

## Staff Briefing Papers

Meeting Date	September 19, 2024	Agenda Item **7
Company	Northern States Power Co. d/b/a Xcel Energy	
Docket No.	<b>E-002,G-002/CI-02-2034</b> In the Matter of Investigation and Audit of Service Quality Reporting – Fraudwise Report.  <b>E-002,G-002/M-12-383</b> In the Matter of a 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-002,G-002/CI-02-2034.	
Issues	<ol style="list-style-type: none"><li>1. Should the Commission approve Xcel Energy’s proposal to use the \$500,000 Distribution Under Performance Penalty to issue reconnection waiver fees?</li><li>2. Should the Commission require Xcel Energy to track the reconnection fee waivers and report status updates of the \$500,000 Distribution Under Performance Payment Penalty every six months?</li><li>3. Should the Commission take any other action related to Xcel Energy’s Quality of Service Plan?</li></ol>	
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### ✓ Relevant Documents

	Date
Xcel Energy 2023 Quality Service Plan (QSP) Annual Report	May 1, 2024
Xcel Energy Comments	May 31, 2024
Department of Commerce Comments	June 28, 2024
Citizens Utility Board of Minnesota and Energy CENTS Coalition Joint Comments	June 28, 2024
Fresh Energy Comments	June 28, 2024

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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.

✓ **Relevant Documents**

Xcel Energy Reply Comments

**Date**

July 12, 2024

Citizens Utility Board of Minnesota and Energy CENTS Coalition  
Joint Letter

September 9, 2024

## **I. Statement of the Issues**

1. Should the Commission approve Xcel Energy's proposal to use the \$500,000 Distribution Under Performance Penalty to issue reconnection waiver fees?
2. Should the Commission require Xcel Energy to track the reconnection fee waivers and report status updates of the \$500,000 Distribution Under Performance Payment Penalty every six months?
3. Should the Commission take any other action related to Xcel Energy's Quality of Service Plan?

## **II. Background**

Xcel Energy's (Xcel or the Company) Quality of Service Plan (QSP) originated in two dockets, as discussed below.

### **02-2034 Investigation & Audit of Service Quality Reporting-Fraudwise Report**

In October 2002, Commission Order requested that the Department of Commerce (Department) open a docket to investigate whether Xcel Energy had accurately reported service outages in its service quality reports.<sup>1</sup>

In the new docket, 02-2034, the Commission requested that the Department and the Office of the Attorney General (OAG) direct a third-party audit of Xcel's service quality reports by Eide Bailly's Fraudwise Division. The resulting March 10, 2004 Commission Order allowed Xcel to submit QSP tariffs and required a settlement wherein Xcel paid customers that had experienced outages.<sup>2</sup> The QSP, which strengthened standards and increased penalties, was accepted in the September 17, 2004 Order.<sup>3</sup>

Since then, Docket 02-2034 has become a repository for Xcel Energy's QSP reports, filed annually on May 1<sup>st</sup>.

### **12-383 In the Matter of the Petition of Xcel Energy for Approval of Amendments to its Natural Gas and Electric Service Quality Tariffs Originally Established in Docket 02-2034**

On April 16, 2012, Xcel filed a petition for Commission approval of new amendments to their QSP tariff.<sup>4</sup>

The Commission's August 12, 2013 Order approved Xcel Energy's current QSP tariff, including Customer Complaint definitions and the performance threshold of  $\leq 0.2059$  complaints per

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<sup>1</sup> Docket 02-1346 ORDER REQUIRING ADDITIONAL INFORMATION AND AUDIT, October 22, 2002.

<sup>2</sup> Docket 02-2034 ORDER ACCEPTING SETTLEMENT AGREEMENT, AS MODIFIED, March 10, 2004.

<sup>3</sup> Docket 02-2034 ORDER APPROVING SERVICE QUALITY REPORTING TARIFF AS MODIFIED, September 17, 2004.

<sup>4</sup> Docket 02-2034 Xcel QSP Tariff Petition, April 16, 2012.

1,000 customers or 1.5 standard deviations from Xcel's seven-year average.<sup>5</sup>

The QSP tariff compels a \$1.0 million penalty for underperformance for each benchmark. The underperformance payment is disbursed with 50% applied to customer bills, and 50% added to the amount budgeted for maintenance and repair of the Company's distribution system. It is to be dispersed as follows:

50% of any under performance payments assessed will be applied to customer bills during the following July billing cycle of a given performance year. Any bill credit amounts not remitted by the end of the July billing cycle shall accrue interest beginning after the September billing cycle of the applicable year at a rate equal to that applied to the Company's customer deposits.

50% of any under performance payments assessed will be added to the amount budgeted for the maintenance and repair of the Company's natural gas and electric distribution system. The Company shall maintain records sufficient to enable tracking, by Work Center, the amounts budgeted, amounts added due to under performance payments incurred, and amounts expended in a given year.<sup>6</sup>

Underperformance payments incurred by Xcel pursuant to this portion of the QSP Tariff are not eligible for cost recovery in any future rate proceeding.<sup>7</sup>

The QSP tariff allows Xcel to request exclusion of Customer Complaints that it can demonstrate are the result of an event beyond the Company's control, which it took reasonable steps to address.

### **Proceedings around the 2019 QSP Report**

In December 2019, 129 complaints from solar installers about interconnection applications were filed with CAO. In the 2019 QSP Report, Xcel asked that the 129 complaints not be counted towards the Customer Complaint performance standard.

The Commission denied Xcel's request to exclude the 129 complaints. Therefore, Xcel was subject to the \$1 million under performance penalty. The Commission also required Xcel to work with stakeholders on a process to resolve solar installation issues before they became QSP complaints. Xcel was also required to report quarterly on interconnection requests it received and the details therein.<sup>8</sup>

### **III. 2023 Annual QSP Report**

Xcel filed its 2023 annual QSP report on May 1, 2024. The 2023 QSP standards and corresponding performance metrics are shown below:

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<sup>5</sup> Docket 12-383 ORDER APPROVING AMENDMENTS TO SERVICE-QUALITY TARIFF, August 12, 2013.

<sup>6</sup> [Xcel Energy Minnesota Electric Rate Book, Section No. 6, 3rd Revised Sheet No. 7.6.](#)

<sup>7</sup> [Xcel Energy Minnesota Electric Rate Book, Section No. 6, 3<sup>rd</sup> Revised Sheet No. 7.5 – 7.11.](#)

<sup>8</sup> Dockets 02-2034 and 12-383 ORDER ACCEPTING FILING AND DENYING REQUEST TO EXCLUDE COMPLAINTS, February 18, 2021.

**Table 1: 2023 QSP Performance Standard Metrics<sup>9</sup>**

Measure	2023 Performance	Standard
Customer complaint to PUC	759 complaints	≤ 380 complaints*
Telephone response time (% of calls answered in ≤ 20 secs.)	85.3%	≥ 80%
Electric reliability – SAIFI	82.47 mins.	≤ 133.23 mins.
Electric reliability – SAIDI	0.81 outage events	≤ 1.21 outage events
Gas emergency average response time	29.01 mins.	≤ 60 mins.
Accurate invoices	99.76%	≥ 99.3%
Invoice adjustment timelines	1.90 billing periods	≤ 2.35 billing periods

\* Customer complaint standard is ≤ 0.0259 complaints per 1,000 customers. This number reflects the calculation for 2023.

### Outage Credits

Per its QSP tariff, Xcel is required to provide outage credits. In 2023, Xcel supplied 7,814 outage credits. The total credits dispersed was \$657,757.

Table 2 displays the required outage credits from the tariff beside the number and dollar amount of credits Xcel dispersed to its customers affected by outages in 2023.

**Table 2: QSP Customer Outage Credit Amounts<sup>10</sup>**

Outages Experienced	Credit Amount	Number of Credits Dispersed in 2023	Amount of Credits Dispersed in 2023
<b>All Customers</b>			
Six or more outages annually <sup>11</sup>	\$50	4,064	\$203,200
One outage lasting 24 hours or more	\$50	839	\$41,950
<i>In addition to the above credits, credits are issued to customers who have continuously resided at an address experiencing consecutive years of interruptions.</i>			
Five or more interruptions in two consecutive years	\$75	981	\$90,975
Four or more interruptions in three	\$100		

<sup>9</sup> Xcel 2023 QSP Report, May 1, 2024, p. 1.

<sup>10</sup> Xcel 2023 QSP Report, May 1, 2024, pp. 2-3.

<sup>11</sup> This metric does not include major event days (or MEDs), which are IEEE 1366- 2033 2.5 beta qualifying storm days. MEDs are determined by using the IEEE 1366-2003 2.5 beta methodology after removing Transmission Line level events.

<b>consecutive years</b>			
<b>Four or more interruptions in four or more consecutive years</b>	\$125		
<b>Small Municipal Pumping Service Customers (Rate Code A40)</b>			
<b>Any outage that exceeds one minute</b>	\$100	1,224	\$160,932
<b>Large Municipal Pumping Service Customers (Rate Code A41)</b>			
<b>Any outage that exceeds one minute</b>	\$200	706	\$160,700

Regarding tracking outages, Xcel states:

...the Company is unable to track all outages for all of our customers due to the constraints of our current distribution infrastructure.<sup>12</sup>

### Customer Complaints

As demonstrated in Table 1, Xcel exceeded the customer complaint threshold by 759 complaints in 2023. Therefore, Xcel exceeded the threshold by 379 complaints. “Customer complaints” are defined as complaints from Xcel customers that were filed with and mediated by the Commission’s Consumer Affairs Office (CAO).

Most of the complaints were focused on disconnections and reconnection payment plans and were related to the implementation of Advanced Metering Infrastructure (AMI). The Company says that it now “has the capability to remotely disconnect customers and the number of overall disconnections has increased with this capability.”<sup>13</sup> Xcel states that customers unused to disconnections may have been affected.

Historically, Xcel says that it had disconnected a smaller number of customers for two reasons:

- 1) Prior to COVID-19, customers were more likely to pay and/or stay on a payment plan to avoid disconnection due to strains from the economy and changing payment habits.
- 2) Prior to AMI implementation, disconnection required a technician to manually perform a disconnection at the premise’s meter. Therefore, field resources limited the number of disconnections.

### Under Performance Penalty

By violating the QSP tariff’s performance thresholds, Xcel has incurred the \$1 million penalty.

Xcel is proposing to use the \$500,000 distribution under performance penalty payment for reconnection costs (**Decision Option 1**). Xcel would issue waivers for reconnection fees for residential and commercial customers. Xcel consulted with CAO on the proposal, who indicated their support.

<sup>12</sup> Xcel 2023 QSP Report, May 1, 2024, p. 3.

<sup>13</sup> Xcel 2023 QSP Report, May 1, 2024, p. 4.

As of April 1, 2023, the reconnection fee is \$13.50 for AMI customers and \$50 for customers with an Automated Meter Reading (AMR) meter. Customers have the ability to opt-out of AMI and retain their AMR meter. Also, Xcel is still rolling out its AMI meters, and full installation is not expected until 2025. At the start of 2025, customers with AMR meters will be charged \$95.

The Company proposes to implement the reconnection fee waiver as follows:

- When a customer calls a live agent to pay their bill or set up a payment plan, they will be informed of the fee waiver.
- When a customer uses the IVR system or MyAccount website, they will receive the fee waiver but will not be informed of it.
- If a customer is disconnected and reconnected multiple times, they will be eligible for a fee waiver each time while the funding lasts.
- On customer bills, the waiver will be reflected as a \$0.00 charge for reconnection.

Xcel estimates that the \$500,000 payment will last for 9 – 12 months.

### **Reconnection Fee Waiver Reporting and Tracking**

Xcel proposes that it reports on the remainder of the fee waiver funds every six months (**Decision Option 3**). Xcel recommends reporting on 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 nonresidential)
- Monthly trend of disconnections when the waiver is provided<sup>14</sup>

## **IV. Party Comments**

### **A. Xcel Comments**

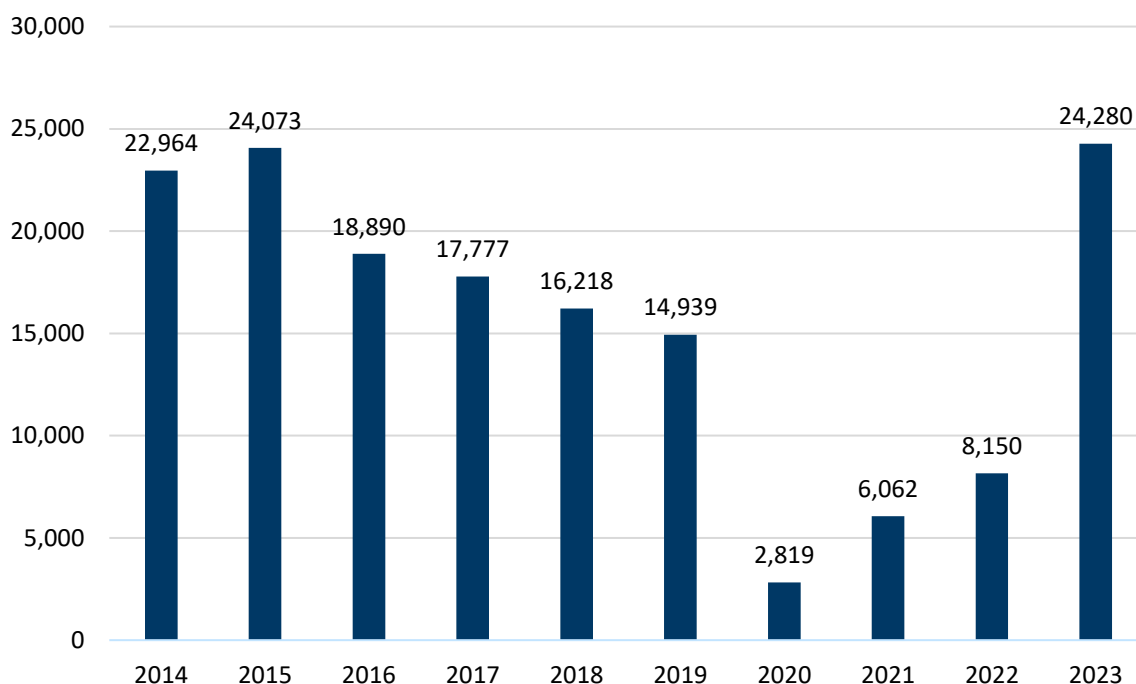
The Commission's May 10, 2024 Notice of Comment included a Utility Comment section. Xcel filed a response on May 31, 2024.

### **Number of Disconnections Before and After AMI Implementation**

Xcel provided historical disconnection data for the last ten years.

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<sup>14</sup> Xcel 2023 QSP Report, May 1, 2024, p. 6.

**Figure 1: Total Disconnections (2014-2023)<sup>15</sup>**

Xcel began AMI installation in Minnesota in April 2022. Following Commission approval in March 2023, remote disconnection and reconnection began in May 2023.<sup>16</sup> Full AMI deployment will be completed at the end of 2025.

However, Xcel says that AMI implementation is not the primary driver behind the spike in disconnections. Xcel attributes rising disconnections to 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.<sup>17</sup>

In addition, Xcel says that the current economy is exacerbating financial challenges for customers.

The Company states that it expects disconnections to rise more in 2024.

### Payment Plan Request Thresholds

Xcel addresses its internal changes to the payment plan offerings. In an effort to encourage customers to make more frequent payments, Xcel raised its payment plan request threshold.

<sup>15</sup> Xcel comments, May 31, 2024, Table 1, p. 3.

<sup>16</sup> Docket 22-233 Commission ORDER APPROVING PETITION AS MODIFIED AND REQUIRING FILINGS, March 22, 2023.

<sup>17</sup> Xcel comments, May 31, 2024, p. 4.

Beginning in mid-May 2023, customers were asked to pay down 75% of the past due amount on their bill before the customer could be enrolled in a payment plan and service could be reconnected.

Many customer complaints were lodged about the higher payment plans. Therefore, Xcel ultimately decreased its thresholds and retrained its call center agents.<sup>18</sup> In September 2023, the required past due amount down was reduced to 50%. Xcel says that the current 50% down payment is required for most customers that cannot pay the full disconnection balance and have broken less than six payment plans in the last 12 months. After breaking five payment plans, a customer must pay the past due amount in full.

Xcel notes that during the pandemic and following, customers could set up payment plans for as little as 2% down with no restrictions on the number of payment plans set. Xcel found that “allowing customers to re-establish service with this low of an initial payment percent did not show evidence of helping customers meaningfully decrease their arrears balance.”<sup>19</sup> Instead, Xcel found that this resulted in customers accruing higher past due balances, which ultimately made it more difficult for customers to become current on their bill.

### Typical Payment Plan

Xcel provided an example of a typical payment plan. In this scenario, the customer has an arrears balance of \$518. After making an initial 50% down payment of \$259, the customer’s average monthly bill is \$185.06.

**Table 3: Example of a Typical Payment Plan<sup>20</sup>**

Date Bill Due	Payment Installment	Arrears Amount Due	Current Bill	Total Amount Due Monthly
<b>December 1, 2023</b>	Down payment	\$259	N/A	\$259.00
<b>January 1, 2024</b>	1	\$55	\$132.86	\$187.86
<b>February 1, 2024</b>	2	\$51	\$130.28	\$181.28
<b>March 1, 2024</b>	3	\$51	\$124.10	\$175.10
<b>April 1, 2024</b>	4	\$51	\$113.04	\$164.04
<b>May 1, 2024</b>	5	\$51	\$92.10	\$143.10

Xcel states that extenuating circumstances, e.g. job loss, a health issue, or another significant life event, may be taken into consideration. In this case, the Company offers tiered payment plans based on the level of disconnection balance and how many payment plans the customer has broken in the last 12 months.

<sup>18</sup> See the Staff Analysis section for more details on the payment plan thresholds being lowered.

<sup>19</sup> Xcel comments, May 31, 2024, p. 5.

<sup>20</sup> Xcel comments, May 31, 2024, Table 2, p. 5.

**Table 4: Extenuating Circumstances Payment Plan Options<sup>21</sup>**

Disconnection Balance	Plan #1	Plan #2	Plan #3	Plan #4	Plan #5	Plan #6+
>\$2,500	10%	35%	50%	50%	50%	100%
\$1,000 – \$2,500	25%	40%	50%	50%	50%	
<\$999	35%	50%				

### Encouraging Payment

The Notice of Comment asked whether decreasing the payment plan threshold encouraged repayment of the past due bill. The Company says that it does not yet have an answer for this, because the change from 75% to 50% was less than 12 months ago. Other factors include:

- Customers’ regular or irregular payment behavior
- Propensity to seek energy assistance
- Active outreach and customer assistance awareness campaigns

However, Xcel states that:

... our experience has shown that the lower the initial payment or the longer the payment plan, the less progress a customer makes towards successful payment plan completion.<sup>22</sup>

### B. Department Comments

#### Disconnections

Although the Company attributes many of the complaints to the introduction of AMI, the Department says that AMI technology allows for significant efficiency gains since field technicians do not have to visit premises to disconnect service. The Department writes:

The historical requirement that Xcel staff had to be present and have access to the property to disconnect service created an opportunity for some number of customers to game the disconnection process. The introduction of AMI removed that barrier to disconnection thereby eliminating that opportunity. Xcel’s contention is that once customers who had been using this realized the Company’s disconnection technology and policy had changed, those customers began to complain to the Company and the Commission’s Consumer Affairs Office (CAO).<sup>23</sup>

The Department says that the Company’s proposal to spend the \$500,000 on waiving reconnection fees is “an attempt to mitigate the effects of the improved efficiency of the

<sup>21</sup> Xcel comments, May 31, 2024, Table 3, p. 6.

<sup>22</sup> Xcel comments, May 31, 2024, p. 6.

<sup>23</sup> Department comments, June 28, 2024, p. 2.

disconnection policy.”<sup>24</sup>

The Department writes that the disconnection suspension’s effects were striking, as well as the spike in disconnections in 2023. In its analysis, the Department provides disconnection counts going back to 2003. Between 2003 and 2015, nine of the 13 years saw higher disconnections than 2023. The Department connects this to Xcel having lower customer numbers in that time period as compared to 2023. Therefore, the percentage of Xcel’s customers involuntarily disconnected was likely higher than it was in 2023. The Department states that:

... the increase in the total number of disconnections from 2022 to 2023 is the largest one-year increase in at least the past 21 years according to the Department’s information.<sup>25</sup>

### Arrearages

The Department says that following the disconnection moratorium, residential arrearages increased from \$44 million in December 2019 to \$78 million in December 2020, which was a 78% increase. Furthermore, between December 2020 and December 2023, arrearages increased by approximately \$20 million.

Therefore, the Department concludes that Xcel needs to reduce its residential customers’ arrearages as “both the Company’s shareholders and ratepayers are negatively affected by this ongoing issue.”<sup>26</sup>

### Department Recommendations

The Department supports Commission approval of Xcel’s proposal to spend the \$500,000 Distribution Under Performance Payment on reconnection fee waivers (**Decision Option 1**) for two reasons:

- 1) The Company’s attempts to reduce its customers’ arrearage balances have been to-date unsuccessful. The large residential arrearage balance and the likely higher bad debt expense incurred in future years will be included in subsequent rate cases.
- 2) The QSP tariff was approved in 2013. Labor and materials have risen significantly in the past decade, so a \$500,000 budget for a maintenance project in 2024 or 2025 would not produce the same results or the same scope as an O&M project undertaken in 2013 with that budget.<sup>27</sup>

Also, the Department supports Xcel’s reporting proposal and finds it to be reasonable (**Decision Option 3**).

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<sup>24</sup> Department comments, June 28, 2024, p. 3.

<sup>25</sup> Department comments, June 28, 2024, p. 4.

<sup>26</sup> Department comments, June 28, 2024, p. 6.

<sup>27</sup> Department comments, June 28, 2024, p. 6.

### C. Joint Commenters Comments

The Citizens Utility Board of Minnesota (CUB) and Energy CENTS Coalition (ECC) filed joint comments (together known as the Joint Commenters).

#### Disconnections and Reconnections

The Joint Commenters are extremely concerned about rising disconnections and are engaged in conversations with Xcel about policies and practices that can protect more residential customers.<sup>28</sup>

According to the Joint Commenters, the rise in complaints coincides with a rise in disconnections. Many customers are frustrated about unaffordable payment plans and service disconnections related to AMI. Fee waivers would address customer complaints and help households overcome a barrier to reconnections.

The Joint Commenters say that there are different reconnection fees based on whether AMI has been deployed to the residence or not. Between AMI and AMR meters, the average reconnection fee has been approximately \$18 per household.<sup>29</sup>

#### Joint Petitioners Recommendation

CUB and ECC support Xcel's request to offset reconnection costs (**Decision Option 1**), as in their estimation, Xcel's use of the distribution under performance payment toward reconnection fees would ease burdens for thousands of Minnesota households. As well as support for Xcel's proposal, the Joint Commenters urge Xcel to make additional improvements to disconnection and payment agreement practices.

### D. Fresh Energy Comments

#### Equity Studies

Fresh Energy included information from a study performed by University of Minnesota researchers, Drs. Bhavin Pradhan and Gabriel Chan (the Pradhan and Chan study).<sup>30</sup> The study found that customers who live in communities with high percentages of people of color (POC) were more than three times as likely to experience a disconnection as customers in predominately white neighborhoods.

In response, Xcel provided a study from TRC Companies (TRC) in its 2023 Annual Electric Service Quality Report.<sup>31</sup> The TRC report found that disconnections were still higher in predominately POC neighborhoods but not as significantly as the Pradhan and Chan study indicated.

While the studies differ in the degree of the disparity in shutoffs, Fresh Energy points out that

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<sup>28</sup> Joint Commenters comments, June 28, 2024, p. 2.

<sup>29</sup> Joint Commenters comments, June 28, 2024, p. 3.

<sup>30</sup> Docket 23-452 Grid Equity Commenters, March 1, 2024, p. 70 of PDF.

<sup>31</sup> Docket 24-27 Xcel report, April 1, 2024, p. 133 or PDF.

Xcel still agrees that some level of disparity exists.<sup>32</sup>

### Fresh Energy Recommendations

Fresh Energy says that due to the identified disparities under the equity studies, an alternative disbursement of the distribution under performance penalty may be appropriate.

Specifically, Fresh Energy suggests that, rather than waiving reconnection fees, the \$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.<sup>33</sup>

According to Fresh Energy, entering customers into payment plans before they are shutoff offers a long-term solution. Meanwhile, waiving reconnection fees is an “after-the-fact solution.”<sup>34</sup>

Fresh Energy says that its solution is more narrowly tailored to address shutoff disparities, satisfies the requirements set forth in the QSP tariff, ensure payment to the Company, and is particularly important in light of a challenging economy in which many customers, especially low-income customers, are facing rising costs of necessities like food and rent.<sup>35</sup>

### E. Xcel Reply Comments

#### Other Commenters

Xcel writes that the Department and the Joint Commenters indicated support for their proposal to use the \$500,000 distribution under performance penalty (**Decision Option 1**). While the Joint Commenters did not discuss the proposed tracking and reporting system in their comments (**Decision Option 3**), it is Xcel’s understanding from discussions that they support it.

In response to Fresh Energy’s recommendation to use the \$500,000 for payment plans to assist very low-income customers enter into payment plans, Xcel says that it is open to exploring other options as discussed below. Xcel insisted that administrative costs be considered, highlighting its now-defunct Payment Plan Credit Program (PPCP), which closed in 2023, that helped customers pay down arrears but was resource intensive.

#### Xcel’s New Proposals

Xcel proposes three direct credit options to Fresh Energy’s recommendation.

The first two options are available to eligible customers that meet the following qualifications:

- Unable to participate in the pilot program proposed in Xcel’s reply comments in Docket 24-27, which would remove up to six late payment charges for customers that have a past due balance of \$5,000 or less, as long as they continue to make payments on their

<sup>32</sup> Fresh Energy comments, June 28, 2024, p. 2.

<sup>33</sup> Fresh Energy comments, June 28, 2024, p. 2.

<sup>34</sup> Fresh Energy comments, June 28, 2024, p. 2.

<sup>35</sup> Fresh Energy comments, June 28, 2024, p. 3.

account<sup>36</sup>

- Have a past due balance greater than \$5,000
- Have not otherwise received energy assistance
- Have made a payment on their account within the last 90 days<sup>37</sup>

The first two options are:

- 1) Apply a \$1,000 credit toward the arrears balance of 500 customers (**Decision Option 2a**)
- 2) Apply a \$500 credit toward the arrears balance of 1,000 customers (**Decision Option 2b**)

The direct credit would be applied to accounts in order of the oldest outstanding balance first.

The third option would provide credits of either \$500 (**Decision Option 2c**) or \$1,000 (**Decision Option 2d**) 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. Regarding the option targeting specific census block groups, Xcel says:

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 and TRC studies. This addresses the concerns expressed by parties in our Service Quality and Residential Customer Status Report Dockets surrounding high arrearage balances and does so in a way that also helps customers who are experiencing higher rates of disconnection.<sup>38</sup>

Furthermore, Xcel proposes tracking any of the three options to include either a six- or 12-month tracking report with credit detail of customer count or customer count by Census Block Group. Staff has provided an alternative decision option for reporting purposes (**Decision Option 3**).

## F. Joint Commenters Letter

CUB and ECC filed a letter on September 9, 2024, clarifying their positions on Xcel's new proposals regarding the disbursement of underperformance payments.

The Joint Commenters prefer application of a \$1,000 payment towards the arrears balance of 500 customers (**Decision Option 2a**), saying:

By significantly reducing these customers' past due balances, a more affordable payment agreement can be established that allows the household to retain service and pay down

<sup>36</sup> Docket 24-27 Xcel reply comments, June 24, 2024, p. 14. Staff notes that the Commission does not need to make a decision on the pilot program.

"The Company has started a pilot project focused on keeping our customers in the payment plans they set up. This initiative assists customers with past due balances over \$5,000 by removing one late payment charge with each payment made in their payment plan, up to six total."

<sup>37</sup> Xcel reply comments, July 12, 2024, pp. 4-5.

<sup>38</sup> Xcel reply comments, July 12, 2024, p. 5.

arrears over time.<sup>39</sup>

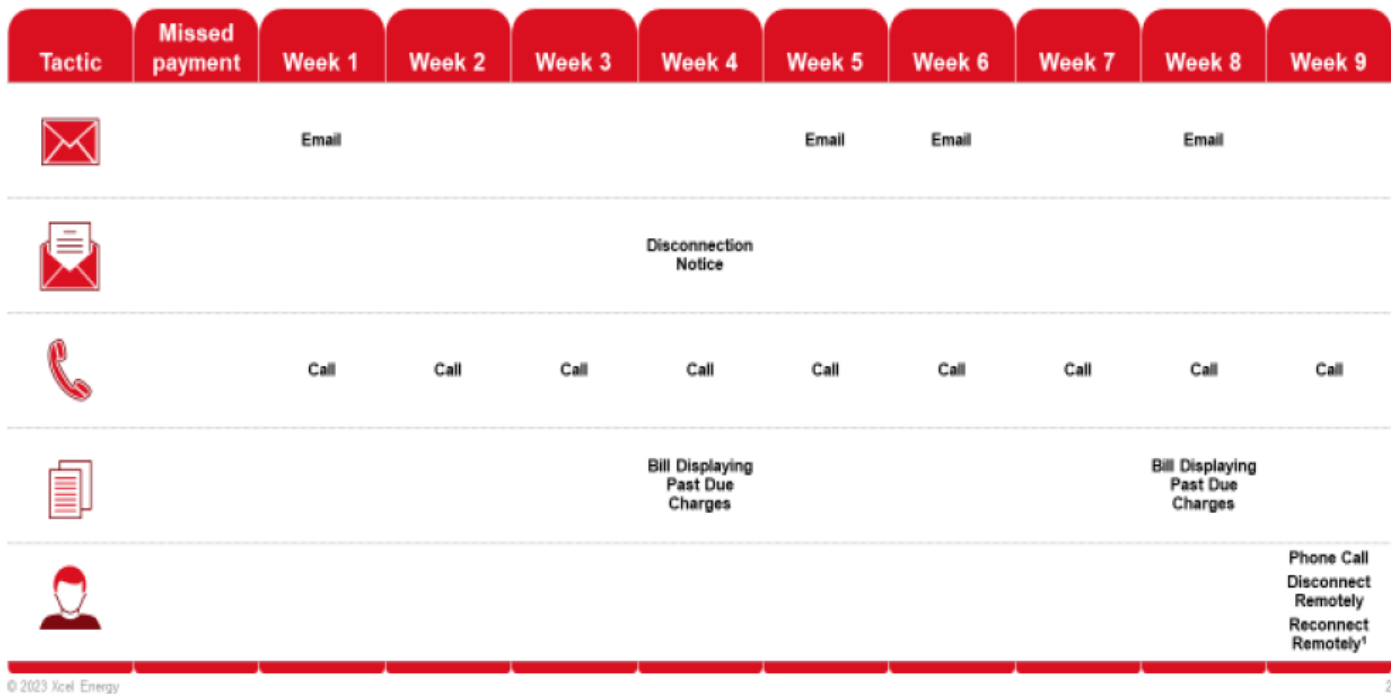
## V. Staff Analysis

### AMI Installation and its Effect on Remote Disconnection

In Docket 22-233, Xcel requested utilizing remote disconnection and reconnection through its new AMI system. The request required a Minn. Rule variance. Minn. Rule 7820.2500 requires a utility representative to make personal contact with a customer at their address before disconnecting service.<sup>40</sup>

After the Commission approved the variance request, Xcel adopted additional protections for customers with medical needs. Below is Figure 2, which was provided by Xcel in Docket 24-27. This displays Xcel's customer contact procedure for AMI customers that are at-risk for disconnection.

**Figure 2: Procedure for Contacting Customers At-Risk for Disconnection<sup>41</sup>**



<sup>39</sup> Joint Commenters letter, September 9, 2024, p. 2.

<sup>40</sup> [Minn. Rule 7820.2500 Manner of Disconnection.](#)

Service may be disconnected only in conjunction with a personal visit by a representative of the utility to the address where the service is rendered and an attempt to make personal contact with the customer at the address. If the address is a building containing two or more dwelling units, the representative shall make a personal visit to the door of the customer's dwelling unit within the building. If security provisions in the building preclude free access on the part of the representative, the representative shall attempt to gain access to the building from the caretaker, for the purpose of attempting to make personal contact with the customer. The representative of the utility shall at all times be capable of receiving payment, if nonpayment is the cause of the disconnection of service, or the representative shall be able to certify that the cause of disconnection has been remedied by the customer.

<sup>41</sup> Docket 24-27 Xcel reply comments, June 24, 2024, p. 6.

Xcel defines the “phone call” requirement as either speaking to the customer or leaving a voicemail. If Xcel has the ability to leave a voicemail, the Company considers this requirement to be sufficiently satisfied. Therefore, customers may not have direct contact with an Xcel Energy staff person before disconnection by eliminating field visits for the majority of customers. Note that if Xcel is not able to leave a voicemail, they will perform a field visit.

Our AMI remote disconnect/reconnect process requires that in lieu of the field visit, we establish successful contact with the customer via an additional call or voicemail. If we cannot establish this contact, the Company is to perform a field visit prior to disconnection.<sup>42</sup>

The Commission granted a one-year temporary variance, requiring the Company to file annual reports in its 2023, 2024, and 2025 electric service quality dockets (YR-27).<sup>43</sup> *Staff notes that the Commission will consider the one-year variance to Minn. Rule 7820.2500 in Xcel’s 2023 Safety, Reliability, and Service Quality docket (24-27).*

The Department commented on the effect of AMI installation on disconnections, saying that customers had previously used the door knock requirement as “gaming” the system.

In fact, during the door knock, the field technician would ask for payment, and many customers would pay their bill partially or in full at the door directly with the field technician. Although the manual disconnection process may have been more cumbersome and less efficient for Xcel, it may have better urged more customers to pay their bills resulting in lower overall bad-debt write-offs. This is the purpose of Minn. Rule 7820.2500 from which the Xcel requested the variance.

## Disconnections

Figure 3, compiled by Staff, demonstrates the cumulative annual disconnections for 2006 through July 2024. This metric is the number of customers disconnected for non-payment.<sup>44</sup>

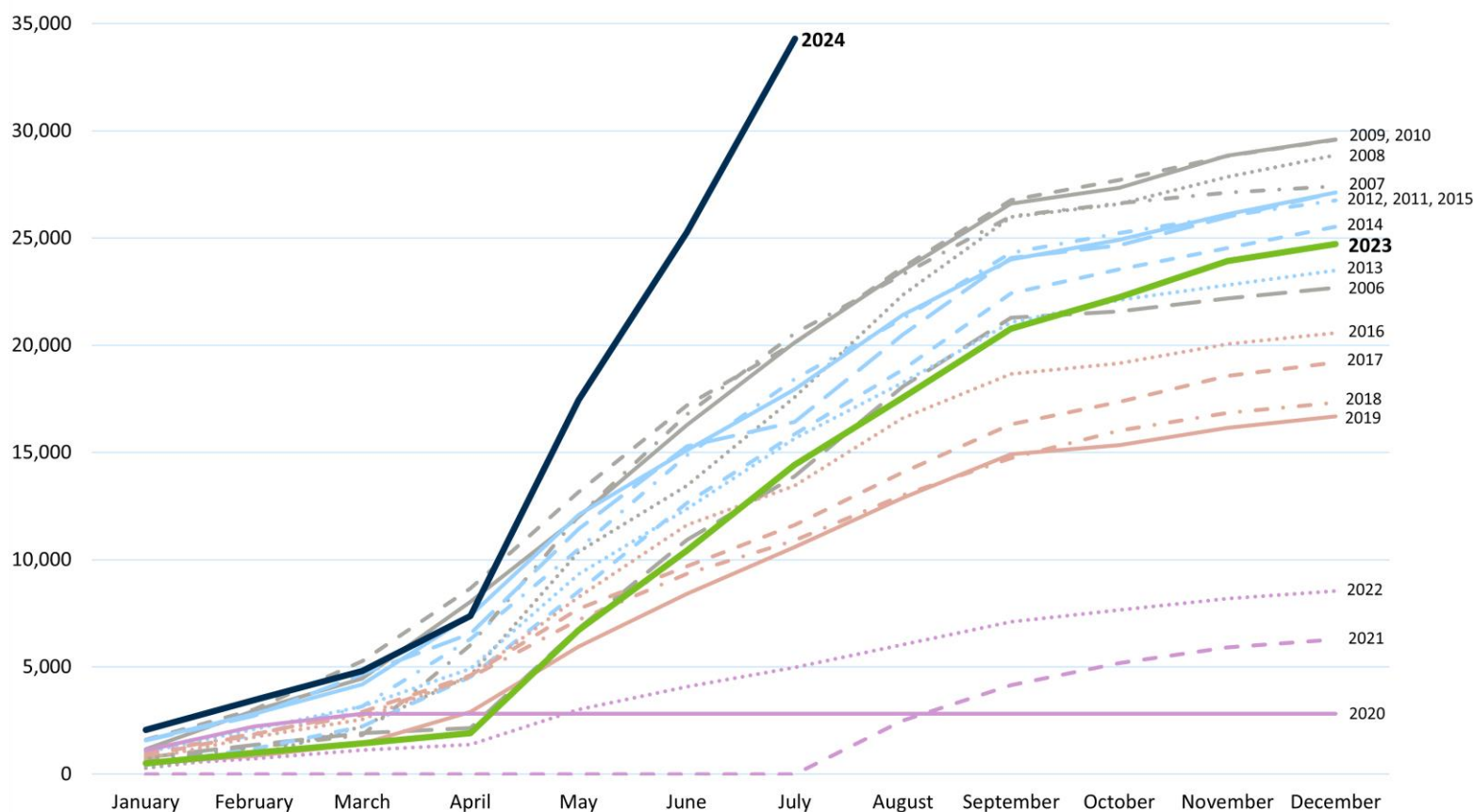
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<sup>42</sup> Docket 24-27 Xcel SRSQ report, April 1, 2024, p. 26.

<sup>43</sup> Docket 22-233 Commission ORDER APPROVING PETITION AS MODIFIED AND REQUIRING FILINGS, March 22, 2023.

<sup>44</sup> The data for 2006-2023 is from Xcel’s annual Safety, Reliability, and Service Quality reports. The data for 2024 is from Xcel’s monthly reports in the Cold Weather Rule reporting docket: YR-2. Staff compared the SRSQ data against the CWR data for 2006-2023.

**Figure 3: Cumulative Annual Customers Disconnections Performed for Nonpayment (2006 – 2024)**



The disconnections in 2023 are on the higher side since 2006 but not egregious. Each year, there is a spike of disconnections after the Cold Weather Rule (CWR) season ends. This is common across all electric and natural gas utilities.

However, Figure 3 reveals a significant spike in disconnections since April 2024, and this year has already seen the most disconnections of any year since the Company has started providing the data.

So far, there have been 34,302 disconnections for non-payment in 2024, 28,070 of which were remotely disconnected, meaning 81.83% of non-payment disconnections in 2024 were disconnected remotely.

Traditionally, many disconnections have affected low-income customers. In 2024, Staff finds it likely that middle-income customers are now experiencing more involuntary shutoffs as well. In its 2023 QSP report, Xcel said:

The capability of remote disconnection may have reached customers unused to the Company taking the final step of disconnection.<sup>45</sup>

<sup>45</sup> Xcel 2023 QSP Report, May 1, 2024, pp. 4-5.

## Payment Arrangement Thresholds

CAO reports that a common complaint from Xcel's customers is that the payment plans offered are very stringent, difficult to pay, do not take a customer's financial circumstances into mind, and that call center agents are inflexible.

CAO received a large number of disconnection/reconnection complaints following the end of the CWR season on May 1, 2023.<sup>46</sup> Consumers told CAO that in calling to set up a payment plan, they were advised they must pay 75% of the past due balance in order to avoid disconnection or have their service reconnected. CAO requested a copy of Xcel Energy's collection policy. Though CAO was told several times they would be able to see a copy, the Company never produced it.

This was a departure from prior collection practices. Previously, CAO was aware of Xcel call center agents working with a much lower threshold for agreement on a payment plan. In the meeting, Xcel was asked why there had been a change, and the response was the 75% requirement was "a continuous evaluation to keep bad debt low."<sup>47</sup> They said they were concerned about the level of bad debt to be reported in the next rate case.

On June 29, 2023, CAO staff met with representatives from Xcel Energy. In that discussion, Xcel asked CAO for a reasonable alternative to the 75% threshold; CAO replied 30%,<sup>48</sup> citing Minn. Stat. § 216B.098, subd. 3, which states that a utility must take a customer's financial circumstances into account when setting a payment arrangement.<sup>49</sup>

Following that meeting, consumers reported being asked for between 30% and 50% of the past due balance in order for the Company to agree to a payment plan. CAO staff met with Xcel representatives again on September 21, 2023 and was advised that the collection policy was now at 50% of the past due balance.

## Complaints

In 2023, Xcel's complaints nearly doubled the complaint performance standard threshold and saw the most complaints in the history of the QSP at 759. The figure below shows the complaint performance standard versus the actual number of complaints filed with CAO as reported by Xcel.

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<sup>46</sup> [Minn. Stat. § 216B.096 Cold Weather Rule; Public Utility.](#)

<sup>47</sup> From the notes of CAO staff.

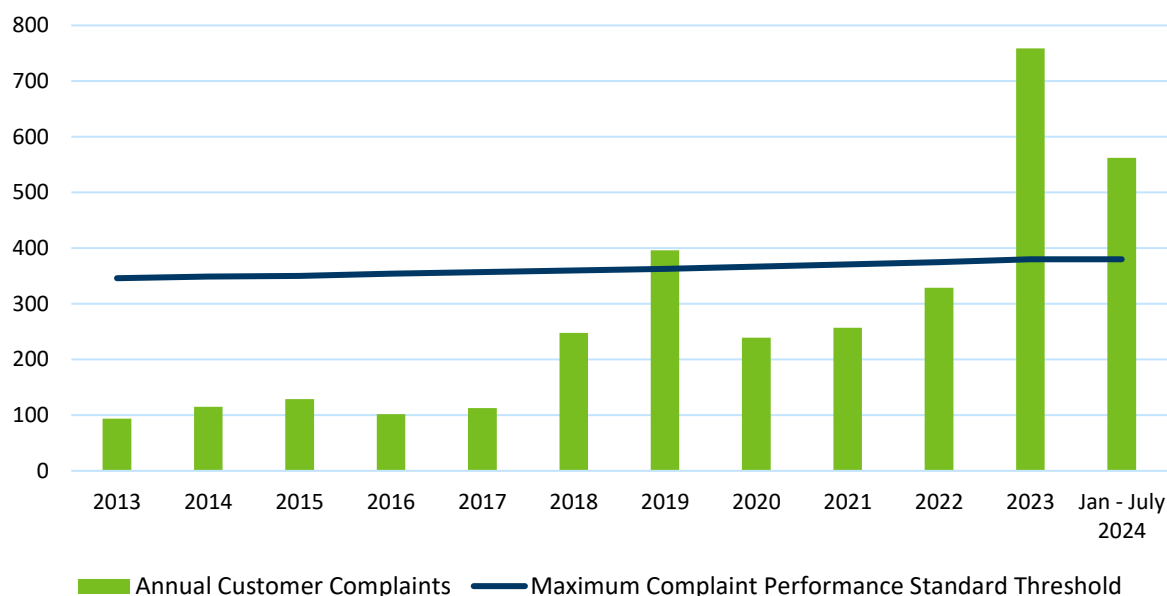
<sup>48</sup> Note that this was not ex parte communication but from a CAO business meeting.

<sup>49</sup> [Minn. Stat. § 216B.098 Residential Customer Protections.](#)

Subd. 3. **Payment agreements.**

A utility shall offer a payment agreement for the payment of arrears. Payment agreements must consider a customer's financial circumstances and any extenuating circumstances of the household. No additional service deposit may be charged as a consideration to continue service to a customer who has entered and is reasonably on time under an accepted payment agreement.

**Figure 4: Historical Complaint Performance Standards versus Number of Complaints Filed as Reported by Xcel (2013 – January-July 2024)**



Staff asked CAO to run a report of its logged complaints from Xcel customers in 2023 to compare against Xcel’s reported number of complaints. CAO reported that it received 793 complaints in 2023. 793 is the number Xcel and CAO agreed upon per the monthly utility report that CAO sends each month. This is a difference of 34 complaints between Xcel’s report and CAO’s report.

CAO surmised that Xcel may have subtracted complaints that the Company argued were inquiries instead. When this happens, CAO cites Xcel’s QSP tariff:

This metric measures the number of Customer Complaints submitted by the Commission’s Consumer Affairs Office. ... Customer complaints will be recorded and reported with no exclusions.<sup>50</sup>

In 2023, the discrepancy also surrounded CAO’s long standing policy of classifying an Inquiry based on whether the customer had approached the utility first to give Xcel an opportunity to resolve the issue before it becomes a complaint. CAO has informed all utilities that this is their policy.

CAO’s Consumer Complaint Mediators code each complaint per the customer’s overall issue. Cases that CAO coded as a complaint under “CWR Appeal” may not be counted by the Company as a complaint.<sup>51</sup> CAO believes that CWR appeals are complaints, because the utility

<sup>50</sup> [Xcel Energy Minnesota Electric Rate Book, Section No. 6, 3rd Revised Sheet No. 7.7.](#)

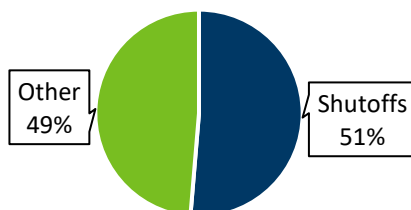
<sup>51</sup> [Minn. Stat. § 216B.096, subd. 8 Disputes; customer appeals.](#)

(a) A utility must provide the customer and any designated third party with a commission-approved written notice of the right to appeal:

failed to resolve the issue with the customer.

CAO ran a report from its database of all complaints and inquiries from Xcel customers in 2023. In total, CAO has 828 records. 425 of those are coded as “Disconnection/Reconnection,” “Payment Arrangement/Plan,” or “CWR Appeal.” All three codes relate to service shutoffs and reconnection.

**Figure 5: Complaint and Inquiry Codes as Reported by CAO (2023)<sup>52</sup>**



In Figure 5, Staff included projected data from CAO’s complaint records for Xcel’s 2024 QSP report. For the figure, Staff kept the performance standard threshold steady at  $\leq 380$  complaints, even though there will likely be a slight increase. CAO reports that between January 1 and July 30, 2024, 562 complaints have already been filed. With five months left in the year, it is likely that the number of complaints filed in 2024 will exceed the number of complaints filed in 2023 and will more than double the QSP complaint performance standard. It is likely that the Commission will be addressing another under performance payment in Xcel’s 2024 QSP filing.

### Recent Equity Studies

Drs. Gabriel Chan and Bhavin Pradhan of the University of Minnesota published the study, “Racial and Economic Disparities in Electric Reliability and Service Quality in Xcel Energy’s Minnesota Service Area.” Xcel provided a study with TRC by Dr. Brett Close, “Disconnections, Outages, and Equity Study.”

Despite small differences in methodology and findings, both studies ultimately found that involuntary disconnections were conducted more frequently among census block groups with a higher proportion of people of color, both overall and within communities with similar income levels. Both studies also found that long-duration outages were more common in census block groups with a higher proportion of people of color.<sup>53</sup>

(1) a utility determination that the customer’s household income is more than 50 percent of state median household income; or

(2) when the utility and customer are unable to agree on the establishment or modification of a payment agreement.

<sup>52</sup> As reported by CAO’s complaint tracking system.

<sup>53</sup> Docket 24-27 July 9, 2024 Stakeholder Meeting Notes.

## Increasing Penalty and Outage Credits

### *Under Performance Penalty*

The \$1 million under performance penalty was set in an August 12, 2013 Commission Order.<sup>54</sup> The Department recommended the \$1 million amount. From its June 15, 2012 comments in 12-383, the Department stated the following about the \$1 million penalty:

This amount reflects the improvements Xcel has made since the Service Quality Tariff was first implemented, making it reasonable to set a lower underperformance payment amount than \$1.25 to \$2 million (approximately \$1.6 to \$2.6 million in 2012 dollars, based on the Consumer Price Index inflation rate), but maintains a significant incentive for Xcel to continue to direct sufficient resources to customer service.<sup>55</sup>

At the time, the Department said that the \$1 million under performance payment struck a balance between an adequate incentive level and an undue burden on Xcel.

With inflation, \$1 million in 2013 would be worth \$1,349,815.63 (or 35% more) today, which makes the penalty less significant than it once was.<sup>56</sup> To keep up with inflation, the Commission may want to consider whether \$1 million is still an adequate incentive. If the Commission believes it is not, then it may want to consider an upwards adjustment, especially since performance in the QSP have been declining in recent years.

Regardless of the amount the Commission ultimately considers adequate, it will still represent only a small portion of the Company's annual revenues. For instance, \$1 million represents 0.02% (or 1/50<sup>th</sup> of 1%) of Xcel Electric – Minnesota's reported \$4.6 billion revenue in 2023.<sup>57</sup>

**Table 5: Comparison of 2013 and 2023 Xcel Electric's Revenue**

2013 Revenue	2023 Revenue	Revenue Increase
\$3,578,696,000 <sup>58</sup>	\$4,606,643,000	29%

Therefore, keeping the under performance payment in line with inflation would not seem to materially impact the Company's financial viability.

### *Outage Credits*

The outage credits paid to customers for lengthy or numerous outages were also set in the August 12, 2013 Order.

Table 6 displays what the outage credits are worth today in 2024 dollars.

<sup>54</sup> Docket 12-383 Commission ORDER APPROVING AMENDMENTS TO SERVICE-QUALITY TARIFF, August 12, 2013.

<sup>55</sup> Docket 12-383 Department comments, June 12, 2012, p. 8.

<sup>56</sup> [Federal Reserve Bank of Minneapolis Inflation Calculator](#).

<sup>57</sup> Docket No. E,G-999/PR-24-4 Jurisdictional Allocator Report (JAR), Composite E-1 Tab.

<sup>58</sup> Docket No. E,G-999/PR-14-4 Jurisdictional Allocator Report (JAR), Composite E-1 Tab.

**Table 6: Outage Credits with Inflation**

<b>Outages Experienced</b>	<b>Credit Amount</b>	<b>Credit with Inflation</b>
Six or more outages annually	\$50	\$67.49
One outage lasting 24 hours or more	\$50	\$69.50 <sup>59</sup>
Five or more interruptions in two consecutive years	\$75	\$101.24
Four or more interruptions in three consecutive years	\$100	\$134.98
Four or more interruptions in four or more consecutive years	\$125	\$168.73
Any outage that exceeds one minute for Small Municipal Pumping Service Customers	\$100	\$134.98
Any outage that exceeds one minute for Large Municipal Pumping Service Customers	\$200	\$269.96

Like the \$1 million penalty, the Commission may want to consider whether outage credits should also be, at minimum, adjusted for inflation. The Commission may also want to consider a future discussion about whether the outage credits for lengthy or multiple outages is enough to compensate customers for the loss of power. For example, an individual who loses power for over 24 hours is likely to lose a refrigerator full of groceries, which has a disproportionate impact on low-income individuals. A \$50 credit, or even an inflation adjusted \$67 credit is unlikely to replace these basic necessities. The Commission may wish to consider a discussion in future QSP filings on whether the credit for lengthy outages should be adjusted further.

### *Annual Indexing*

The Department's June 12, 2012 comments also discussed a possible ratcheting system in which the under performance payments would increase or decrease based on the Company's annual performance, but this idea was not approved:

... the current Service Quality Tariff contains a ratcheting system that adjusts the potential underperformance payments up (with a limit of \$3 to \$7.5 million per metric) or down (no lower than \$0.5 million) depending upon Xcel's annual performance. The parties have agreed to discontinue that ratcheting system.<sup>60</sup>

This was not included in the Commission's August 12, 2013 Order.<sup>61</sup> If Xcel's \$1,000,000 underperformance penalty is adjusted to approximately \$1,350,000 in this proceeding, another

<sup>59</sup> Staff calculated inflation from August 2013 to July 2024 based on the Consumer Price Index for all Urban Consumers from [the Federal Reserve Bank of St. Louis](#).

<sup>60</sup> Docket 12-383 Department comments, June 12, 2012, p. 8.

<sup>61</sup> Dockets 02-2034 and 12-383 Commission ORDER APPROVING AMENDMENTS TO SERVICE-QUALITY TARIFF, August 12, 2013.

proceeding would be required to adjust the penalty for inflation again in the future. Instead, the Commission could require Xcel to annually adjust the penalty to keep in line with inflation. Annual indexing would make any adjustments to the QSP penalty and credits administratively simple. Staff notes that the Commission has authority to adjust the penalty and credit amounts as these are set in Xcel's tariff.

### Options for the Distribution Under Performance Penalty Payment

In its 2023 QSP report, Xcel proposes using its Distribution Under Performance Payment Penalty to issue reconnection waiver fees (**Decision Option 1**).

In Fresh Energy's comments, they recommended that the Distribution Under Performance Penalty be used to assist low-income customers who enter into payment arrangements. Fresh Energy did not offer a direct Decision Option. However, Staff believes that **Decision Options 2a – 2d** align with Fresh Energy's recommendation to help pay down arrearages.

In its reply comments, Xcel made three new proposals based on Fresh Energy's comments:

- 1) Apply a \$1,000 credit toward the arrears balance of 500 customers that have not received LIHEAP assistance and have made a payment on their account within the prior 90 days (**Decision Option 2a**).
- 2) Apply a \$500 credit toward the arrears balance of 1,000 customers that have not received LIHEAP assistance and have made a payment on their account within the prior 90 days (**Decision Option 2b**).
- 3) Apply a \$500 **OR** \$1,000 credit toward the arrears balance of customers that have not received LIHEAP assistance, have made a payment within the last 90 days, and live within the Census Block Groups experiencing the higher rates of disconnection (**Decision Options 2c and 2d**).

*Staff divided Xcel's third option into two Decision Options: one that credits \$500 (**Decision Option 2c**) and one that credits \$1,000 (**Decision Option 2d**).*

**Decision Option 2a** would provide a larger bill credit to fewer customers, and **Decision Option 2b** would provide a smaller credit to more customers.

Meanwhile, **Decision Options 2c and 2d** assist customers living in the Census Block Groups that see the highest number of disconnections. Staff believes that this is the most equity-minded approach. In reply comments in Xcel's service quality docket, the Company says:

While the third approach might take additional time to develop logistically, it is one way to address the disparities identified in the TRC and Pradhan and Chan studies. This also addresses the concerns expressed by parties in our Service Quality and Residential Customer Status Report Dockets surrounding high arrearage balances and does so in a way that also helps customers who are experiencing higher rates of disconnection.<sup>62</sup>

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<sup>62</sup> Docket 24-27, Xcel reply comments, August 27, 2024, p. 9.

*Staff notes that while Xcel brought up the topic of the Under Performance Penalty in 24-27, the matter needs to be decided upon in this proceeding.*

Staff supports either **Decision Options 2c and 2d**, as either option would have the greatest impact on energy equity.

## VI. Decision Options

**[Choose the Decision Option from Xcel's 2023 Annual Report or the Decision Option from Xcel's Reply Comments.]**

### Decision Option from Xcel's 2023 Annual Report

1. Require Xcel Energy to use the \$500,000 Distribution Under Performance Payment Penalty to issue reconnection waiver fees. *(Xcel, Department, CUB/ECC)*

**[OR]**

### Decision Option from Xcel's Reply Comments

2. Require Xcel Energy to apply a direct credit, in order of oldest outstanding balance first, to accounts of customers who are unable to participate in Xcel's proposed pilot program in Docket No. E-022/M-24-27, have a past due balance greater than \$5,000, have not otherwise received energy assistance, and have made a payment within the last 90 days. Xcel will apply credits as follows: *(Xcel alternatives)*

**[If Decision Option 2 is chosen, one of Decision Options 2a, 2b, 2c, OR 2d must be chosen.]**

- a. Apply a \$1,000 payment toward the arrears balance of 500 customers.  
*(CUB/ECC)*

**[OR]**

- b. Apply a \$500 payment toward the arrears balance of 1,000 customers.

**[OR]**

- c. Apply a \$500 payment to customers that meet the above criteria and live within specified low-income census block groups.

**[OR]**

- d. Apply a \$1,000 payment to customers that meet the above criteria and live within specified low-income census block groups.

### Reporting Decision Option as Modified by Staff

3. Require Xcel to report every month from the date of the Order: *(Staff modified)*

- a. Details of amount credited to each customer
- b. Credit details of customer count
- c. Past due details of customer count
- d. Count of customers receiving funds by Census Block Group
- e. Amount remaining of Distribution Under Performance Payment Penalty while the fund remains
- f. Total customers disconnected
- g. Number of reconnections by customer class (residential and non-residential)
- h. Number of customers receiving multiple disconnections

**[If Decision Option 1 is chosen, the Commission can choose any of Decision Options 3i – Decision Option 3l.]**

- i. Number of reconnection fee waivers by customer class (categorized as residential and nonresidential)
- j. Number of reconnections receiving a reconnection fee waiver
- k. Number of customers receiving a reconnection fee waiver who received energy assistance in the 2023-2024 fiscal year and/or the 2024/2025 fiscal year
- l. Monthly trend of disconnections when the reconnection fee waiver is provided

*Staff supports Decision Option 2c or 2d and Decision Option 3.*