

BEFORE THE COURT OF ADMINISTRATIVE HEARINGS

FOR THE

MINNESOTA PUBLIC UTILITIES COMMISSION

STATE OF MINNESOTA

In the Matter of the Petition of the City of
Slayton for the Determination of
Compensation for City Acquisition of Xcel
Energy Electric Service Territory

MPUC Docket No. E-002, PT-7157/
SA-25-129
CAH Docket No. 25-2500-40870

**REBUTTAL TESTIMONY OF JOSHUA MALCHOW
ON BEHALF OF THE CITY OF SLAYTON**

January 9, 2025

Exhibit ____

PUBLIC DOCUMENT

1 **Q. Mr. Malchow, please state your full name and occupation.**

2 **A.** My name is Joshua Malchow, and I am the City Clerk/Administrator with the City of
3 Slayton, Minnesota.

4 **Q. On whose behalf are you giving this testimony?**

5 **A.** I am testifying on behalf of the City of Slayton (“City”).

6 **Q. Please describe your educational and employment background.**

7 **A.** I have worked for the City of Slayton, MN as Clerk/Administrator for the past 13 years,
8 since March 1, 2012. Before joining Slayton, I completed a graduate-level internship with
9 the League of Minnesota Cities and an undergraduate internship with the City of Staples,
10 MN.

11 I earned bachelor’s degrees in both Political Science and Public Administration from
12 Winona State University, and a master’s degree in Urban and Regional Studies with a
13 concentration in Local Government Management from Minnesota State University,
14 Mankato.

15 My education and experience have given me hands-on knowledge of municipal
16 operations, local government management, and community-focused service, which I
17 apply every day in running City programs and services, including preparing for the
18 possibility of operating a municipal electric utility.

19 **Q. Please describe your duties as Slayton’s City Administrator.**

20 **A.** I am responsible for overseeing all city functions as delegated by the City Council to ensure
21 the safe and efficient delivery of municipal services and programs. I supervise the
22 municipal office and administer all departments including the police department, streets,
23 water/sewer utilities, library, and fire department. I am responsible for providing the City
24 Council with effective recommendations in the areas of policy, staffing, expenditure of
25 public dollars, and all other areas within the City Council’s purview.

1 **Q. What is the purpose of your testimony?**

2 **A.** The City was intending to focus entirely on the issue of “just compensation” due to Xcel
3 under Minnesota Statutes, Section 216B.45, in this contested case proceeding. Because
4 of statements made in direct testimony by Xcel witnesses Allen Krug and John Marshall,
5 however, I am responding in this rebuttal testimony. Mr. Krug has made certain
6 statements that are incorrect and misleading regarding the City’s discussions and
7 relationship with Nobles Cooperative as they relate to the City’s intention to become an
8 electric municipal utility. Also, Mr. Marshall’s testimony about Xcel’s recent service
9 history and staffing demonstrates some of the reasons the City has decided to pursue its
10 rights under the statute, to form and operate a municipal electric utility.

11 **Q. Have you ever testified in a contested case before the Minnesota Public Utilities**
12 **Commission (MPUC) or before other public utility regulators?**

13 **A.** No, I have not.

14 **Q. How long have you resided in Slayton?.**

15 **A.** I have lived and worked in Slayton since March of 2012, so approximately 13 years.

16 **Q. What is the approximate population of Slayton?**

17 **A.** Approximately 2,000 residents as of the 2020 census.

18 **Q. Describe your involvement in the community as a resident of Slayton.**

19 **A.** I am Vice President of the Slayton Area Chamber of Commerce, Treasurer of the Murray
20 County Early Childhood Initiative, serve on the Board of Directors for the Slayton Kiwanis
21 Club, and also serve as a Deputy Medical Examiner for Murray County.

1 **Q. In addition to yourself, how many employees does the City have and what are their**
2 **positions?**

3 **A.** The City of Slayton currently employs 13 full-time employees other than myself. This
4 includes our library director, librarian, deputy clerk, public works director, water
5 operator, 3 public works generalist positions, police chief, police sergeant, and 2 police
6 officers.

7 We also have a 25-member volunteer fire department and in the summer, we hire 5
8 seasonal full time Park/Rec positions and 20 seasonal part time pool staff including
9 managers, lifeguards, and water safety instructors.

10 **Q. Would you describe Slayton as based primarily in agriculture or is there a mix of other**
11 **businesses that employ its residents?**

12 **A.** Slayton's economy has deep agricultural roots but is not exclusively agricultural. Ag and
13 ag-related industries remain a major economic driver in the community, but residents are
14 also employed in healthcare (Murray County Medical Center), education (Murray County
15 Central Schools), local government (Murray County, Southwest Health and Human
16 Services), and retail services (downtown shops, etc.). Many residents work in Slayton, and
17 others commute throughout Murray County and the broader region.

18 **Q. Looking to Mr. Krug's direct testimony on page 9 starting with line 9, he states that it**
19 **"...does not appear that Slayton intends to develop the capability to operate a municipal**
20 **utility." Do you agree with that opinion?**

21 **A.** No.

22 **Q. Please explain.**

23 **A.** Slayton absolutely intends to own and operate a municipal utility. I've been working with
24 the City Council closely throughout this process, and we've taken all the steps needed to
25 get ready, including: completing the feasibility study, winning voter approval in May 2024,

1 filing the petitions with the Commission, and bringing on experienced advisors to help
2 with engineering, legal, and financial planning.

3 We've also planned carefully for operations. Contracting with an experienced party like
4 Nobles Cooperative Electric to help with day-to-day work—like maintenance, billing, and
5 other utility operations—is a practical, common-sense approach. Nobles already has local
6 crews, equipment, and experience with a system similar to ours. Bringing them in doesn't
7 mean we aren't capable—it just makes the transition safer, more efficient, and cost-
8 effective. To ignore the availability of such a well-positioned contractor would be
9 irresponsible.

10 Slayton doesn't need to have a full utility team in place today while Xcel still owns the
11 system. The plan is to build the capability as part of this process, in line with the
12 Commission's schedule and oversight. The City's actions so far make it clear: we have the
13 intent and we are developing the ability to operate a municipal utility. However, to be
14 clear, the City will continue to rely on qualified contractors where it makes sense, as is
15 common in nearly all areas of municipal government or business.

16 **Q. On page 10 lines 2-4 of Mr. Krug's direct testimony he states that in a draft of a potential**
17 **agreement with Nobles Cooperative regarding operation and maintenance services, it**
18 **is noted that the City is a member of Nobles Cooperative. Can you clarify?**

19 **A.** Yes. The City is already a cooperative member because Nobles is the electricity provider
20 for our sewer lagoon facilities and the municipal airport. Those facilities are located within
21 Nobles' assigned service territory, and Nobles serves them today. That service, and the
22 City's membership in the Cooperative, will continue whether the City acquires Xcel's
23 distribution system within Slayton or not. The fact that the City is already a Nobles
24 member is simply the result of Nobles serving the lagoon and airport, it is not evidence of
25 anything beyond Nobles' existing service obligations.

1 **Q. Will any additional electric services from Nobles be created if Slayton is able to form an**
2 **electric utility?**

3 **A.** No. Forming a municipal electric utility will not create additional Nobles retail electric
4 service. Nobles will not be expanding its service territory or serving new customers in
5 Slayton. Any role Nobles would have, such as operating and maintaining the system, or
6 providing substation services is a utility-to-utility service arrangement where Nobles
7 would be serving as a third-party contractor. This is different than providing retail
8 electrical service. Use of the Nobles substation is a transmission and wholesale energy
9 issue, not retail electric service. It does not result in Nobles directly serving additional
10 retail customers in Slayton.

11 **Q. As an existing member served by Nobles Cooperative for a City sewer function, how will**
12 **the additional services the City plans to obtain from Nobles change the City's**
13 **relationship with Nobles?**

14 **A.** The City will continue to be a member of Nobles Cooperative as a retail customer for
15 those facilities I mentioned above. This relationship will remain the same, and will be the
16 same as Nobles' other retail customers who receive electric service within Nobles
17 assigned service territory.

18 Where the City's relationship to Nobles will change, or rather grow, will be in the fact that
19 Nobles will also become a contractor providing certain services to the City's municipal
20 electric utility.. Because those contracts have not been finalized, the scope of that
21 relationship has not been fully determined. But suffice it to say that Nobles, in this
22 capacity, will act as a contractor of the City just like any other contractor providing a
23 service.

24 **Q. Mr. Krug also points out on page 11, lines 7-9, that the City discussion with Nobles**
25 **regarding Nobles holding the bond used to finance the City's acquisition from Xcel, if**
26 **the City goes forward with the acquisition following this proceeding. What is the status**

1 **of the bond sale for use to finance an authorized purchase of Xcel infrastructure in the**
2 **City?**

3 **A.** The bond has not yet been issued, because issuance is contingent on several necessary
4 steps including but not limited to: completion of this MPUC proceeding, authorization to
5 acquire Xcel's assets and service territory, formal establishment of the municipal utility,
6 and execution of transition agreements with Xcel. The City has taken steps toward
7 financing the acquisition, including preliminary discussions with Nobles Cooperative
8 regarding their interest in holding the bond. These discussions demonstrate a real,
9 actionable plan for funding, not uncertainty or lack of intent. As Mr. Marshall has
10 confirmed, he will work in good faith with the City to advance these arrangements,
11 regardless of the outcome of this proceeding.¹

12 **Q.** **Mr. Krug goes on to make the statement that "only municipalities have the right to force**
13 **a public utility to sell its property."² Do you have a response to this statement?**

14 **A.** Yes. The City has been aware throughout this lengthy process that Slayton, not Nobles or
15 other cooperative or investor-owned utility, is the only entity that has authority to acquire
16 Xcel's infrastructure and service territory within the City. As a city without an existing
17 municipal electric utility the City must proceed under Section 216B.45 given the
18 disagreement between the City and Xcel over the compensation owed Xcel for the
19 acquisition. The City, not Nobles, must pay for such an acquisition, if the cost is consistent
20 with the terms of the ballot question approved by Slayton voters. Nobles' potential role
21 as holder of a bond does not change this. The City's bond counsel has confirmed that
22 Nobles is not prohibited by law from holding the bond, and holding the bond would not
23 make Nobles the purchaser of Xcel's property. Any suggestion otherwise, as implied in
24 Mr. Krug's testimony, is incorrect. The City will be the legal purchaser of Xcel's assets and

¹ Marshall Direct Testimony, p. 19.

² Krug Direct Testimony, p. 11.

1 service territory in Slayton, and the bond arrangement with Nobles is simply a financing
2 mechanism, not a transfer of ownership.

3 **Q. Mr. Krug has identified various potential contracts between the City and Nobles where**
4 **Nobles would provide services such as operations and maintenance , reading meters,**
5 **sending bills to City customers, collections activities, and carrying out other utility**
6 **duties as support of his notion that this proceeding is Nobles’ attempt to “expand its**
7 **service territory”.³ Is the City’s intent to, in effect, turn over the City-acquired service**
8 **territory to Nobles to expand their assigned service territory?**

9 **A.** Absolutely not. Councilman Blake Heronimus will respond to Mr. Krug’s “disagreement”
10 in more detail, but I want to address this too. I’ve worked closely with the City Council
11 throughout this four-year process. The City has been completely transparent with Xcel
12 and has gone beyond the bare minimum required by Section 216B.45, including
13 participating in ongoing discussions and direct negotiations with Xcel .

14 Any potential agreements with Nobles are just practical planning—making sure we have
15 experienced, local utility contractors available to help with operations, maintenance,
16 billing, and other day-to-day work during the early stages of running a municipal electric
17 utility. Using Nobles this way doesn’t mean they would control the utility. The City will
18 remain fully responsible for all electric service and fully accountable to Slayton’s
19 customers.

20 Mr. Krug’s testimony overlooks that the City Council answers directly to our local citizens,
21 who will also be our ratepayers. Even if we hire Nobles, or any other service provider, the
22 City calls the shots. Local control and accountability to our community are exactly why
23 the City has decided to move forward with this municipal utility, despite Xcel’s pushback.
24 Mr. Krug’s conclusions about our intentions simply aren’t supported by the record or by
25 what we are actually doing.

³ Krug Direct Testimony, p. 9, p. 12.

1 **Q. Mr. Marshall has described the recent history of City-Xcel meetings in connection with**
2 **acquiring Xcel assets in the City and Xcel's service record and facility projects.⁴ Do you**
3 **have a response to his testimony?**

4 **A.** Yes. Mr. Marshall accurately points out that the City involved Xcel in an open process of
5 investigation and public information leading up to the voter ratification in May 2024.⁵ He
6 pointed out that by November 2023, the City disclosed Nobles involvement with the City's
7 intention to move forward and sat side by side with Nobles in three public forums about
8 forming the municipal utility.⁶ Xcel should not be surprised that Nobles Cooperative is
9 part of Slayton's planning for a smooth transition. The City has been upfront and
10 collaborative in every step to ensure residents and all stakeholders understand the plan
11 and that the transition, if it occurs, will be handled responsibly and efficiently.

12 **Q. Were Mr. Marshall's charts showing Xcel measures of service quality in Slayton**
13 **consistent with the City's experience over the last 10 years?**

14 **A.** Yes, they were generally consistent. I have lived in Slayton for 13 years, and I personally
15 recall the frequent interruptions captured in SAIDI, SAIFI, and CAIDI. Mr. Marshall's charts
16 show Slayton receiving what he considered "reliable" service quality from 2015-2024.⁷

17 Looking at the data more closely, however, I noticed that in five out of ten years, Slayton's
18 SAIDI, SAIFI, and CAIDI numbers were higher than Xcel's Minnesota territory averages. In
19 those years, the interruptions were more frequent and prolonged than the state average,
20 which aligns with what the City and residents have experienced firsthand. Even in
21 alternating years, our negative service measures were noticeably higher than the broader
22 Xcel Minnesota statistics.⁸

⁴ Marshall Direct Testimony, pages 3-6.

⁵ Marshall Direct Testimony, page 5, line 13 – page 6, line 11.

⁶ Marshall Direct Testimony, page 5, lines 13-17.

⁷ Marshall Direct Testimony, page 12, lines 20-22.

⁸ Marshall Direct Testimony, page 9 (Table 1), page 10 (Table 2), and page 11 (Table 3).

1 These higher interruption numbers help explain why the City Council began investigating
2 municipal ownership and ultimately decided to pursue forming a City electric utility. The
3 data confirms what residents have long felt: service quality in Slayton was inconsistent
4 and at times below what we would consider.

5 **Q. Was Mr. Marshall’s staffing testimony accurate and supportive of adequate staff**
6 **serving Slayton? ⁹**

7 **A.** It was accurate — but I don’t believe it supports that Slayton got enough staffing and
8 equipment from Xcel Energy to reliably handle emergencies and urgent problems.

9 Over the years, I and many other residents have seen — and felt — how staffing and
10 response capacity affects real people in Slayton. For example, in a 2025 article in the Star
11 Tribune,¹⁰ our local fire chief recalled watching a utility pole burn, with embers falling
12 toward an apartment complex — a situation that forced the fire department to wait over
13 four hours for Xcel to cut power to the pole before they could safely address the blaze.
14 What had started as a safety emergency turned into a prolonged outage for much of the
15 town’s west side. That delay showed exactly the kind of risk we mean when we talk about
16 “inadequate staffing or resources.” In that same coverage, it was noted that many in
17 Slayton feel they’ve been “left behind” — with older infrastructure, slow storm response,
18 and long waits when outages or emergencies occur. For a small town with our size and
19 needs, that kind of response simply doesn’t meet what residents expect for safety or
20 reliability.

21 Mr. Marshall’s testimony may be “accurate” in describing where crews are located — for
22 example, that a maintenance center in Pipestone, MN supports our area. But in real-world
23 terms, a 30-mile distance from Slayton to Pipestone means in emergencies, the delay is

⁹ Marshall Direct Testimony, pages 13 – 15.

¹⁰ Walker Orenstein, [This tiny town wants to be the first in Minnesota to evict Xcel Energy and start its own utility](https://www.startribune.com/this-tiny-town-wants-to-be-the-first-in-minnesota-to-evict-xcel-energy-and-start-its-own-utility/601371673/), The Minnesota Star Tribune, Aug. 8, 2025, available at <https://www.startribune.com/this-tiny-town-wants-to-be-the-first-in-minnesota-to-evict-xcel-energy-and-start-its-own-utility/601371673/> (last accessed Jan. 9, 2026).

1 too long — especially when the nearest backup may come from much farther away (or
2 even from outside the immediate region, such as from a base in Sioux Falls, SD, as was
3 referenced).¹¹

4 Because of that — not just one event, but a recurring pattern over many years — many
5 residents have lost confidence that Xcel can provide consistent, rapid emergency
6 response. That loss of confidence is a big part of why the City Council moved to investigate
7 forming our own municipal electric utility.

8 In short: yes — the staffing info Mr. Marshall provided is “technically correct,” but it
9 doesn’t reflect what we experienced on the ground. And that mismatch between “paper
10 staffing” and “real reliability” is exactly why the City is pursuing changes.

11 **Q. Does Slayton believe that response time and service quality will improve if the City**
12 **acquires Xcel’s distribution area and forms a municipal electric utility?**

13 **A.** Yes. We know that Nobles has much closer proximity to Slayton to respond to both
14 reliability concerns as well as emergencies that can arise from weather and other causes.
15 If Nobles cannot provide the service, or even if it provides excellent service, over time the
16 City will gain knowledge of electric utility operation allowing the future development of
17 City staff carrying out the operation and maintenance of our local electric utility. We also
18 would have a City Hall based governing utilities commission to answer for rates and
19 service to customers within the City. Local control ensures that decisions about reliability,
20 emergency response, rates, and service quality are made by people who live and work
21 here, not by people who live hundreds of miles away.

22 **Q. Does that conclude your rebuttal testimony?**

23 **A.** Yes.

¹¹ Marshall Direct Testimony, pages 13-14, reference using resources from Sioux Falls, SD as a backup when needed. The average drive time to Slayton from Sioux Falls is approximately 80 minutes.