

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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August 27, 2024

**In the Matter of Northern States Power Company
d/b/a Xcel Energy’s 2023 Annual Safety, Reliability,
and Service Quality Report**

Docket No. E-002/M-24-27

INITIAL COMMENTS OF FRESH ENERGY

Fresh Energy is pleased to provide these Initial Comments in response to the Minnesota Public Utilities Commission Notice of Comment issued on July 26, 2024 related to Xcel Energy’s Interactive Service Quality Map and Equity Analysis.

In 2022, University of Minnesota researchers, Drs. Bhavin Pradhan and Gabriel Chan (the “Pradhan and Chan Study”), conducted a study that revealed significant racial disparities in Xcel Energy’s shutoff¹ rates and service reliability. The Pradhan and Chan Study found that customers in communities of color were over three times more likely to experience electricity shutoffs compared to predominantly white neighborhoods, even when controlling for factors like income, homeownership, and age of housing. Additionally, the study showed that neighborhoods with high concentrations of people of color faced longer and more frequent outages than their white counterparts, with these disparities persisting even after adjusting for other relevant factors. By controlling for these factors, the Pradhan and Chan Study ensured that the higher rate of electricity shutoffs in communities of color was not simply due to income levels, housing status, or the age of

¹ The recent “Energy Equity Report” from the University of Michigan discusses the distinction between the terms “disconnection” and “shutoff.” According to the report, the term “shutoff” is a more appropriate term as it is “indicative of an active, avoidable, and punishing response to block households that cannot afford to pay their energy bills” and encourages the use of this term. According to the report, the word “disconnections” “connotes a passive action that is a natural, unpreventable, and unfortunate consequence of poverty.” The report states that many advocates for equity in energy policy perceive significant differences in these terms. As an advocate for equity in energy policy, Fresh Energy appreciates this distinction and thus uses the term “shutoffs” in these Comments.

the housing, suggesting that race itself is playing a significant role in these disparities, separate from socioeconomic conditions or housing characteristics.

In response to the study, Xcel Energy conducted its own expert study. Xcel Energy's experts considered additional, potentially relevant factors that may be impacting the disparities found in the Pradhan and Chan Study. On July 9, 2024, Minnesota Public Utilities Commission staff hosted a meeting with Drs. Chan and Pradhan, representatives from Xcel Energy, representatives from Xcel Energy's third party experts, and interested stakeholders. At that meeting, Xcel Energy appeared to agree that some level of disparity exists in shutoff rates and service reliability for communities of color.

Fresh Energy is concerned about these findings and the impact on people of color. While we emphasize that these disparities in shutoff rates and service quality are not necessarily due to intentional discrimination, we highlight the gravity of utility disconnections and outages on every customer, and cannot ignore that people of color are being disproportionately impacted, which raises concerns about systemic inequities and the urgent need for more equitable policies.

The racial disparities identified in the Pradhan and Chan Study mirror the racial disparities identified in other sectors in Minnesota including employment, educational outcomes, home ownership, arrest rates, incarceration rates, and drowning. This phenomenon, often referred to as the "Minnesota Paradox" reflects the high quality of life enjoyed by the State's majority White population while black and brown communities simultaneously experience some of the worst racial disparities that exist in the United States.² The Pradhan and Chan demonstrates evidence of the Minnesota Paradox in the electric sector.

While we appreciate Xcel Energy's willingness to propose solutions to address these problems, we believe it may be premature to jump directly into solutioning, especially given their significant cost and the potential that certain solutions may not achieve the desired outcome. For example, Xcel proposes vegetation management in the impacted areas, however, a more aggressive vegetation management policy has the potential to decrease the amount of shade cover, which could have long-term detrimental impacts to urban communities. In addition, Xcel proposes additional outreach to customers in communities of color. While in theory, additional outreach may help to raise awareness, there is no evidence that this additional outreach will be effective. Xcel Energy's Minnesota workforce is predominately White, and further outreach by its existing personnel to resolve these disparities for communities of color may not achieve the intended outcomes. Furthermore, additional outreach may be a part of the solution, but without changes to the policies and practices that govern shutoffs,

² Myers, S.L., Ha, I., 2018. *Race Neutrality: Rationalizing Remedies to Racial Inequality*, Lexington Books, Lanham; *The Minnesota Paradox*, University of Minnesota Hubert H. Humphrey School of Public Affairs, available at <https://www.hhh.umn.edu/research-centers/roy-wilkins-center-human-relations-and-social-justice/minnesota-paradox> (last visited August 25, 2024); *The Minnesota Paradox Revisited*, available at <https://www.mncompass.org/data-insights/articles/minnesota-paradox-revisited> (last visited August 25, 2024).

outreach is unlikely to resolve the structural issues within Xcel Energy's practices and policies that gave rise to these disparities in the first place.

At this time, we do not have any information to help us understand the cause of the racial disparities in shutoffs or reliability. Fresh Energy believes that the next step in this process is to conduct a comprehensive, third-party study into Xcel Energy's policies related to capital investment planning, outage restoration, and its shutoff practices with an eye toward identifying and eliminating the racial disparities. A thorough study could help to illuminate the drivers of these disparities and help to shape fairer and more inclusive policies and investment that promote equitable service. Fresh Energy believes the study should be conducted by a third-party with expertise in examining racial bias and that interested stakeholders should be invited to participate in this process to ensure that fair and inclusive solutions are developed.

While a study can help to improve outcomes in the long-term, a study will not resolve the problem of disparate outcomes for communities of color in the short-term. These racial disparities in shutoffs and reliability have been known since at least 2022. An independent study will likely take one year and developing solutions could take another year. We are concerned about preventing further harm to these impacted communities, and therefore, believe that short-term solutions are required to mitigate the disparate impacts.

One immediate step Xcel Energy can take is to increase awareness among its employees about these racial disparities in service. Educating employees can potentially lead to improved decision-making and increased sensitivity by personnel responsible for these issues. Moreover, when employees understand the scope of these disparities, they may be more inclined to identify solutions and/or advocate for internal reforms within the Company's policies and practices. For these reasons, the Commission may wish to require Xcel Energy to inform affected personnel of the racial disparities and report to the Commission on who they informed and what information they provided to these employees.

Another short-term strategy that will resolve these racial disparities is to implement a temporary moratorium on shutoffs. A temporary moratorium would ensure that communities of color will not continue to experience disparate outcomes and harm while the causes of these disparities are being investigated. Fresh Energy is aware that a moratorium on disconnections may have consequences for Xcel Energy and ratepayers generally. However, we are recommending a short-term moratorium, one that is limited to the amount of time it will take to conduct an independent study and develop solutions. This pause in shutoffs would allow Xcel Energy and stakeholders the necessary time to review existing policies and make reforms based on the study's findings. Without a moratorium, shutoffs will likely continue at unfair rates, especially given Xcel Energy's increase in shutoffs due to the remote shutoff capability in the Company's new smart meters. Instituting a moratorium will help to build trust among affected communities, showing that these unfair outcomes are being taken seriously. In addition, Xcel Energy has an obligation to provide equitable service to all of its customers; racial disparities in shutoffs and reliability raise serious social, legal and ethical concerns.

Fresh Energy believes that Xcel Energy should not be permitted to exacerbate existing racial disparities, and that this should take priority over the potential for financial loss.

Many customers being shut off earn very low incomes. Often these customers are facing real struggles. As explained in a recent report:

Around 5pm, a child sits at the dining room table doing their homework, thoughtfully erasing and rewriting their answers, scribbling side work on scrap paper. The lights shut off suddenly, before looking up they know the cause, their parent stands in the doorway, “The sun is up, you don’t need the light on with the natural light lighting the room.” An eye roll, this is a common occurrence, lights being turned off while they’re in the room, constant lecturing on saving electricity, unplugging appliances, and keeping doors shut to conserve heat in the main parts of the house. Then one day after returning home from school the child flips the switch to turn on the dining room light and nothing happens. It is just then that they notice the time display is off on the oven and microwave – the power is out. But there was no storm, they didn’t notice any downed powerlines on their walk home. Out the window they can see their neighbor has power, what happened?³

For customers in these situations, keeping the lights on can be a challenge, but shutoffs can have devastating consequences including the loss of light, heat, food, medicines, and even functioning medical equipment compounding the struggle of customers in these challenging circumstances. Utility shutoffs can trigger a chain reaction of negative outcomes such as increased financial instability, health crises, and even homelessness, all of which can lead to even greater long-term economic and social costs. Moreover, communities of color already face broader systemic inequalities—such as lower incomes, higher unemployment rates, and reduced access to quality housing or healthcare. Disproportionate electricity shutoffs can worsen these challenges, deepening economic instability and making it harder for these communities to recover from financial setbacks. By offering temporary relief through a moratorium, Xcel Energy can help mitigate these costly consequences, allowing time to develop permanent, equitable solutions that may prevent families from spiraling into deeper crises.

If the Commission does not wish to require Xcel Energy to implement a blanket moratorium on shutoffs throughout its service territory, the Commission may consider a more limited shutoff moratorium, specifically, a moratorium on shutoffs in communities with high concentrations of people of color. Just as Xcel Energy has proposed to target investment and other efforts directly to areas with high concentrations of people of color in order to resolve these disparities, a moratorium on shutoffs could be similarly targeted to mitigate these disparities. However, this solution will not

³ *Concealed Energy Injustice – Without regulation, utilities obstruct shutoff reporting, keeping the extent of energy insecurity in the Dark*, Energy Equity Project Summer Newsletter.

resolve the racial disparities in shutoffs entirely, as, of course, people of color live throughout Xcel Energy's service territory.

With respect to a short-term solution on the racial disparities in reliability, Fresh Energy believes the Company should create some type of rapid response structure that is specifically tasked with quickly addressing outages in communities that have historically faced reliability challenges. This would ensure that when outages occur, these areas are prioritized for service restoration, minimizing the duration of the outages in the short term.

Fresh Energy is open to other short-term solutions that will resolve this issue while the study is being conducted and until we have more information to better inform what types of solutions are necessary to address these disparities.

Fresh Energy briefly responds to the specific questions in the Commission's Notice for Comment:

Service Quality

1. In its April 1, 2024 Annual Report on Safety, Reliability, and Service Quality (SRSQ) Xcel Energy identified additional immediate steps it can take to expand outreach prior to disconnection that do not require Commission action. Are there other steps the Commission should take to address disparities in disconnections?

As mentioned above, Fresh Energy believes that the Commission should order the Company to inform affected personnel of these racial disparities. Fresh Energy also recommends that the Commission require Xcel to hire a third-party with expertise in evaluating racial disparities to conduct a study that will evaluate Xcel Energy's practices and policies related to capital investment planning, outage restoration, and shutoffs to better understand the causes of these discrepancies in shutoff rates and service reliability. Fresh Energy believes that interested stakeholders should be permitted to participate in the study. Because a study will likely take time, and developing solutions will take additional time, we urge the Commission to consider a temporary moratorium on disconnections in order to prevent further harm to impacted communities. We also believe that a rapid response team that will service outages in the impacted communities will help to resolve these disparate outcomes in the short-term.

2. Should the Commission consider combining annual affordability reports (for example PowerOn) as part of the SRSQ reports going forward? If so, what reporting could be combined?

Fresh Energy is agnostic on this question.

3. Are there other matters related to affordability and disconnections that should be reported or considered as part of the SRSQ reports going forward?

We believe it may be most appropriate to open a separate docket focused on the racial disparities in shutoffs and service reliability in order to monitor this issue more closely. We believe the Company

should provide regular reporting on its plans to address these disparities and regular updates to the Commission that will allow the Commission and stakeholders to monitor the Company's progress on addressing these disparities.

Reliability

4. Should the Commission direct Xcel Energy to file its proposed Enhanced Vegetation Management Proposal and Targeted Undergrounding Proposal as described in its April 1, 2024 Annual Report on SRSQ? If so, when and where should the Commission direct Xcel to file the proposals?

Fresh Energy believes that an enhanced vegetation and targeted undergrounding proposal may not be the right solution at this time. Rather, to better understand the cause of these disparities, Fresh Energy recommends a comprehensive study to investigate these issues.

5. Should the Commission consider moving portions of the annual reliability report that are not required by Minn. Rules 7826 to Xcel's biennial Integrated Distribution Plan (IDP)? If so, should the Commission refer which pieces of information to move to the IDP to the workgroup to establish a proposal for updated distribution reporting data approved in Xcel Energy's 2023 IDP in Docket E002/M-23-452?

Fresh Energy is agnostic on this question.

Map Modifications, Reporting, and Future Actions

6. Are there any additional pieces of data to add to Xcel's Interactive Service Quality Map? When considering additional data points, please address:

- a. Whether the data is already collected and easily available in a format that could be added to the map;**
- b. If the data is something that is within Xcel Energy's control;**
- c. The purpose the additional data would serve.**

Fresh Energy believes Xcel's Interactive Service Quality Map has been a useful tool for stakeholders to better understand aspects of Xcel Energy's system and recommend opportunities for improvements with respect to planning and programming.

Fresh Energy believes the following additional pieces of data at the census block group level would be helpful to assist stakeholders in continuing to evaluate and provide recommendations to the Commission and the Company.

- **Average age of infrastructure** – older infrastructure may be more prone to failures and outages, as it may not have been adequately maintained or updated to meet modern standards. If communities of color are more likely to be served by aging infrastructure—due to historical underinvestment in certain neighborhoods—this can directly lead to more frequent and prolonged outages in those areas. Understanding the average age of

infrastructure can highlight whether specific communities are disproportionately affected by outdated systems. We believe this data is within Xcel Energy's control.

- **Capital investment and O&M** – by analyzing the level of capital investment and O&M expenses in different census block groups, it may be possible to determine whether certain communities—particularly communities of color—are receiving less investment in critical infrastructure. If areas with higher concentrations of people of color have historically received lower levels of investment, that may explain why those areas experience more frequent and longer outages. We believe this data is within Xcel Energy's control.
- **Duration of outages** – longer outage durations in certain areas can indicate that the infrastructure in those communities is less resilient or outdated. If racial disparities are identified, utilities can prioritize infrastructure upgrades in communities of color that are disproportionately affected. We believe this data is within Xcel Energy's control.
- **Average daily high temperature in July** – knowing the average daily high temperature in July could be helpful to better understanding whether certain areas are more exposed to the risks of urban heat islands. Knowing whether a community is at risk for impacts of urban heat islands may be helpful in better understanding whether measures should be taken to mitigate the risks associated with higher temperatures. We believe this data is publicly available and Xcel Energy would be able to access the data and display it on the map.

7. Should the Commission require any other reporting on data related to the disparities identified in the analyses, for example, data points recommend in the IDP or in prior comment periods in 24-27? If so, where should the reporting occur?

Please see response to question 6 above.

8. Should the Commission require Xcel to conduct any further analysis on disparities in reliability or disconnections? If so, what should the studies examine, and how often should they occur?

As discussed above, Fresh Energy recommends that the Commission require Xcel Energy to hire an independent third-party with expertise in racial bias to investigate the Company's capital investment planning, outage restoration practices, and shutoff practices and policies. Fresh Energy recommends that the Commission require the Company to allow interested stakeholders to participate and collaborate with the independent third party. Fresh Energy recommends that the Commission allow one year for the Company to complete the study.

9. Are there other issues or concerns related to this matter?

No.

Fresh Energy looks forward to additional conversations with the Company and stakeholders about these ideas and others that can address this serious issue.

Respectfully submitted,

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