



414 Nicollet Mall  
Minneapolis, MN 55401

December 30, 2025

—Via Electronic Filing—

Sasha Bergman  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: COMPLIANCE FILING – ANNUAL REPORT  
SITE REMEDIATION PLANS FOR DECOMMISSIONING THE SHERCO PLANT  
DOCKET NOS. E002/M-22-263, E002/RP-19-368

Dear Ms. Bergman:

Northern States Power Company, doing business as Xcel Energy, submits this Annual Report to the Minnesota Public Utilities Commission, summarizing our 2025 outreach efforts and plans for decommissioning, remediation and demolition for the Sherburne County (Sherco) Generating Plant. We also note our appreciation for the opportunity to work with interested stakeholders in these efforts and their participation in our quarterly stakeholder outreach meetings. This report was also shared with the City of Becker and interested stakeholders.

The Commission's requirements for this Annual Report are from Order Point 20 in the Commission's April 15, 2022 Order approving the Company's Integrated Resource Plan, as follows:

- A. Xcel shall conduct stakeholder meetings regarding the site with interested parties including the city of Becker; adjacent cities and townships including Becker Township and the city of Monticello; Sherburne and Wright counties; the Minnesota Department of Commerce, the Minnesota Department of Natural Resources, the Minnesota Pollution Control Agency, the Center for Energy and Environment, the Clean Energy Organizations, the Minnesota Energy Transition Office, 41 and labor unions. By January 1, 2023, Xcel shall file in the new docket details describing updates on the site and the stakeholder outreach and meetings.
- B. Following these stakeholder meetings, by December 31, 2023, or in its next resource plan if earlier- and annually thereafter- Xcel shall submit to the Commission and to the city of Becker a detailed report describing the company's

plans for the disposition of the Sherco site, equipment, and buffer property. The report shall include at least the following items:

- 1) A detailed description and timeline of any demolition, environmental clean-up, or similar work that will be required by the impending retirement of Sherco Unit 2.
- 2) To the extent possible, a description of the company's plans and a detailed timeline to decommission and demolish electric generating equipment related to Sherco Units 1 and 3.
- 3) A detailed description of the timeline, estimated costs, and steps necessary to remediate pollution at the Sherco site.
- 4) A section detailing how the company is working to ensure that plans for site remediation, economic development, or future development and maintenance of power generation, transmission, or distribution infrastructure are consistent with the community's long-range planning and vision.
- 5) A description of any ongoing efforts by the company to evaluate future uses for the plant site, any buffer property owned by the company, or any adjacent property, including a description of how the company is involving interested stakeholders in those efforts.
- 6) An update to the Commission on the status of efforts to support the city's and regions' economic development efforts, including – to the extent possible – specific projects and investments the company is assisting the city and region in attracting.
- 7) A description of the company's efforts to work with local governments and other stakeholders to assess and account for local land use and planning impacts. Before starting any additional regulatory process to determine the final length and route of the Sherco gen-tie line, Xcel shall consult with stakeholders to discuss the plans.
- 8) Any other items the Commission or the company sees fit to include.

If Xcel cannot obtain the necessary information at the time of each filing, the company shall submit a detailed timeline on which it anticipates it will be able to provide the city and stakeholders with additional information.

Pursuant to the Order, we have included details describing our stakeholder outreach efforts, remediation, decommissioning and demolitions plans and costs, and economic development efforts in the attached report.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact Patti Leaf at [patricia.b.leaf@xcelenergy.com](mailto:patricia.b.leaf@xcelenergy.com) or me at [jody.l.londo@xcelenergy.com](mailto:jody.l.londo@xcelenergy.com) if you have any questions regarding this filing.

Sincerely,

/s/

JODY LONDO  
DIRECTOR, REGULATORY AND STRATEGIC ANALYSIS

Enclosure  
cc: Service Lists

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF XCEL ENERGY'S  
SITE REMEDIATION PLANS FOR  
DECOMMISSIONING THE SHERBURNE  
COUNTY GENERATING STATION

DOCKET NOS. E002/M-22-263  
E002/RP-19-368

**2025 ANNUAL REPORT**

IN THE MATTER OF XCEL ENERGY'S  
2020-2034 UPPER MIDWEST  
INTEGRATED RESOURCE PLAN

## INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits this Annual Report to the Minnesota Public Utilities Commission, summarizing our 2025 outreach efforts and site remediation plans for decommissioning the Sherburne County Generating Plant (Sherco) in compliance with the Commission's April 15, 2022 Order approving the Company's Integrated Resource Plan (2019 IRP Order).<sup>1</sup>

Order Point 20 of the 2019 IRP Order states:

Regarding remediation plans for the Sherco site:

- A. The Commission authorizes the Executive Secretary to open a new docket on this topic.
- B. Xcel shall conduct stakeholder meetings regarding the site with interested parties including the city of Becker; adjacent cities and townships including Becker Township and the city of Monticello; Sherburne and Wright counties; the Minnesota Department of Commerce, the Minnesota Department of Natural Resources, the Minnesota Pollution Control Agency, the Center for Energy and Environment, the Clean Energy Organizations, the Minnesota

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<sup>1</sup> *Order Approving Plan with Modifications and Establishing Requirements for Future Filings*, Docket No. E002/RP-19-368, April 15, 2022.

Energy Transition Office [footnote omitted], and labor unions. By January 1, 2023, Xcel shall file in the new docket details describing updates on the site and the stakeholder outreach and meetings.

- C. Following these stakeholder meetings, by December 31, 2023, or in its next resource plan if earlier- and annually thereafter- Xcel shall submit to the Commission and to the city of Becker a detailed report describing the company's plans for the disposition of the Sherco site, equipment, and buffer property. The report shall include at least the following items:
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  - 2) To the extent possible, a description of the company's plans and a detailed timeline to decommission and demolish electric generating equipment related to Sherco Units 1 and 3.
  - 3) A detailed description of the timeline, estimated costs, and steps necessary to remediate pollution at the Sherco site.
  - 4) A section detailing how the company is working to ensure that plans for site remediation, economic development, or future development and maintenance of power generation, transmission, or distribution infrastructure are consistent with the community's long-range planning and vision.
  - 5) A description of any ongoing efforts by the company to evaluate future uses for the plant site, any buffer property owned by the company, or any adjacent property, including a description of how the company is involving interested stakeholders in those efforts.
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  - 7) A description of the company's efforts to work with local governments and other stakeholders to assess and account for local land use and planning impacts. Before starting any additional regulatory process to determine the final length and route of the Sherco gen-tie line, Xcel shall consult with stakeholders to discuss the plans.
  - 8) Any other items the Commission or the company sees fit to include.

If Xcel cannot obtain the necessary information at the time of each filing, the company shall submit a detailed timeline on which it anticipates it will be able to provide the city and stakeholders with additional information.

As required, this report was also provided to the City of Becker and we also shared it with interested stakeholders.

## **I. STAKEHOLDER OUTREACH EFFORTS**

As required by the Commission's 2019 IRP Order, we conducted stakeholder outreach meetings with the stakeholders identified in the Order, plus we extended invitations to the following additional agencies and community groups: the Chamber of Commerce for the cities of Becker, Big Lake, and Monticello, Minnesota Public Utilities Commission staff, business neighbors of the Sherco Plant, legislative representatives, the Southern Minnesota Municipal Power Agency, the University of Minnesota, and the Coalition of Utility Cities.

Though no cadence was specified in the 2019 IRP Order for these meetings, in 2023 these meetings were held quarterly to be consistent with the Allen S. King Plant Stakeholder Outreach Efforts. In 2024, the cadence changed slightly such that only three meetings were held in 2024 and were well attended. The group decided to meet semi-annually beginning in 2025. The meetings have provided overviews of plans and known requirements associated with the retirement of the Sherco Plant, and future development efforts and community impacts. Significant opportunity for stakeholders to provide input and ask questions regarding information presented has been provided at each of the meetings. Stakeholders have indicated their appreciation of the meetings and for the information shared. All presentation materials have been filed in the above-noted dockets. In the following sub-sections, we provide an overview of the 2025 meetings we conducted.

### **A. 2025 Meeting 1**

We held the first Sherco Community Stakeholder Outreach meeting in person with a virtual option on June 11, 2025. The meeting started with a tour of the Sherco Solar Facility for those interested, followed by Company presentations on multiple resource developments impacting the Sherco site including: the Sherco Solar Facility, the MN Energy Connection, the Lyon County Combustion Turbine, the Sherco Natural Gas Innovation Act (NGIA) Hydrogen Project, and battery projects. Stakeholders asked several questions about the various ongoing projects at the Sherco Energy Center including questions about federal funding, cyber security, data centers, wind turbines, Sherco Solar, the NGIA and the battery projects.

### **B. 2025 Meeting 2**

The Company scheduled the second outreach meeting to be held both in person at the Sherburne County Generating Plant and virtually on December 9, 2025 but due to inclement weather, was held only virtually. The Company provided an update on current plant operations followed by presentations from Company and Minnesota

Department of Revenue (MNDOR) representatives regarding property tax implications associated with the retirement of the Sherco facility. Representatives provided presentations on the property valuation process and follow-on tax impacts after the retirement of the plant. MNDOR also provided information on the state's electric transition aid program funding that will provide the community additional revenue due to decreased property taxes associated with the retirement of the plant.

## **II. DEMOLITION AND ENVIRONMENTAL REMEDIATION PLANS**

At this time, the Company's main focus for the Sherco Plant is on the continued operation of Unit 1 until the end of 2026 and Unit 3 until the end of 2030, when the units will be respectively retired. The Company's demolition and remediation planning efforts associated with the retirement of these units are underway but are still in a formative stage, with many decisions regarding future site configuration needing to be determined taking into consideration potential redevelopment and repurposing of the property, facility, and equipment. The Company will complete a comprehensive Site Decommissioning Plan for all three units when the final design of the repurposed equipment is complete, and the extent of the facilities needed to support future operations are determined. We will share those plan details in a future Annual Report filing when they are available. The decommissioning plan will address any potential demolition plans across all three units. While detailed plans and timelines are currently not available to share at this time, we share the following information.

### **A. Unit 2 Plans**

Prior to the retirement of Unit 2, the Company developed a unit retirement plan to safely remove the unit from service. In general, remediation and demolition activities will not begin at the site until all three units have been retired. All three units share systems that will need to be maintained for the continued operation of Units 1 and 3 until their planned retirement in 2026 and 2030, respectively. The Unit 2 boiler may be removed after all three units have been retired at the end of 2030, however the turbine building will remain due to the conversion and operation of the Unit 2 generator as a synchronous condenser. The finalized design for the planned Unit 2 synchronous condenser conversion is complete and the project is progressing into construction in 2026.

The Unit 1 generator will also be converted to a synchronous condenser. Further investigation is needed to determine if the boilers can safely be removed while the synchronous condensers are in operation. It is expected that the synchronous condenser for Unit 2 will begin operation as early as fourth quarter 2027 with the Unit 1 synchronous condenser expected to begin operation second quarter 2028.

The Company's efforts for the future decommissioning of Sherco Unit 2 has included inventorying materials for removal of components from the Unit that will not be needed for maintaining operation of the unit for the future conversion of the Unit 2 generator to a synchronous condenser, or that are not required for the continued operation of Units 1 and 3. We completed this inventory and determined that no parts will be removed as they may be able to be utilized in Unit 1 if necessary.

After Unit 2 was retired, a comprehensive plan was executed by the Company to decommission, isolate, and drain all available systems to leave the unit in a safe state to facilitate the demolition and repurposing of equipment for the synchronous condenser conversion. Scrubber Modules systems, and Bottom Ash and Fly Ash systems were cleaned of ash. Coal was burned down to empty the feed systems to the unit, and the silo-feeders and coal mills were washed down to remove coal debris. The Unit 2 cooling towers were demolished during fourth quarter 2024.

Systems left in service include, but are not limited to, the electrical systems for various components, the Thickener System, Building Heat, Auxiliary Steam, Fire Protection, Station Air Service/Potable Water, closed loop cooling, Ash Water, and other common systems needed for the continued operation of Unit 1.

The Company is considering the isolation of other systems. Isolation is the act of disconnecting power, or other means taken, which prohibit a system from operating.

Environmental remediation requirements of retired fossil fuel fired electrical generating facilities are prescriptively regulated by local, state, and federal authorities. We will not be required to begin remediation efforts on Sherco Unit 2 until Units 1 and 3 have also been retired, as they share common facilities.

The Company provided notification of retirement for Unit 2 to the Minnesota Pollution Control Agency (MPCA) as required by the facility's Air Emission Permit. As each of the remaining units retire, the Company will submit similar notices to the MPCA when each of the remaining units retire.

## **B. Units 1 and 3 Plans**

The Company will take steps toward the decommissioning of Units 1 and 3 in a path similar to the Unit 2 decommissioning, according to current plans with Unit 1 retiring by December 31, 2026, and Unit 3 retiring by December 31, 2030. As noted above, the Company plans to convert the Unit 1 generator to a synchronous condenser with operation of the unit as a synchronous condenser expected to begin second quarter 2028. The Company has begun evaluating the conversion of the Sherco Unit 3 turbine

generator to a synchronous condenser for additional grid stabilization.

Once Units 1 and 3 have been retired, the Company may decommission, isolate, drain and leave Unit-specific systems in a safe state, which would allow for the demolition of equipment. In addition, the Company will clean Scrubber Module systems and Bottom Ash and Fly Ash systems of ash. Coal will be burned down to empty the feed systems to the Units, and the silo-feeders and coal mills will be washed down to remove coal debris.

For safety reasons, the Unit 1 cooling towers are scheduled for demolition in 2027. Aside from the demolition of the Unit 1 cooling towers, there will be no additional other large-scale demolition at the site until at least 2031. Detailed decommissioning information will be included in a future Annual Report filing when it is available.

As noted above, environmental remediation requirements of retired fossil fuel fired electrical generating facilities are prescriptively regulated by local, state, and federal authorities. We will not be required to begin environmental remediation efforts at the Sherco site until all three units have been retired. Environmental actions that will occur specific to Sherco Units 1 and 3 will include, but are not limited to, notice to the U.S. Environmental Protection Agency and MPCA of pending retirement and decommissioning. The costs for these required remediation actions are not fully known at this time as the detailed plans have not been developed. Additionally, once plans are developed, they will require review and approval by the MPCA, which may result in changes to the final closure plans. Actual timelines will be guided by internal Xcel Energy decisions as well as MPCA review and feedback prior to agency approval under MPCA's Solid Waste and Clean Water Act programs.

### **C. Combined Units 1, 2, and 3 Plans**

The Company's plans for environmental remediation and demolition at the Sherco Plant are under development. While the coal-fired generating capacity of the plant will be fully retired by December 31, 2030, plans that potentially reuse equipment within the powerhouse and plant support systems are under consideration. As previously noted, Unit 1 and Unit 2 generators will be reutilized as synchronous condensers and the potential conversion of the Unit 3 generator to a synchronous condenser is being evaluated. Also as previously noted, some existing buildings will need to remain for the operation of the synchronous condensers. In addition, the Sherco substation will continue to be utilized. Demolition of the Unit 1 and 2 stack and the Unit 3 stack will not occur until after Unit 3 is retired.

There are six (6) impoundments and one basin at Sherco that contain either ash or ash

contact water. The status of these impoundments is as follows:

- Scrubber Solids Pond 1 was closed and capped in 1995 following a plan approved by the MPCA.
- Scrubber Solids Pond 2 was closed and capped in 2014 following a plan approved by the MPCA.
- Scrubber Solids Pond 3 is currently active and will continue to be utilized by Sherco Unit 1 until retirement. This pond is scheduled to be permanently closed in 2035 after the pond is dewatered either by evaporation and/or a permitted discharge of treated water. Costs associated with dewatering have not been estimated but could be significant.
- Pond 4 was placed in service in October 2024 and contains ash contact water. There is no scheduled closure date for this pond pending site redevelopment planning.
- Bottom Ash Pond 1 ceased receiving ash in October 2020. This pond is scheduled to be permanently closed and capped by October 2027.
- Bottom Ash Pond 2 is currently active but is scheduled to be permanently closed by 2035. It is utilized by Units 1 and 3.
- Recycle Basin is currently active. There is no scheduled closure date pending site redevelopment planning. The recycle basin is utilized by Units 1 and 3.

The Company's post-closure monitoring of these impoundments will be controlled by applicable federal and state requirements.

In addition to these six impoundments and the recycle basin there are two additional basins – (1) the holding basin and the Unit 3 landfill retention basin, and (2) the Unit 3 dry ash landfill on plant property. The Unit 3 dry ash landfill will continue to operate through the retirement of Unit 3 in 2030. We will be required to close and permanently cap the Unit 3 ash landfill within prescribed time limits after the Company ceases placing ash in the landfill based on requirements of the existing state solid waste permit and current federal rules governing coal combustion residual landfills.

We are required by environmental regulations to address specific portions of the plant process systems such as the Scrubber Solids Ponds and the Unit 3 Landfill. These requirements and their associated timelines do not come into effect until the Unit 3 retirement date of December 31, 2030. The plant's National Pollutant Discharge Elimination System and Solid Waste Permits require us to submit proposed closure plans to the MPCA for review and approval approximately 180 days before the Unit 3 retirement date. The demolition of all other structures onsite, including the

powerhouse, river intake structure, wastewater treatment system including the river discharge structure, cooling towers, etc., will depend on the Company's plans for future use of the site. The costs for these required actions are not fully known as the plans have not been developed.

The Company is currently evaluating future uses of the electric generating facility structure.

On January 31, 2025, the Company filed a Dismantling Cost Study prepared by TLG Services, LLC (2024 ARL) which identified dismantling costs.<sup>2</sup> The following information, including the information in Table 1 below, was included in the 2024 ARL. Please see the full report for additional details.

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<sup>2</sup> 2024 *Annual Review of Remaining Lives and Depreciation Rates for Electric and Gas Production and gas Storage Facilities Supplement*, Docket No E,G002/D-23-356, Dismantling Cost Study Conducted by TLG Services LLC, Attachment J (January 31, 2025).

**Table 1: Sherburne County Station Summary of Activity Costs  
(2024 Dollars)**

Activities	Station Total
Sherco Unit Rating (MWe)	1,556
Characterization/Temporary Service	\$1,364,761
Worker Access	\$2,224,763
Pre-Demolition Cleaning (Boiler/Precipitator/Tanks)	\$4,515,623
Asbestos Remediation	\$6,506,669
Equipment Removal	\$28,379,343
Boiler(s)	\$16,838,203
Turbine Generator & Condenser	\$2,294,489
Exhaust Gas Treatment Equipment and Structures	\$13,386,370
Structures Demolition	\$37,110,820
Backfill/Grade/Landscaping/Well Closure	\$12,787,861
Coal Yard Closure	\$10,094,589
Ash Landfill	\$5,814,000
Ash Ponds	\$26,480,022
Utility Management/Oversight	\$3,838,093
Demolition Contractor Management/Supervisory/Safety Staff	\$6,915,074
Security	\$1,335,919
Property Taxes	\$0
<b>Project Expenses:</b>	
Shared Heavy Equipment/Operating Engineers	\$7,229,630
Small Tool Allowance	\$2,384,823
Utilities Allowance	\$101,174
Permits	\$2,305,353
Demolition Contractors Insurance	\$5,723,384
Demolition Contractors Fee	\$23,192,735
Sub-Total	\$220,823,698
Contingency	\$33,774,222
Project Total (before scrap credit)	\$254,597,920
Scrap Credit	(\$39,158,372)
Project Total	\$215,439,547

As noted in the 2024 ARL, when the decision is made to begin physical dismantling of the Sherco Plant, the Company will begin field dismantling activities, beginning with engineering and planning, and the removal of asbestos and other hazardous materials from the site.

A preliminary planning phase of the program will begin once it has been determined that the plant will be dismantled, and the project has been authorized to proceed. During this phase, the Company will assemble a dismantling management

organization, make necessary decisions regarding the extent of dismantling and the approach to managing the activities, and will accomplish those site preparation activities necessary to transition from a plant shutdown configuration to site dismantling. For purposes of the development of a cost estimate, it is assumed that the intent is to dismantle the entire station as a single project. Costs incurred during this preliminary phase of the program are included in the dismantling costs presented in the Study.

Xcel Energy will prepare Sherco for dismantling by performing the following activities:

- Prepare specifications that identify and describe the objectives and major work activities to be accomplished (establishing the final site configuration)
- Assemble plant documentation that may be relevant to dismantling (drawings, hazardous material reports, environmental studies, etc.)
- Select an asbestos abatement contractor (if required) and Dismantling Contractor
- Assemble and mobilize the management and oversight team responsible for the project
- Document hazardous materials location and inventory

The inventory is an essential element of the cost estimate since dismantling costs are determined by applying unit cost factors against the corresponding inventory quantities. A site-specific inventory of materials to be removed was developed using a combination of methods and can be found in the study.

In developing an estimate, the cost of labor, equipment and material, credit for scrap, and similar costs influence the results of the estimate. The basis for the significant cost drivers can be found in the 2024 ARL.

### **III. ECONOMIC DEVELOPMENT EFFORTS**

Xcel Energy has many resources to assist communities and stakeholders with opportunities to increase economic development activity for their region. These resources include a real estate portfolio and marketing initiatives for site development, facilitation between community and prospective projects, as well as continuing work to grow an active pipeline of projects for the Xcel Energy territory. Representatives from the Company's Economic Development and Community Relations departments have been working closely with the City of Becker, county representatives and other interested stakeholders on economic development opportunities.

Monthly calls were held with the City of Becker and Xcel Energy from January through December 2025 to share updates on economic development initiatives. Quarterly Xcel Energy advisory meetings are also held with local city, county, and school district leaders to share updates. These meetings, which have occurred for many years, provide a forum for discussing plant maintenance activities, construction updates, economic development projects, and other general topics to ensure open communication between the Company and the City.

In addition to these efforts, discussions were held between the City of Becker, Xcel Energy regarding three Sherco excess parcels along Highway 10. During these conversations, the Company offered the City the option to explore potential development opportunities, either through a direct sale to the City or by collaborating with interested third parties. The parties also discussed the possibility of drafting a letter of agreement to formalize next steps, with Xcel Energy agreeing to prepare a draft for review.

Xcel Energy leadership invites local community leaders and elected officials from Wright and Sherburne Counties to an Annual Community Breakfast to provide an opportunity for attendees to ask questions and provide input on the state of the Company and provide updates and information on the Sherco Plant and Monticello Nuclear Generating Plant, both of which are located within their respective communities.

The Company is working to ensure that plans for site remediation, economic development, future development and maintenance of generation, transmission or distribution infrastructure are consistent with the community's long-range plans and vision. As indicated, the Company is working in close contact with the community about, and understands the importance of, potential economic development opportunities associated with the retirement of the Sherco Plant. Going forward, site remediation efforts will consider Xcel Energy's long-range plan for the property and large remediation projects will be discussed with the city as they arise.

The Company will continue working with the city to identify site operations and respond to new inquiries, while also marketing available parcels of land to interested parties.

#### **IV. MN ENERGY CONNECTION**

The Company's MN Energy Connection's Certificate of Need and Route Permit was approved by the Minnesota Public Utilities Commission in April 2025. The Company

is in the process of negotiating easement purchases with affected landowners and developing the detailed design and engineering plans ahead of construction activities, which is expected to begin in mid-2026 and be completed in 2028. The project will connect approximately 1,500 megawatts of new renewable energy located in Southwest Minnesota with the grid connection at Sherco. The project will also deliver energy from the Lyon County Generating Station to provide reliable electricity when wind and solar generation isn't available to serve customers.<sup>3</sup>

## **V. OTHER EFFORTS**

### **A. Energy Transition Advisory Committee**

The Company was appointed and serves on the Energy Transition Advisory Committee (ETAC), which was created in 2021 within the Department of Employment and Economic Development (DEED). The directive of ETAC is to create a statewide energy transition plan and to advise the Governor, the Commissioner of DEED and the Minnesota Legislature on energy transition issues, establish transition programs, economic initiatives, and transition policy (Minn. Stat. § 116J.5492). ETAC continues to meet quarterly, including site visits to communities impacted by the energy transition.

The Statewide Energy Transition Plan was filed by ETAC in December 2022 and updated in 2024 with legislative changes and accomplishments. The Legislature provided \$5 million in fiscal years 2024 and 2025 for grants to impacted communities. A list of those who received grants is referenced in the updated 2025 Energy Transition Plan.<sup>4</sup> The Legislature did not fund this grant program in the 2025 legislative session. In 2023, the Legislature extended the life of ETAC until June 30, 2027, including the filing of annual revisions to the Statewide Energy Transition Plan (Plan). In 2025 ETAC created a survey to review and update the Plan. The Plan reflects modifications based on the survey sent to impacted communities, counties and the Prairie Island Indian Community. The updated plan will be presented to the legislative bodies in early 2026.

In 2025 the Federal Government eliminated the Interagency Working Group on Coal & Power Plant Communities & Economic Revitalization. This group brought together Federal Agencies to find opportunities to assist communities impacted by the energy transition nationwide. The support included grants and support for

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<sup>3</sup> *In the Matter of the Combined Application for the Lyon County Generating Station Project in Lyon County, MN*, Docket Nos. E002/CN-25-145, G002/GS-25-154, E002/TL-25-161 & G002/GP-25-163.

<sup>4</sup> [https://mn.gov/deed/assets/etac-2025-12-01-agenda-7a-energy-transition-plan\\_tcm1045-713995.pdf](https://mn.gov/deed/assets/etac-2025-12-01-agenda-7a-energy-transition-plan_tcm1045-713995.pdf).

economically impacted communities, and also for clean energy resources – many of which have been eliminated. Other non-profits, such as the Just Transition Fund, are also working to provide resources to affected communities, but their funding is limited. The National Association of Counties offers support to communities through the Building Resilient Economies in Coal Impacted Communities. They provide technical information to communities through webinars.

## **B. Form Energy Long Duration Energy Storage (LDES) Battery**

The Company is partnering with Form Energy, Argonne National Laboratory and the Department of Energy (DOE) to construct and operate a long-duration battery at Sherco. Form Energy opened their manufacturing plant in Weirton, West Virginia, and they are currently addressing and refining the manufacturing process based on challenges identified during the battery prototype testing. Form Energy is in the process of rectifying those challenges, and as a result, the commercial operation date for the project has moved to second quarter 2028. These timelines are subject to change depending on Form Energy’s final development schedule.

This project is being partially funded by an award from the DOE and a grant through Breakthrough Energy Catalyst. On October 1, 2025, the DOE informed the Company that it had determined the Project “did not pass the standards of the committee review and will not proceed,” and that “pursuant to this determination, DOE will no-go the next budget period.” The DOE provided the Company with a 10-day window to submit an administrative appeal. The Company has followed up with the DOE directly to advocate for reinstatement of the Project’s Infrastructure Investment Jobs Act grant award, or reversal of the DOE’s “no-go” decision on the grant, but as of the filing of this report have not received formal notification from the DOE regarding its decision one way or the other. See the Company’s ongoing status updates on this project in Docket No. E002/M-23-119.

## **C. Battery Energy Storage Systems (BESS)**

The Company’s Sherco West and Sherco South Battery Energy Storage System (BESS) projects are two large-scale initiatives designed to provide 600 MW of capacity through the Sherburne County Substation Point of Interconnect (POI). The Company’s 2024-2040 Upper Midwest Integrated Resource Plan (2024 IRP) identified the need for 600 MW of standalone storage, along with other resource additions, by 2030. The Sherco West BESS was approved by the Commission as part of the comprehensive Settlement Agreement in the 2024 IRP and Firm Dispatchable

resource acquisition dockets.<sup>5</sup> The Sherco South BESS was selected through a competitive procurement process and included in the Company's October 31, 2025 Petition for approval of the resulting resource portfolio in Docket No. E002/M-24-230.<sup>6</sup> In addition, the Company applied for a site permit for the Sherco South and Sherco West BESS in December 2025.<sup>7</sup> Both sites are located near the Sherco Generating Facility in Becker, MN and each will deploy a 300 MW/1,200 MWh, four-hour lithium-ion system. We anticipate construction to begin in late 2026, and both Sherco West and Sherco South BESS are scheduled to be in-service by fourth quarter 2027. Together, these projects represent a critical step toward grid reliability and renewable integration.

#### **D. Sherco Solar**

In order to replace capacity associated with the retirement of the Sherco Generating Plant, the Company proposed and has received approval from the Commission to construct the Sherco Solar Project, comprised of Sherco Solar 1, Sherco Solar 2 and Sherco Solar 3 (Sherco Solar). The Company made great progress throughout 2025 on the construction of the Sherco Solar facility. When complete, these three projects will provide 710 MW total to the grid, which matches the interconnection rating from the retired Sherburne County Generation Plant Unit 2. The Sherco Solar Project will utilize the interconnection rights from the Sherco Substation and will also be connected to the Form Energy LDES project.

The Company started construction on Sherco Solar 1 in April 2023, and the site became commercially operational on October 31, 2024, supplying 222.92 MWs to the grid.

The Company also continued construction of the Sherco Solar 2 facility which began in September 2023. The site reached commercial operations on September 18, 2025 and is providing an additional 237.08 MWs to the grid for a total of 460 MW for Sherco Solar 1 & 2 combined.

In October 2024 we received limited construction approval for Sherco Solar 3 and commenced construction October 21, 2024. On December 6, 2024, the Company received full approval from the Commission for Sherco Solar 3. We expect to achieve

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<sup>5</sup> Minnesota Public Utilities Commission Order Approving Settlement Agreement with Modifications, Docket Nos. E002/RP-24-67, and E002/CN-23-212 (April 21, 2025) [20254-217941-01](#).

<sup>6</sup> *2024 Wind, Solar, Storage and Hybrid Request for Proposals*, Docket No. E002/M-24-230, Petition (October 31, 2025) [202510-224560-01](#).

<sup>7</sup> *In the Matter of the Application of Northern States Power Company D/B/A Xcel Energy for an up to 600 MW Battery Energy Storage System Site Permit for the Sherco South & West Battery Energy Storage Project in Sherburn County, Minnesota*, Docket No. E002/ESS-25-319 (December 5, 2025) [202512-225568-02](#).

commercial operation of Sherco Solar 3 in the third quarter of 2026 with a capacity of 250 MWs.

Sherco Solar 4 was selected through a competitive procurement process and included in the Company's October 31, 2025 Petition for approval of the resulting resource portfolio in Docket No. E002/M-24-230. Sherco Solar 4 has an expected capacity of 200 MW.<sup>8</sup> The Company plans to submit a site permit application in the March 2026 timeframe. Pending approval, the Company expects to commence construction of Sherco Solar 4 in 2028 and reach commercial operation in third quarter 2029. Sherco Solar 4 will be located north of Sherco Solar 3 in Clear Lake, MN.

### CONCLUSION

The Company takes seriously its responsibility to engage with the communities where we have major facilities and operations. Our commitment to our host communities and neighbors surrounding the Sherco Plant will outlive our coal operations. While the nature of our operations there will change in the years ahead, the site will continue to be important to the Company's ability to deliver reliable, safe, and affordable energy to our customers. We are glad to demonstrate that our longstanding participation in the social and economic life of the surrounding communities will continue.

We appreciate the opportunity to work with our stakeholders and neighbors, and the time and talent given to us by them throughout this past year of community stakeholder meetings. We are committed to ongoing engagement with community stakeholders as the Sherco facility site transitions to cleaner energy generation and transmission.

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<sup>8</sup> Docket No. E002/M-24-230 *In the Matter of Northern States Power Company's, d/b/a Xcel Energy, Petition for Approval of Solar and Storage Portfolio* Petition (October 31, 2025).