Xcel Energy®

414 Nicollet Mall
Minneapolis, MN 55401

July 12, 2024

—Via Electronic Filing—

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
IN THE MATTER OF AN INVESTIGATION AND AUDIT OF SERVICE QUALITY REPORTING – FRAUDWISE REPORT
DOCKET NO. E,G002/M-12-383
IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL OF AMENDMENTS TO ITS NATURAL GAS AND ELECTRIC SERVICE QUALITY TARIFFS ORIGINALLY ESTABLISHED IN DOCKET NO. E,G002/CI-02-2034

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits the enclosed Reply Comments in response to the Minnesota Public Utilities Commission's Notice of Comment Period issued on May 10, 2024 in Docket Nos. E,G002/CI-02-2034 and E,G002/M-12-383.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service lists. Please contact Nathan Kostiuk at (612) 215-4629 or nathan.c.kostiuk@xcelenergy.com or Bridget Dockter at (612) 337-2096 or bridget.dockter@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

BRIDGET N. DOCKTER
MANAGER, POLICY & OUTREACH

Enclosure
cc: Service Lists

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Valerie Means	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

IN THE MATTER OF AN INVESTIGATION AND AUDIT OF SERVICE QUALITY REPORTING – FRAUDWISE REPORT

DOCKET NOS. E,G002/CI-02-2034 AND E,G002/M-12-383

REPLY COMMENTS

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY D/B/A XCEL ENERGY FOR APPROVAL OF AMENDMENTS TO ITS NATURAL GAS AND ELECTRIC SERVICE QUALITY TARIFFS ORIGINALLY ESTABLISHED IN DOCKET NO. E,G002/CI-02-2034

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits these Reply Comments in response to the Minnesota Public Utilities Commission's Notice of Comment Period (Notice) issued on May 10, 2024 in Docket Nos. E,G002/CI-02-2034 and E,G002/M-12-383.

The Commission's Notice opened for comment three topics:

- Should the Commission approve Xcel Energy's proposal to provide reconnection fee waivers for residential and commercial customers with $500,000 of the Distribution Under Performance Payment?
- Should the Commission approve Xcel Energy's proposal to report status updates on the remaining funds and tracking of the reconnection fee waiver every six months?
- Are there other issues or concerns related to this matter?

We appreciate parties support and continued willingness to discuss concerns related to these topics. The Company addresses specific Comments filed by the Department of Commerce (Department), the Citizens Utility Board of Minnesota (CUB) and Energy CENTS Coalition (ECC) as the ("Joint Commenters"), and Fresh Energy below.

REPLY COMMENTS

I. Under Performance Penalty Payment Options

In accordance with our under performance penalty tariff, Section 6, Sheet 7.6 of our Minnesota Electric Rate Book we will issue customer credits totaling $500,000. We discuss both our proposed use of the remaining $500,000 that is to be focused on distribution-related investments and ideas stakeholders have put forth as well as our own offered additional options.

A. Company Proposal to Waive Reconnection Fees

In our May 1, 2024 Compliance Filing, we proposed to waive residential and commercial customer reconnection fees for the remaining $500,000 of the underperformance payment. We believe this proposal is reasonable because a high number of customer complaints were related to reconnection payment plans following (primarily) Advanced Metering Infrastructure (AMI) disconnections, and AMI is a function of the distribution system. At the time of our filing, the Consumer Affairs Office had indicated their support for our proposal. In their Initial Comments, both the Department and the Joint Commenters indicated support for our proposed use of the $500,000 distribution related underperformance penalty on reconnection fee waivers.

The Department also stated their support for our proposed bi-annual tracking and reporting of the following metrics:

- Total customers disconnected,
- Number of customers receiving multiple disconnections,
- Number of reconnections receiving a waiver,
- Number of customers receiving a waiver who received energy assistance in the 2023-2024 fiscal year and/or the 2024-2025 fiscal year,
- Number of reconnections by customer class (residential and non-residential),
- Number of fee waivers by customer class (categorized as residential and non-residential), and
- Monthly trend of disconnections when the waiver is provided.

While the Joint Commenters did not indicate support of our proposed tracking and reporting in their Comments, it is our understanding from our discussions prior to submitting the proposal that they do support this proposal.

B. Payment Plan Assistance

In their Comments, Fresh Energy recommends that instead of a reconnection of service waiver, that $500,000 be used to:

> "assist customers in very low-income census block groups with high concentrations of people of color to enter into payment plans. Enabling customers to enter into payment plans before they are shutoff offers a more sustainable, long-term solution, as it helps to prevent customers from being shutoff; waiving reconnection fees is an after-the-fact solution that does not offer the customer the opportunity to potentially avoid a shutoff. Fresh Energy believes that this proposal is similar to Xcel Energy's proposal, but more narrowly tailored to address the disparities in shutoffs, and therefore satisfies the requirements set forth in the applicable tariff regarding how to disburse the payment.
>
> This suggestion is particularly important considering the challenging economic circumstances many customers are facing due to the rising costs of basic necessities such as housing and food. These financial pressures make it even more difficult for low-income customers to pay their electric bills and payment plans offer a solution to help both customers and the Company ensure payment."[1]

The Company is open to exploring ways it can both assist very low-income customers who are struggling to pay their electric bills and better understand and address any disparities in disconnections. This concept is similar to the Payment Plan Credit Program[2] we closed in 2023. At that time, we found helping customers pay down their arrears to engage them in a payment plan showed some successes, but that managing the program was very resource intensive. These administrative costs must be considered when establishing a process such as this. If the Commission is interested in this type of program, we propose tracking to include customer payment plan information, reported every six months until the funds are fully depleted. However, we believe there are better alternatives to utilizing the $500,000 under performance penalty payment that uses this same fundamental premise to help engaged customers

[1] Fresh Energy Comments, Docket No. E,G002/CI-02-2034; E,G002/M-12-383, pages 2 and 3.

[2] Final Report filed December 21, 2023 in Docket No. E002/M-20-760.

decrease the amount required to establish a payment plan, we propose these next.

C. Arrearage Assistance

The Department addresses the significant increase in customer arrearages resulting from the COVID-19 pandemic and disconnection moratorium in its Comments. Specifically, it performs a comparison of average residential monthly bills to average outstanding arrearages annually between 2014 – 2023, noting that:

> "This comparison is interesting in that the averaged December bill for this period remained relatively flat varying from a low of $95 in 2015 to a high of $129 in 2022 with an average of $108 over the period. The average December arrearage per residential customers more than doubled from 2014 of $248 to 2023 of $518."

Further, on page 4 of their Comments, the Department states:

> "The Department's conclusion after reviewing this information is that Xcel needs to reduce this very high level of residential arrearages. Both the Company's shareholders and ratepayers are negatively affected by this ongoing issue."

While we discuss the lasting impacts of the COVID-19 pandemic and disconnection moratorium later in this document, the Company contemplated the arrears issues raised by the Department and developed another proposal for the Commission to consider for using the $500,000 under performance penalty to respond to these concerns – applying a direct credit to customer accounts who have made a payment within the last 90 days. After reviewing Comments submitted by parties and continued conversations with stakeholders, the Company believes there may be more pro-active and comprehensive approaches to help customers decrease their risk of disconnection.

The Company is currently implementing a pilot program that helps customers with a past-due balance of $5,000 or less[3] by removing up to six late payment charges as continued payments are made on their account. The Company believes that focusing these additional funds to assist customers with balances above $5,000 is appropriate.

We propose three direct credit options for doing this. Credits would be applied to customer's accounts who are unable to participate in the current pilot and have a past

[3] Note, our June 24, 2024 Reply Comments in Docket No. E002/M-24-27 inadvertently stated this initiative assists customers with past due balances "over" $5,000 but should have read past due balances "up to" $5,000.

due balance greater than $5,000, have otherwise not received energy assistance, have made a payment on their account within the prior 90-day time period, and are applied to accounts in order of oldest outstanding balance first.

The three direct credit options are:

1) Apply a $1,000 payment toward the arrears balance of 500 customers that fit these criteria;
2) Utilize the same criteria, but to serve more customers we could credit 1,000 customers with a $500 payment toward their arrears balance;
3) Provide credits of either $500 or $1000 to customers who have not received energy assistance, have made a payment within the last 90 days, and live within specified low-income census block groups. While this third approach might take additional time to develop logistically, it is one way to address the disparities identified in both the University of Minnesota[4] and TRC[5] studies. This addresses the concerns expressed by parties in our Service Quality and Residential Customer Status Report Dockets[6] surrounding high arrearage balances and does so in a way that also helps customers who are experiencing higher rates of disconnection.

Utilizing the second half of the $500,000 for customer arrears assistance may be a more appropriate option considering growing arrearage balances. It will aid customers by decreasing the past due balance used in calculating a payment plan to avoid disconnection to bring their account current. We propose tracking for any of the three options defined here to include either a six- and 12-month tracking report with credit detail of customer count or customer count by Census Block Group. The report could include information that helps determine the success of the direct credit option, such as, customer disconnection history after receiving the credit and, at six- and 12-months and if the credit has resulted in a sustained reduction in the customers outstanding balance.

II. Disconnections

The Company takes seriously our customers' core need for electricity in their daily lives and disconnection is always a last resort. As mentioned, our disconnection rate in

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[4] *Racial and Economic Disparities in Electric Reliability and Service Quality in Xcel Energy's Minnesota Service Area*, by Bhavin Pradhan and Gabriel Chan, Humphrey School of Public Affairs, University of Minnesota, February 2024.

[5] *Xcel Energy, Service Quality and Demographics Analysis*, Brett Close, TRC Companies, March 26, 2024, Service Quality Report 2023, Attachment Q, Docket No. E002/M-24-27.

[6] Docket Nos. E002/M-24-27 and E,G999/CI-24-02.

2023 is higher than recent years and is reflective of the continually growing residential customer arrearages dating back to 2019 as depicted in the Departments Comments, Graphs 3 and 4. Graph 4 illustrates arrearages of approximately $98 million in 2023, an increase of 123% compared to arrearages in 2019 of approximately $44 million. We discussed on page four of our May 31, 2024 Comments in the instant docket the impacts of the pandemic, Peacetime Emergency moratorium, and challenges of the current economy stating:

> "Although the number of disconnections in 2023 are higher than the six-year annual average preceding the Peacetime Emergency, AMI technology is not the primary driver behind the number of credit-related disconnections in 2023. Rather, we are seeing higher levels of arrears and resulting nonpayment. Coming out of the pandemic, customers were increasingly carrying larger arrears, on average, than in previous years. This includes those who had carried a past due balance prior to the pandemic as well as those who experienced new financial challenges after the pandemic and now carry a past due balance. The current economy has exacerbated those financial challenges. The Company anticipates disconnection levels in 2024 to rise. Customers who do not maintain payment plans or make a meaningful decrease in their arrears balance will continue to experience a need to set payment plans to avoid disconnection."

It is our understanding that the Commission will soon open a Comment period in Docket No. E002/M-24-27 to further the equity discussion. During the Commission's July 9, 2024 Equity Stakeholder meeting, parties suggested numerous disconnection related comment topics, amongst others. We intend to provide a robust discussion of disconnections during the comment period.

CONCLUSION

The Company appreciates the opportunity to provide these Reply Comments and additional options for the $500,000 under performance penalty for the Commission's consideration. We recommend providing a direct credit of $1,000 to customers owing over $5,000, who are not receiving energy assistance, and have made a payment on their account within the last 90 days. Credits will be distributed to customers with the longest outstanding balance first. The Company would also support a focused credit approach, targeted at qualifying customers in identified low-income census block groups.

Dated: July 12, 2024

Northern States Power Company

CERTIFICATE OF SERVICE

I, Marie Horner, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

- xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota
- xx electronic filing

DOCKET NOS. E,G002/M-12-383
E,G002/CI-02-2034

Dated this 12th day of July 2024

/s/

____

Marie Horner
Regulatory Administrator

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