


Staff Briefing Papers

Meeting Date	January 30, 2025	Agenda Item **2
Company	Northern States Power Co. d/b/a Xcel Energy	
Docket No.	G-002/M-22-257	
	In the Matter of Xcel Energy’s 2021 Gas Affordability Program Evaluation Report	
Issues	Should the Commission approve Xcel Energy’s November 21, 2024 proposal to adjust its Gas Affordability Program (GAP) surcharge and budget?	
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 Relevant Documents	Date
Xcel Energy GAP Tracker Balance Compliance Filing	November 21, 2024
Energy CENTS Coalition Comments	December 23, 2024
Citizens Utility Board of Minnesota Comments	December 23, 2024
Department of Commerce Comments	January 13, 2025

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

I. Statement of the Issue

1. Should the Commission approve Xcel Energy's proposal to adjust its Gas Affordability Program (GAP) surcharge and budget?

II. Background

Regulated natural gas utilities in Minnesota are required to offer a Gas Affordability Program (GAP) to low-income customers. GAP is mandated in Minn. Stat. § 216B.16, subd. 15.¹ GAP is eligible to households that receive federal Low Income Home Energy Affordability Program (LIHEAP) benefits. GAP provides a discount that limits the monthly bill to a percentage of the household's income² and a credit that goes towards the customer's past due bills with a goal of paying down any arrears within 12-24 months, so long as the customer pays their monthly bill. The utilities must report annually to the Commission on a variety of metrics.

The Commission's January 18, 2023 Order required Xcel Energy (Xcel or Company) to monitor its monthly GAP spending and income and then make a filing if the tracker balance is on track to deplete within six months.³

III. Petition

On November 21, 2024, Xcel made a compliance filing stating that its GAP tracker balance is projected to be depleted in August 2025. The Company began automatically enrolling all qualified LIHEAP customers in the program in the summer of 2023.⁴ Since then, Xcel has doubled the number of customers receiving GAP assistance. The total number of participants that participated at sometime during 2022 was 7,668. At sometime within 2023, the total number of GAP participants increased to 13,620. Therefore, depletion of the GAP budget is due to auto-enrollment in the program.

Auto-enrollment has led to increased Program benefits for more customers, resulting in a high Program participation rate and higher benefit disbursements,

¹ [Minn. Stat. 216B.16, Subd. 15 Low-income affordability programs.](#)

² Xcel limits natural gas bills to 3% of the household's income for GAP participants. The percentage of income a household devotes to their utility bills is commonly known as the "energy burden."

³ As ordered in 22-257 et al January 18, 2023, Commission Order, Order Point 13, p. 3.

13. Required Xcel Energy to monitor monthly spending from and income to the GAP program. If and when the program is on track to deplete its tracker balance within 6 months, the Company shall make a filing with the Commission that includes, at a minimum:

- a. Tracker balance, income, and spending on a monthly basis for the previous 6 months and projected 6 months in the future.
- b. An evaluation of possible modifications to avoid closure of the program, including modifying the affordability benefit and arrearage forgiveness benefit amounts for participants, changing the program funding level/surcharge, and other options the Company has considered.
- c. A proposal to avoid the projected negative tracker balance.

⁴ As ordered in 22-257 et al January 18, 2023, Commission Order, Order Point 5, p. 2.

5. Required Xcel Energy to develop automatic GAP enrollment efforts for all eligible LIHEAP participants.

with a tracker balance that is expected to run a deficit by the middle of next year.⁵

The Company's current GAP budget and surcharge are \$2.5 million and \$0.00445 per therm, respectively. Xcel is proposing to increase its GAP budget to \$5.6 million (**Decision Option 2**) and the surcharge that funds the program to \$0.00875 per therm (**Decision Option 1**).⁶ This would be the first increase to the monthly GAP surcharge since 2017.

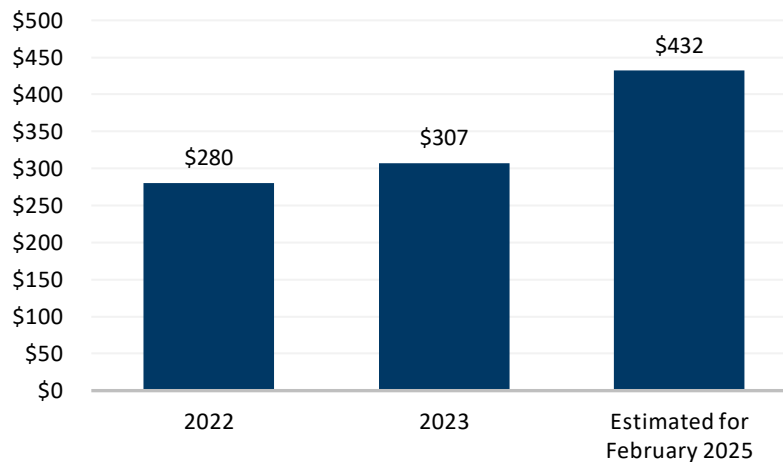
Currently, the estimated surcharge for a residential customer is \$0.35 monthly or \$4.20 annually. The estimated surcharge for a typical residential customer would increase by \$0.32 monthly or \$3.87 annually. Table 1 below displays the new estimated surcharge for residential customers. Note though that the rate will apply to Residential, Commercial Demand Billed Service, and Commercial Firm Service customer classes but will not be charged to any Residential customers that are LIHEAP participants.

Table 1: Surcharges to Residential Customers – Current and Proposed

	Current Surcharge	Proposed Increase	Estimated New Surcharge
Monthly charge	\$0.35	\$0.32	\$0.67
Annual charge	\$4.20	\$3.87	\$8.07

Xcel is forecasting an average monthly credit of \$36 for GAP customers. Figure 1 displays a steady increase in annual GAP benefits.⁷

Figure 1: Annual GAP Benefit per Household (2022 – February 2025)



Xcel would like to implement this rate starting February 1, 2025. The Company said that including winter months when volumetric sales are greater would help replenish the tracker balance sooner. By delaying the implementation of a new rate to later in 2025, the surcharge would necessitate a larger increase to avoid depletion of the budget by August 2025.

⁵ 22-257 Xcel Petition, November 21, 2024, p. 4.

⁶ 22-257 Xcel Petition, November 21, 2024, p. 2.

⁷ Xcel will report the annual benefit for 2024 in its GAP report due April 1, 2024.

Xcel monitors GAP spending and income continually, because the following varies from year to year:

- Differences between expected and actual natural gas bills from usage and weather
- Wholesale price of natural gas
- Changes in the weather
- Arrearage level of GAP participants
- Participants' LIHEAP assistance amounts

To reflect changes to the GAP budget and surcharge, Xcel proposes revisions to its Gas Rate Book, Low Income Energy Discount Rider, Section 5-69, as shown in Attachment 3 to the Company's November 21, 2024 filing.

Xcel is currently proposing to provide the following message on customers' February 2025 bills but will work with the Commission's Consumer Affairs Office (CAO) and the Department of Commerce (Department) on finalizing the below language:

Effective February 1, 2025, the Gas Affordability line item on your bill, which provides energy assistance as part of our Affordability programs, has increased from \$0.00445 to \$0.00875 per therm.⁸

IV. Party Comments

Energy CENTS Coalition

The Energy CENTS Coalition (ECC) supports Xcel's proposal to raise its GAP surcharge and budget (**Decision Options 1 and 2**). ECC is the third-party administrator for Xcel's GAP.

While ECC does not take lightly an increase to the GAP surcharge for customers not enrolled in affordability programs, they find that GAP is an effective program and a worthwhile investment.⁹

For families facing dire economic circumstances, the relief provided by the monthly GAP benefit helps preclude difficult trade-offs they might otherwise have to confront, such as choosing between heat, groceries and medical care.¹⁰

ECC states that the additional \$3 on ratepayers' bills annually will provide a social safety net.

As far as the benefits seen, ECC says that GAP has led to lower collection costs as demonstrated in Xcel's 2012 and 2016 GAP evaluation reports. It has also shown a positive effect on the participants' arrears per the 2022 GAP evaluation report.

⁸ 22-257 Xcel Petition, November 21, 2024, p. 9.

⁹ ECC Comments, December 23, 2024, p. 1.

¹⁰ ECC Comments, December 23, 2024, p. 2.

ECC does mention that auto-enrollment has brought in more customers with a higher level of arrears, which increases the data set that shows the average level of arrears of participants overall. However, “ECC is confident that over time GAP can provide similar benefits to those newcomers as it has for past participants.”¹¹

Citizens Utility Board

The Citizens Utility Board of Minnesota (CUB) supports Xcel’s proposal to raise its GAP surcharge and budget (**Decision Options 1 and 2**).

CUB finds that “historically, additional application processes and a lack of customer education contributed to Xcel’s GAP program being underutilized by eligible customers already receiving LIHEAP assistance.”¹² Automatic enrollment expanded benefits to more Minnesota households in need of help. GAP has lowered arrearage levels and avoided disconnections for participants.

Automatic enrollment though has necessitated increased program spending. CUB justifies the proposed surcharge increase, saying that:

This relatively small per-customer contribution plays an outsized role in providing necessary assistance to struggling Minnesotans.¹³

Department of Commerce

The Department of Commerce (Department) supports Xcel’s proposal to raise its GAP surcharge and budget (**Decision Options 1 and 2**). The Department reviewed Xcel’s projections and concludes that its increased GAP enrollment prediction is reasonable.

The Department confirms the Company’s calculation that the GAP balance will be exhausted by the end of 2025. While the proposed \$5.6 million budget is slightly higher than Xcel’s forecasted 2025 disbursements, the Department finds that the slight increase to the budget is reasonable and will prevent the need for additional increases in the future. The Department says that if the increases result in an unreasonable tracker balance, the Commission will have opportunity to make changes.¹⁴

The Department finds that the proposed GAP surcharge will prevent the GAP tracker balance from reaching zero and will recover the GAP balance.¹⁵ The Department says that the surcharge increase of \$3.87 annually is a 96.5% increase of the surcharge but is less than a 0.5% increase in customer rates. The Department concludes that the surcharge increase is reasonable.

¹¹ ECC Comments, December 23, 2024, p. 2.

¹² CUB comments, December 23, 2024, p. 1.

¹³ CUB comments, December 23, 2024, p. 2.

¹⁴ Department comments, January 13, 2024, pp. 3-4.

¹⁵ Department comments, January 13, 2024, p. 4.

V. Staff Analysis

All parties are in agreement, recommending that the Commission increase Xcel's GAP budget to \$5.6 million and surcharge to \$0.00875 per therm.

Without a GAP budget and surcharge increase, the GAP program would end up not being fully funded by end of the year. This would result in more than 11,000 Xcel customers going without GAP energy assistance, which would likely lead to higher arrearages, more involuntary disconnections and in turn translate to more bad debt for the Company.

While the proposal will result in a doubled surcharge amount, Staff agrees with parties that it is still small compared to other rate increases and is reasonable for the non-LIHEAP residential customers of Xcel.

VI. Decision Options

1. Approve Xcel Energy's petition to increase its GAP surcharge to \$0.00875 per therm. *(Xcel, DOC, ECC, CUB)*
2. Approve Xcel Energy's petition to increase its GAP budget to \$5.6 million annually. *(Xcel, DOC, ECC, CUB)*
3. Approve Xcel Energy's revised tariff language proposed in the Company's November 21, 2024 filing. *(provided by Staff)*

Staff supports Decision Options 1, 2, and 3.