 31-35 (Jan. 28, 2026) ("Department Initial Brief").
[75] ALJ Report a 156, Finding 986.

concerned that authorized utility ROEs systemically overstate the true cost of equity for rate-regulated utilities[.]"[76]

All of this evidence already suggested Witness Nowak's analysis produced inflated and unreliable cost of equity estimates. The Company's Letter corroborated that conclusion. Therefore, the Letter significantly undermined the credibility of Witness Nowak's Two-Growth DCF analysis and the Company's reliance on it to meet its burden to prove that *any* increase to its ROE is reasonable or necessary.

C. The Commission overly relied on the Company's Two-Growth DCF Model results despite record evidence strongly suggesting that model produced inflated cost of equity results.

Despite the Company's Letter—and the evidence cited by other parties as supporting a 9.25 percent (or lower) ROE—the Order shows that the Commission continued to rely on Witness Nowak's analysis to approve an ROE increase. The Commission adopted portions of the ALJ Report that found that the "Two-Growth DCF analysis presented by the Company is the most reasonable estimate of the Company's ROE in the record."[77] The Order goes on to justify the reasonableness of the Commission's ROE decision by suggesting a 9.6 percent ROE "is reflected in the results of the Two-Growth DCF model" and "is at the lower end of Xcel's range of returns."[78] The Commission also suggested that *other* parties' Two-Growth DCF modeling using GDP corroborate the reasonableness of a 9.6% return.[79] The Commission's Order does not adequately explain how the Commission arrived at these conclusions or how they are supported by record evidence.

1. <u>The Commission has not adequately explained why 9.6 ROE is "at the lower end of Xcel's range of returns."</u>

Again, the Company spent this entire proceeding arguing that Witness Nowak's analysis supported an ROE range of 10.00 percent to 11.00 percent. To the extent a 9.6 percent ROE is "at the lower end of Xcel's range of returns," it is only because the Company acquiesced to that figure in the Letter filed two days before the Commission met to establish final rates. The Letter offered no evidence supporting a 9.6 ROE. Ultimately, the Commission's Order does not explain why it determined that, *despite* the Company's Letter, the Company's Two-Growth DCF model—which, again, produced a mean cost of equity estimate of 10.34 to 10.43 percent—remains "the most reasonable estimate of the Company's ROE in the record."[80]

2. <u>The Commission has not adequately explained why "Two-Growth DCF modeling using GDP corroborates the reasonableness of a 9.6% return."</u>

Meanwhile, the Order suggests other parties' modeling results, while not persuasive to the Commission, "generally corroborate the reasonableness" of a 9.6 percent ROE:

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[76] Commission Order at 128, Order Pt. 1 (adopting ALJ Report Finding 927).
[77] *Id.* at 128, Order Pt. 1 (adopting ALJ Finding 992).
[78] Commission Order at 95-99.
[79] Commission Order at 99.
[80] *Id.* at 128, Order Pt. 1 (adopting ALJ Finding 992).

> While the Department, XLI, and CUB placed heavy emphasis on the results of models that use GDP to estimate growth, the Commission is not persuaded that it is necessary to do so in this case. Furthermore, the outcomes of those models generally corroborate the reasonableness of a 9.6% return. Notably, the Two-Growth DCF modeling XLI conducted with GDP resulted in a mean ROE of 9.58%—highly comparable to the 9.6% that Xcel ultimately conceded is reasonable. Thus, Two-Growth DCF modeling using GDP corroborates the reasonableness of a 9.6% return.[81]

This statement relies on a very narrow interpretation of *some* modeling analyses offered by the Department, XLI, and CUB while dismissing the evidence in its entirety introduced by those parties.

i. *Witness Addonizio's modeling analysis supports a 9.25 percent ROE*.

Department Witness Addonizio relied primarily on a multi-stage DCF analysis, which utilizes U.S. GDP to estimate growth.[82] He then utilized a CAPM to "sanity check" his multi-stage DCF results and further corroborated his estimates of the Company's cost equity with independent estimates of Xcel's parent company's cost of equity.[83] After conducting this analysis, Witness Addonizio estimated the Company's cost of equity to be 8.82 percent and recommended a 9.25 percent ROE.[84] According to Witness Addonizio, "9.25% is substantially higher than my primary estimates of Xcel's cost of equity, and is generally comparable to recent ROEs authorized in other jurisdictions. As a result, it should be more than adequate for the Company to maintain both its financial integrity and its access to capital markets."[85]

Though Witness Addonizio also performed a Two-Growth DCF analysis, he explained in detail why he did not—and why the Commission should not—rely on it to establish a reasonable ROE. Namely, he believed the Two-Growth DCF model relies on equity analysts' earnings growth rates that are "not realistic as perpetual growth rates" and, therefore, produced inflated results.[86]

Witness Addonizio's analysis, when viewed in its entirety, does not corroborate the reasonableness of a 9.6 percent return.

ii. Witness LaConte's modeling analysis supports a 8.96 percent ROE.

XLI Witness LaConte's Two-Growth DCF analysis produced a mean 9.58 percent cost of equity estimate. However, she recommended a 50 basis point downward adjustment to 8.96 percent, in large part to "recognize NSP's significantly lower risk as compared to other similarly situated utilities[.]"[87]

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[81] Commission Order at 99.
[82] Ex. DOC-12 at 46 (Addonizio Direct).
[83] Ex. DOC-13 at 57, 59 (Addonizio Surrebuttal).
[84] Ex. DOC-12 at 85 (Addonizio Direct).
[85] *In the Matter of the Application by Xcel Energy for Authority to Increase Rates for Electric Service in Minnesot*a, Docket No. GR-24-320, Witness Summary of Craig Addonizio (Dec. 8, 2025), summarizing Ex. DOC-12 (Addonizio Direct) and Ex. DOC-13 (Addonizio Surrebuttal).
[86] Ex. DOC-12 at 54 (Addonizio Direct).
[87] *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, Docket NO. 24-320, Opening Statement for Billie LaConte, (Dec. 8, 2025), summarizing Ex. XLI-2 (LaConte Direct) and Ex. XLI-7 (LaConte Surrebuttal). (Witness LaConte also recommended a 10 basis point downward adjustment to account for NSP's failure to meet requirements for providing reliable billing and customer service.)

Specifically, "Witness LaConte cited the Company's multitude of adjustment clauses, its sales true-up, its projected test-year, and the MYRP itself, which together facilitate NSP's rate increases for an additional year without filing a rate case."[88]

The Order briefly summarizes this aspect of Witness LaConte's analysis but does not explain how the Commission considered it. (Instead, the Order adopts, without further discussion, ALJ findings dismissing Ms. LaConte's risk adjustment.)[89] Meanwhile, in addition to extending existing risk adjustment clauses, the Commission's Order approved a new Coal Combustion Residuals tracker and a new Bad Debt Tracker.[90] These mechanisms add to those Witness LaConte cited when recommending a downward adjustment to her model-based cost of equity estimate. The Order does not explain whether or how the Commission factored the existing, let alone new, risk adjustment clauses into its ROE analysis. This differs from the Commission's approach in Xcel's last electric rate case, when the Commission stated:

> The Commission is also unpersuaded by Xcel's claims that a 9.25% return is insufficient to enable the Company to attract capital at reasonable rates, maintain its credit rating and financial integrity, and provide returns commensurate with those earned on other investments with equivalent risks. The Commission also finds value in XLI's arguments that Xcel's investors face lower levels of risk because of the regulatory tools used by the Company, which include multiyear rate plans and riders[.][91]

A 9.6 percent ROE is close to, but still above Witness LaConte's isolated, mean Two-Growth DCF cost of equity estimate, and it is far above her 8.96 percent ROE recommendation. Witness LaConte's analysis, when viewed in its entirety, does not corroborate the reasonableness of a 9.6 percent return.

iii. *Dr. Kihm's modeling analysis supports a 9.0 percent ROE*.

CUB Witness Kihm employed four models to estimate the Company's cost of equity: the Capital Asset Pricing Model (CAPM); the Empirical Capital Asset Pricing Model (ECAPM) and two variations of the Discounted Cash Flow model (what Dr. Kihm refers to as the "Spot Price DCF" and the "Avg Price").[92] Collectively, Dr. Kihm's model results produce a range of cost of equity estimates between 6.1 percent and 9.5 percent.[93] Based on this analysis—and his review of other, independent experts' corroborating his cost of equity estimate—Dr. Kihm estimated the Company's cost of equity to be 7.7 percent and recommended that Xcel's authorized return on equity be set at 9.0 percent.[94]

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[88] *In the Matter of the Application of Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota*, Docket NO. 24-320, Post-Hearing Brief of the Xcel Large Industrials, p. 18 (Jan.. 28, 2026), citing Ex. XLI-2 at 19 (LaConte Direct).
[89] Commission Order at 135, Order Pt. 1 (adopting ALJ Finding 987).
[90] Commission Order at 135, Order Pts. 88-93.
[91] Docket 21-630 Order at 91.
[92] Ex. CUB-1 at 31-37 (Kihm Direct).
[93] *Id.* at 37.
[94] *See generally,* Ex. CUB-1 (Kihm Direct).

A 9.6 percent ROE is outside the range of results produced by any of Dr. Kihm's models and well above Dr. Kihm's ROE recommendation. Dr. Kihm's analysis, when viewed in its entirety, does not corroborate the reasonableness of a 9.6 percent return.

D. The Commission's Order includes no discussion of whether or how the Commission considered ratepayers' significant affordability challenges when approving the substantial rate increase necessary to support a 9.6 ROE.

Every party, the ALJ, and the Commission agree that the *Hope* and *Hibbing* decisions are critical in establishing the legal standard applicable to ROE determinations. In *Hope* (which was adopted in *Hibbing)*, the U.S. Supreme Court emphasized that "the fixing of 'just and reasonable' rates, involves a balancing of the investor and consumer interests."[95] In *Hibbing*, the Minnesota Supreme Court reiterated that the Commission is "bound to follow certain legal criteria" when establishing an authorized return, including compliance with Minn. Stat 216B.03 (requiring that rates be "just and reasonable," with "any doubt as to reasonableness . . . resolved in favor of the consumer") and that the Commission "must balance the interests of the utility against the interests of the utility's customers."[96]

Authorizing a 9.6 percent ROE requires a substantial increase to the Company's rates. The Company stated that "[t]he estimated impact on the 2025 test year revenue requirement of the change in ROE is approximately $973,000 for each basis point[.]"[97] That means a 35-basis point ROE increase would add over $34 million to the Company's initially proposed 2025 test year revenue requirement. We understand this figure may be lower when recalculated based on the Commission's final decision. Nevertheless, the rate impact of a 35-basis ROE increase is clearly a significant factor in the overall rate increase approved by the Commission.

This rate increase comes at a time when qualitative and quantitative record evidence shows that many Xcel ratepayers are struggling to afford their electric bills. Examples of such evidence include the following:

- The Company disconnected more than 52,000 residential customers in 2024, which was more than double the year before, and roughly double the number of disconnections conducted in the previous record year (2015).[98]

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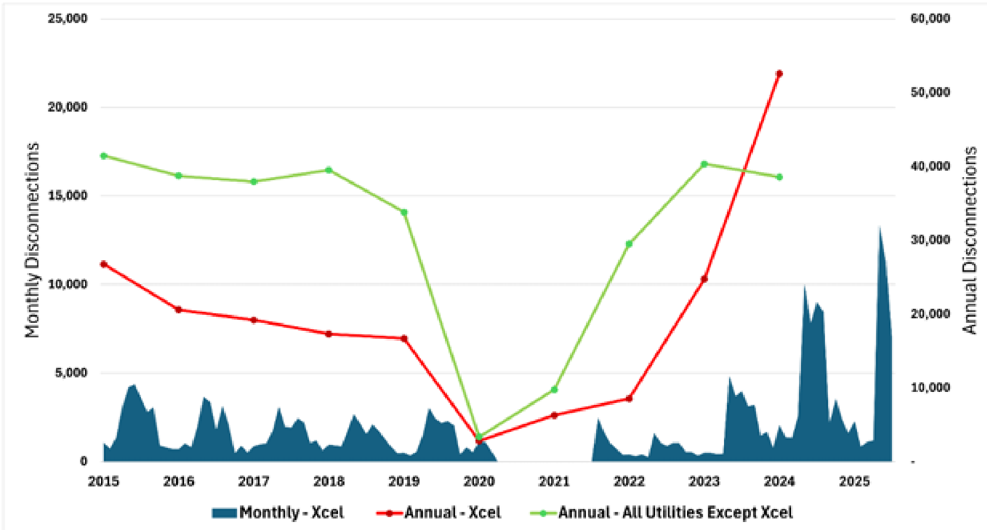
[95] *Hope* at 603.
[96] *Hibbing*, 302 N.W.2d at 11 (citing *Minneapolis Street Railway Co. v. City of Minneapolis*, 251 Minn. 43, 72-73, 86 N.W.2d 657, 676 (1957)).
[97] Ex. JIN-2 at Attachment 4 (Chan Direct).
[98] Ex. CUB-3 at 1011 (Levenson-Falk Direct). The Commission has since removed Xcel's authority to conduct disconnections without a final site visit, which is expected to reduce disconnections. (*See* Docket No. E-002/M-25-27.) Nonetheless, the number of disconnections conducted in 2024 and 2025 highlight affordability troubles experienced by Xcel ratepayers.



- The Company's average total arrears in 2024 were twice what they were before the COVID-19 pandemic.[99]

- Minnesota households continue to struggle with inflation on basic necessities, and 59 percent have experienced difficulty paying for usual household expenses.[100] Thirty-six percent of Minnesota's low-income households have kept their homes at unhealthy temperatures to keep utility costs down.[101]

- By the end of the contested case proceeding, more than 15 times as many public comments had been filed than in Xcel's previous electric rate case (approximately 7,500, compared with approximately 500 in the previous case).[102] By our count, more than 1,000 additional public comments have been filed since the conclusion of the contested case. Numerous public commenters stressed that they struggled to afford electricity service even while earning too much to qualify for income-qualified programs. [103]

Again, several parties emphasized the above evidence in testimony, briefs, exceptions to the ALJ Report, and in oral arguments before the Commission. While the Commission's Order references some of this evidence in other contexts, the Order does not explain whether or how the Commission considered affordability when determining that approving a 35-basis point ROE increase results in just and reasonable rates, with doubt as to reasonableness resolved in favor of the consumer.

[99] Ex. CUB-3 at 6 (Levenson-Falk Direct).
[100] Ex. OAG-1 at 27-29 (Hinderlie Direct).
[101] Ex. CUB-3 at 6 (Levenson-Falk Direct).
[102] Commission Order at 3.
[103] *See* Ex. CUB-8 at 11-12 (Levenson-Falk Surrebuttal) (providing examples of public comments that stress affordability challenges).

We understand and appreciate that the Commission considered affordability challenges when making *other* decisions in this case. For example, the Commission reduced late payment charges, approved the Company's shareholder-funded Residential Arrears Management Program ("RAMP"), approved automatic enrollment in PowerOn, and expanded eligibility for the Low-Income Usage Assistance Credit.[104] To be clear, CUB supports these actions and believes they are helpful in mitigating the harm associated with a rate increase for some ratepayers. However, these decisions are unlikely to offset the rate increase required to support a 9.6 percent ROE—certainly not for the many customers who are not eligible for (or are eligible but do not participate in) RAMP, PowerOn, or the Low-Income Usage Assistance Credit.

Ratepayers' ability to afford the rate increase needed to support a 9.6 percent ROE is an important aspect of the problem that the Commission should have considered.[105] To the extent the Commission *did* consider evidence related to affordability when making its ROE decision, the Order does not explain how that consideration factored into the Commission's decision to approve a 35 basis point increase to the Company's authorized ROE over the objections of the Department, OAG, XLI, CUB, and thousands of Minnesotans who filed public comments.

IV. CONCLUSION

Xcel bore the burden to prove that an ROE increase is necessary to meet the *Hope, Bluefield*, and *Hibbing* standards. To meet that burden, Xcel relied on the testimony and modeling analysis of Witness Nowak. By abruptly agreeing to an ROE well below the ROE purportedly supported by Witness Nowak's testimony, the Company undermined the credibility of his analysis. Ultimately, the Company failed to prove that any increase to its ROE is necessary for it to attract capital, maintain financial integrity, or provide earnings to investors comparable to those realized in other businesses which are attended by similar risk.

The Commission is charged with establishing rates that are just and reasonable, with doubt as to reasonableness resolved in favor of the consumer. When operating under its quasi-judicial authority, the Commission had the responsibility to explain how its decisions are supported by the record. When approving a 9.6 percent ROE, the Commission did not explain whether or how it considered substantial, undisputed evidence directly related to the Company's existing ability to attract capital, maintain financial integrity, and generate returns for shareholders. Ultimately, the Commission also did not explain how it resolved doubt introduced by the Company's Letter in favor of the consumer, particularly given evidence showing many of the Company's ratepayers are already struggling to afford their bills.

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[104] *See* MPUC News Release, "Minnesota Public Utilities Commission Reduces Xcel's Electric Rate Request and Expands Customer Protections" (June 24, 2026) (summarizing how the Commission's order expands customer protections), available at https://content.govdelivery.com/accounts/MNPUBUC/bulletins/41d2eb6.

[105] *See* Minn. Stat. § 216b.16 Subd. 15(a) ("The commission must consider ability to pay as a factor in setting utility rates.") *See also In re Appl. by N. States Power Co*., No. A23-1672, 2025 WL 249995 (Minn. Ct. App. Jan. 21, 2025), citing *In re Application of Minn. Power for Auth. to Increase Rates for Elec. Serv.*, 929 N.W.2d 1, 9 (Minn. App. 2019) (*Minn. Power 2019*) ("A decision will be deemed arbitrary and capricious if the agency . . . entirely failed to consider an important aspect of the problem[.]")

The Commission should revise its Order to find that the Company failed to meet its burden to prove an increase to its 9.25 percent ROE results in just and reasonable rates. The Commission should instead establish an ROE of no higher than 9.25 percent, consistent with record evidence supporting that result.

Respectfully Submitted,

/s/ Brian Edstrom August 20, 2026
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