

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
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In the Matter of an Investigation and Audit of
Service Quality Reporting – Fraudwise Report

Docket No. E,G-002/CI-02-2034

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,G-002/CI-02-2034

Docket No. E,G-002/M-12-383

Reply Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota submits these reply comments in response to the Minnesota Public Utilities Commission’s (the “Commission”) Notice of Extended Reply Comment Period issued in the above-referenced dockets on July 28, 2025.

I. Introduction

Northern States Power Company d/b/a Xcel Energy (“Xcel” or the “Company”) is statutorily required to provide safe, adequate, efficient, and reasonable service.¹ In the event that the Company falls short of the service quality thresholds established under its Quality of Service Plan (“QSP”), a performance penalty is assessed for each metric in excess of the standards.² In 2024, Xcel reported that it failed to meet the service quality requirements for both customer complaints and telephone response time.³ In addition to proposing a method for disbursing underperformance penalties, the Company seeks modifications to its tariffs in order to make these metrics easier to achieve.

II. Penalty Assessments

In its Quality of Service Plan (“QSP”) report, Xcel indicates a total of 1,468 customer complaints were received in 2024 – 283 percent more than the tariffed standard of 383 complaints.⁴ In addition, the

¹ Minn. Stat. § 216B.04.

² Northern States Power Minnesota Electric Rate Book, Section 6, Sheets 7.5 - 7.6.

³ *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*, Docket No. E,G-002/M-12-383, 2024 Annual QSP Report (May 15, 2025) (hereinafter “Xcel 2024 QSP Report”).

⁴ Xcel 2024 QSP Report at 3; *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*, Docket No. E,G-002/M-12-383, Department of Commerce Comments at 4 (Jul. 22, 2025) (hereinafter “DOC Comments”).

Company indicated 79.7 percent of telephone calls were answered within 20 seconds, which is lower than the 80 percent threshold established by Minn. R. 7826.1200 and the Company's QSP tariff.⁵ As further captured below, CUB questions the reasonableness of Xcel's telephone response time methodology but has no concerns with concluding that the Company has fallen short of meeting its tariff thresholds for either metric. Based on the data provided by the Company, CUB agrees with the Minnesota Department of Commerce ("Department") and the Office of the Attorney General ("OAG") that Xcel exceeded its QSP standards for customer complaints and telephone response times in 2024 and should be assessed a \$1 million underperformance penalty for each violation.⁶

III. Arrearage Forgiveness Proposal

CUB supports Xcel's proposal to utilize the customer complaint underperformance payment to provide arrearage forgiveness to customers behind on their utility bills. We believe the methodology outlined by the Company is generally reasonable but continue to recommend that the entire \$1 million penalty be utilized for arrearage forgiveness. Disbursing the underperformance payment in this manner is both consistent with current tariff language and will enable much-needed rate relief for payment-troubled customers.

Under Xcel's current QSP tariff, half of the underperformance payment is to be remitted back to customers through a bill credit, while the remainder is budgeted for the maintenance and repair of the Company's distribution system.⁷ In Reply Comments, Xcel opposes using the distribution system portion of the penalty for arrearage forgiveness, suggesting that the Commission "did not question the value of using 50 percent [of the underperformance payment] for maintenance and repair of the distribution system."⁸ We disagree with Xcel's reasoning, as the Commission previously approved using the distribution portion of the penalty for arrearage forgiveness based on a proposal initially brought forward by the Company.⁹ This decision was premised on the close relationship between advanced metering infrastructure ("AMI")—a "function of the distribution system"—and rising customer complaints related to payment plans and remote disconnections.¹⁰ As detailed in CUB's Initial Comments, the connection between AMI and rising disconnections persists, justifying the continued use of the distribution system underperformance payment for arrearage forgiveness.

The QSP tariff likewise permits using the "bill credit" portion of the underperformance payment to pay down customers' past-due balances. As written, the tariff requires that 50 percent of the penalty

⁵ Minn. R. 7826.1200, Subp. 1; Xcel 2024 QSP Report at 5.

⁶ *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*, Docket No. E,G-002/M-12-383, Initial Comments of the Office of the Attorney General at 6-7 (Jul. 22, 2025) (hereinafter "OAG Comments"); DOC Comments at 4.

⁷ Northern States Power Company, Minnesota Electric Rate Book, Section 6, 3rd Revised Sheet No. 7.6.

⁸ *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*, Docket No. E,G-002/M-12-383, Xcel Reply Comments at 5 (Aug. 14, 2025) (hereinafter "Xcel Reply Comments").

⁹ *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*, Docket No. E,G-002/M-12-383, Order on Distribution of Underperformance Penalty (Oct. 9, 2024).

¹⁰ *Id.* at 3-5; *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*, Docket No. E,G-002/M-12-383, Xcel 2023 QSP Report at 5 (May 1, 2024).

amount be “applied to customer bills,” but—apart from providing a timeline—does not dictate a specific process for facilitating this disbursement.¹¹ The Commission can therefore choose a reasonable methodology for returning these funds to customers. Because the QSP tariff does not require that *all* customers receive bill credits, the Commission could tailor this portion of the penalty to provide credits to those households most in need of assistance (i.e. those with large arrearage balances that are potentially subject to disconnection).

CUB also recommended that Xcel prioritize oldest outstanding accounts first when disbursing arrearage forgiveness credits.¹² In response, the Company has instead offered to apply credits based on the size of qualifying customers’ arrears, “from largest past-due balance to the smallest past-due balance.”¹³ We are not opposed to the Company’s proposed methodology.

Lastly, Xcel envisions providing \$500 credits to 1,000 customers.¹⁴ If the Commission agrees with CUB and other parties that a greater portion of the assessed penalty be used for arrearage forgiveness, then the number of customers served can also increase. As further discussed below, CUB believes that a portion of the telephone response time underperformance payment—in addition to the full customer complaint penalty—could be used to bolster the Company’s arrearage forgiveness proposal. We recommend that Xcel continue to provide \$500 credits to customers, but scale up the number of customers served based on the penalty amount ultimately allocated to arrearage forgiveness.¹⁵ If necessary, the Company can lower the past-due balance requirement of its criterion #1 until arrearage forgiveness funds are fully disbursed.

For these reasons, CUB continues to recommend that the entire \$1 million customer complaint penalty be distributed to customers in arrears according to the criteria set forth by Xcel and as modified herein.

IV. Customer Complaints

Although Xcel acknowledges that it exceeded the allowable number of customer complaints in 2024, the Company seeks to modify tariff thresholds and definitions to more easily meet service quality standards in future years. CUB strongly opposes these proposed revisions, as they would further deteriorate service quality and reward the Company for poor performance.

A. Quality of Service Standard

Under the current QSP tariff, Xcel is assessed an underperformance penalty if more than 0.2059 complaints are received per 1,000 customers.¹⁶ Rather than maintaining this threshold, Xcel seeks to

¹¹ Northern States Power Company, Minnesota Electric Rate Book, Section 6, 3rd Revised Sheet No. 7.6.

¹² *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*, Docket No. E,G-002/M-12-383, CUB Initial Comments at 3 (Jul. 22, 2025) (hereinafter “CUB Initial Comments”).

¹³ Xcel Reply Comments at 5.

¹⁴ Xcel 2024 QSP Report at 9.

¹⁵ See CUB Initial Comments at 3; Xcel Reply Comments at 6.

¹⁶ Xcel 2024 QSP Report at 11; Northern States Power Company, Minnesota Electric Rate Book, Section 6, 4th Revised Sheet Nos. 7.1 – 7.11.

modify the standard to be 1.5 standard deviations from the average number of complaints received over the past seven years.¹⁷ The inclusion of recent data would drastically increase the number of permissible complaints to 0.649 complaints per 1,000 customers.¹⁸ For 2024, this approach would have resulted in the standard being set at 1,207 complaints, or more than 3 times the current threshold of 383 complaints.¹⁹ Xcel's alternative recommendations to base the standard on the most recent five or three years of complaint data would cause the threshold to rise even further, to 1,397 and 1,715 complaints, respectively.²⁰

CUB agrees with the Department and OAG that the Company's proposed revisions are both unwarranted and unreasonable. Xcel's argument that the standard is "essentially unachievable" is inconsistent with historical performance since the QSP tariff was originally set.²¹ As the OAG noted, the Company "achieved, or nearly achieved" the standard every year between 2013 and 2023, with its 2019 performance exceeding the tariff threshold by only 33 complaints.²² Within this broader context, the upward trend in customer complaints throughout 2023 and 2024 lies outside historical norms for service quality. We concur with the Department that adjusting the customer complaint threshold based on these "outlier years of particularly poor performance" would "skew the resulting standard" and fail to incentivize quality of service improvements.²³

For these reasons, we recommend the Commission reject Xcel's proposal to set the customer complaint standard at 0.649 complaints per 1,000 customers and instead retain the current threshold.

B. Definition of "Customer Complaint"

In addition to recalculating the QSP standard, Xcel has requested to modify the definition of "customer complaint" to exclude hundreds of concerns raised by the individuals and businesses it serves. In particular, Xcel seeks to append language onto the existing tariff definition that would limit complaint counts to those issues which remain "unresolved" after being submitted to the Company:

"Customer Complaint" is defined as any complaint submitted, in writing, by US Mail, e-mail, or by fax, registered by the Minnesota Public Utilities Commission's Consumer Affairs Office to the Company, regarding a complaint submitted by an Xcel Energy customer in which the customer states a grievance related to the Company's provision of service to that customer, **provided that the complaint has first been submitted to the Company and the customer has been unsuccessful resolving the complaint with the Company. General inquiries to the Consumer Affairs Office, where the customer**

¹⁷ Xcel 2024 QSP Report at 12-13.

¹⁸ *Id.*

¹⁹ *Id.* at 13.

²⁰ *Id.*

²¹ *See id.* at 12.

²² OAG Comments at 11-12.

²³ DOC Comments at 12.

has not requested to register a complaint, shall not be counted as Customer Complaints.²⁴

Both the Department and the OAG oppose this revision, noting that the definition is already narrowly construed and any further attempts at modification would not reduce complaints, but instead allow the Company to bypass underperformance penalties in the face of increasing customer grievances.²⁵ CUB likewise opposes the Company's proposal.

The number of complaints reported under the tariff is currently limited to those customers that are aware of the Consumer Affairs Office ("CAO") and take the "extraordinary step of contacting the business's regulator for assistance."²⁶ Because grievances raised directly with Xcel are not included in the count of "registered" complaints, the issues reported by the Company are already artificially reduced and not fully reflective of the utility's quality of service. Xcel's proposed tariff modification would further obscure the Company's treatment of its customers.

CUB agrees with many of the arguments offered by the OAG for rejecting the Company's proposed tariff changes. Restricting the definition of "customer complaint" to require contacting the Company prior to the CAO would be inappropriate. As the OAG notes, customers who have previously had bad experiences with Xcel's customer service should not be forced to relitigate their issues with the Company in order to have their concerns counted in the QSP metric.²⁷ Furthermore, the current process for registering a complaint with the CAO expressly encourages customers to attempt resolving the issue with the utility prior to filing.²⁸

Xcel's proposed requirement that such customers be "unsuccessful" in resolving their complaints is likewise an unreasonable tariff modification. CUB agrees with the OAG that the customer must determine for themselves whether their grievances have been adequately addressed; allowing the Company or any other party to "second guess" the customer's decision could lead to complaints being improperly excluded from performance reporting.²⁹ Even if a customer works with Xcel to "successfully resolve" an issue, new complaints could arise after contacting the CAO. For example, if a customer is not fully informed of their rights and responsibilities—or of the assistance resources available to them—when contacting the Company, they may grudgingly agree that their concerns were "resolved" based on that incomplete information. The customer's perspective on whether their complaint was adequately addressed could change once the CAO provides further guidance.

²⁴ Xcel 2024 QSP Report at 16.

²⁵ DOC Comments at 13; OAG Comments at 14-16.

²⁶ OAG Comments at 15.

²⁷ *Id.* at 16.

²⁸ See Minn. Pub. Utils. Comm'n., *File a Complaint About Your Utility Service or Ask a Question* (last visited on Aug. 14, 2025) (listing "contact your utility provider" as Step #1 in the "filing a complaint" process), available at <https://mn.gov/puc/consumers/complaint/>; Minn. Pub. Utils. Comm'n., Consumer Complaint/Inquiry Form (last visited on Aug. 14, 2025) (showing the last question on the complaint submission form asks whether customers have contacted the utility, and recommending "If you have not contacted the utility company, please do so before submitting this form"), available at <https://pucuser01.wufoo.com/forms/q1j8ezq71mmszwr/>.

²⁹ OAG Comments at 15.

Lastly, we disagree with Xcel's proposed language that would require customers to affirmatively request to register a complaint. If a customer has specific concerns with the Company's provision of service, then we believe it is reasonable to count those grievances in QSP reporting even if the term "complaint" is not included in communications. The Company's tariff already excludes calls received by CAO by requiring complaints to be submitted in writing.³⁰ Further limiting reporting based on the language used by the customer would be unreasonable.

Rather than redefining tariff language to exclude customer complaints from reporting, Xcel should take necessary precautions to improve service quality and actually reduce the number of customer grievances. For these reasons, we recommend the Commission deny Xcel's proposed tariff revisions.

V. Telephone Response Time

A. 80/20 compliance reporting should exclude IVR calls.

In Initial Comments, CUB raised concerns regarding Xcel's inclusion of calls handled by Interactive Voice Response ("IVR") in calculating the percentage of calls answered within 20 seconds.³¹ According to Xcel, IVR-handled calls are those not offered to an agent but instead routed to an automated messaging system for additional information on topics such as scams, billing credits, and hold time length.³² Because IVR calls rely on automated messages, they are considered answered within zero seconds.³³ By incorporating these calls in the Company's calculation of telephone response time, Xcel is more easily able to meet the requirement that 80 percent of calls be answered in 20 seconds (the "80/20 requirement"). This also effectively diminishes the significance of any calls offered to a live agent that are *not* answered in 20 seconds or less.

While the IVR system may be useful for certain functions, we are concerned that it simultaneously makes it more difficult for customers to receive personalized agent support. When customers contact the Company's call center, they are automatically connected to IVR. The IVR menu is fairly robust, but it does not offer customers an immediate option to speak to a customer representative. Rather, the customer must navigate through menu options and depending on which they choose, they may be routed to a live service representative to complete the call.³⁴ Without the direct option to speak to a representative, customers may be forced to use the IVR system even if their questions or concerns would be more appropriately addressed by a live agent. This results in a disproportionate number of calls being handled by IVR as opposed to Company representatives, artificially improving Xcel's performance under the current 80/20 reporting methodology. Lastly, and as described in our Initial

³⁰ Northern States Power Company, Minnesota Electric Rate Book, Section 6, 3rd Revised Sheet No. 7.2.

³¹ CUB Initial Comments at 5-6.

³² *In the Matter of Northern States Power Co. d/b/a Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E002/M-25-27, Xcel Annual Report and Petition, Att. F at 2 (Apr. 1, 2025).

³³ *Id.*

³⁴ Dialing zero from the IVR menu automatically transfers customers to a live representative, but Xcel does not expressly offer speaking to a live agent as an IVR menu option.

Comments, the prioritization of IVR could have a negative impact on customers by hindering their access to payment arrangements and other assistance resources.³⁵

CUB did not make a specific recommendation regarding changes to Xcel's reporting methodology in Initial Comments. Instead, we analyzed the trends in Xcel's telephone response time to provide a clearer picture of service quality than is immediately apparent through the Company's QSP filing. For 2024, Xcel failed to meet the compliance metric even after including IVR calls, reporting 79.7 percent of calls were answered in 20 seconds.³⁶ When IVR messaging is excluded that percentage drops significantly, with live agents only answering 42.6 percent of calls within 20 seconds. Although Xcel has reported meeting the metric every other year since at least 2006, the Company would have been out of compliance every year since 2010 if it had reported only calls offered to live agents.³⁷

Given these concerning trends, we believe it would be reasonable to require Xcel to change its method of reporting compliance with the 80/20 standard should the Commission deem it appropriate. CUB notes that any modifications to compliance calculations would require amending the current tariff language.³⁸

Alternatively, the Commission could require Xcel to provide clearer reporting in its annual Safety, Reliability, and Service Quality ("SRSQ") and QSP reports, even if the metric used to assess underperformance payments remains the same. All regulated gas and electric utilities must provide information on telephone response time in annual SRSQ filings pursuant to Minn. R. 2826.1200. In CUB's review of other utility SRSQs, we believe CenterPoint provides clearer reporting on this metric. CenterPoint first states the percentage of calls *excluding* IVR answered in 20 seconds or less, then the percentage of calls including IVR answered in 20 seconds or less.³⁹ While Xcel include in its SRSQ the percentage of agent answered calls plus IVR calls related to outages only (50.7 percent in 2024), it only provides the percentage excluding all IVR handled calls in Attachments.⁴⁰ CUB believes adopting a similar approach to CenterPoint would streamline review of Xcel's SRSQ and QSP reports.

B. The Commission should require Xcel to report the average customer wait time.

Regardless of whether the Commission modifies the 80/20 requirement to exclude IVR calls, Xcel should be required to include data on the average customer wait time in future QSP and SRSQ reporting.

³⁵ CUB Initial Comments at 7.

³⁶ Xcel 2024 QSP Report at 5.

³⁷ CUB Initial Comments at 6.

³⁸ *In the Matter of an Investigation and Audit of Northern States Power Company's Service-Quality Reporting*, Docket No. E,G-002/CI-02-2034, Order Approving Amendments to Service-Quality Tariff at 6 (Aug. 12, 2013); *In the Matter of an Investigation and Audit of Northern States Power Company's Service-Quality Reporting*, Docket No. E,G-002/CI-02-2034, Staff Briefing Papers Part I at 18-19 (Nov. 29, 2012).

³⁹ *In the Matter of CenterPoint Energy Resources Corp. d/b/a Center Point Energy Minnesota Gas' 2024 Annual Gas Service Quality Report*, Docket No. G-008/M-25-33, CenterPoint 2024 Annual Gas Service Quality Report at 2 (May 1, 2025).

⁴⁰ Northern States Power Company, Minnesota Electric Rate Book, Section 6, 3rd Revised Sheet No. 7.4; *In the Matter of Northern States Power Co. d/b/a Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E002/M-25-27, Xcel Annual Report and Petition at 13 (Apr. 1, 2025).

This information is not explicitly required under Minn. R. 7826.1200, but would provide greater clarity around the experience customers face when calling to receive assistance. The only information currently provided by the Company is whether or not the call took longer than 20 seconds to answer. It is not clear based on that data alone if the customer then remained on hold for an extra 10 seconds or 40 minutes. Visibility into excessively long wait times could indicate cause for more concern as compared to wait times just a few seconds past the 20 second threshold. Therefore, CUB recommends including a metric for the average customer wait time in future QSP and SRSQ filings. CUB currently intends for this to be provided on an informational basis only, and the data would have no impact on underperformance payment assessments at this time.

C. Xcel's underperformance penalty should not be utilized for deployment of the Live Chat feature.

CUB previously raised concerns regarding Xcel's proposal to use 50 percent of the telephone response time underperformance payment towards development of a Live Chat feature.⁴¹ CUB continues to believe using this penalty to fund Live Chat deployment is inappropriate and instead recommends putting the funds towards arrearage forgiveness.

Xcel proposes using 50 percent of the \$1 million telephone response time underperformance payment toward accelerating deployment of a Live Chat feature.⁴² Xcel explains the Company is currently piloting a Live Chat function and has so far trained sixteen Customer Service Representatives ("CSRs") on using the program.⁴³ The Company estimates approximately \$950,000 will be needed to finalize full implementation of the feature, primarily investing in labor expenses to deploy more CSRs.⁴⁴

In Initial Comments, the OAG and ECC opposed using underperformance payments for the Live Chat feature.⁴⁵ As the OAG explained, the program is currently in the pilot phase and additional funding from underperformance payments should not be contemplated until permanent implementation is shown to be reasonable.⁴⁶ Like CUB, the OAG highlighted concerns regarding use of the funds towards deployment of a program that requires ongoing labor and operational costs past the initial investment.⁴⁷ The Department also raised concerns about the ongoing nature of Live Chat costs, as well as whether the Live Chat will actually contribute to reduced wait times—noting Xcel's early pilot findings that interaction time is slowed due to the representative and customer needing to type all

⁴¹ CUB Initial Comments at 7-8.

⁴² Xcel 2024 QSP Report at 10.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *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*, Docket No. E,G-002/M-12-383, Energy CENTS Coalition Comments at 2 (Jul. 23, 2025) (hereinafter "ECC Comments"); OAG Comments at 8-9.

⁴⁶ OAG Comments at 8.

⁴⁷ *Id.* at 9; CUB Initial Comments at 7-8.

the information out.⁴⁸ The Department indicated it would offer a final recommendation in Reply Comments.⁴⁹

While we anticipate reviewing Xcel's response to the concerns raised by CUB and other parties, we continue to believe the Live Chat is not an appropriate use of the underperformance payment, as it would amount to a one-time payment to offset staff labor costs. Notably, the \$500,000 amount would not even cover the total amount Xcel anticipates needing to fully deploy the program. It is unclear what funds have been invested thus far into development of the feature and how those costs are being recovered from customers. If the Live Chat is to be available on Xcel's website, CUB questions whether that means other states in which Xcel provides service will also have access to this tool and how that cost allocation will be divided up. Finally, CUB agrees with the OAG that, if the Commission *were* to find funding Live Chat to be reasonable, it should do so only once the pilot is complete, and once sufficient data is available to prove the program is successful in reducing customer wait time and/or call volume. As Xcel has explained, the pilot is "still in its infancy and data is limited."⁵⁰

As an alternative, CUB recommends utilizing the \$500,000 towards the arrearage forgiveness proposal discussed above. In total, this would result in \$1.5 million going towards paying down customers' past-due balances. In initial comments, ECC agreed that, rather than a Live Chat the penalty funds "could be better applied to providing relief to customers facing significant arrears."⁵¹ The OAG left open an alternative use of the funds, noting just that Xcel should "either return the \$500,000 to ratepayers . . . or discuss a more targeted proposal with stakeholders."⁵²

CUB believes this process aligns with Xcel's tariff language to return half of the penalty back to customers through a bill credit. We also note that 336,005 telephone calls received by the Company were credit-related, of which, only 42 percent were answered within 20 seconds.⁵³ Given that excessive wait times may be a hurdle for some customers seeking to access payment options, CUB believes it's appropriate to apply this credit to pay down arrears.

VI. Underperformance Payment Modifications

A. Inflation and Net-Income Adjustments

CUB respectfully disagrees with the recommendation by Xcel and the Department that the Commission refrain from adjusting underperformance penalties to account for inflation.⁵⁴ Their argument—that the penalty is not tied to specific expenditures subject to inflationary pressures—neglects to recognize that the impetus for the QSP tariff was to prompt reasonable investments that mitigate service quality issues.⁵⁵ These investments *are* impacted by inflation, and the penalty must

⁴⁸ DOC Comments at 7.

⁴⁹ *Id.*

⁵⁰ Xcel 2024 QSP Report at 10.

⁵¹ ECC Comments at 2.

⁵² OAG Comments at 10.

⁵³ Xcel 2024 QSP Report, Att. C at 1 (including "credit" calls and those directed to personal account representatives).

⁵⁴ Xcel 2024 QSP Report at 12; DOC Comments at 13-14.

⁵⁵ *See 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*, Docket No. E,G-002/M-12-383, Comments of the Minnesota Department of Commerce,

be set at a level sufficient to incentivize the Company to undertake proactive measures to avoid exceeding QSP standards.

As the Department acknowledged when the \$1 million underperformance payment was originally agreed to, the penalty should not be “significantly less than the cost to make the investments needed to maintain or improve service quality.”⁵⁶ Investments needed to curb customer complaints, improve telephone response times, provide accurate billing information, and ensure the reliability of the Company’s distribution system are undoubtedly impacted by inflation. Some projects may be capital intensive and require new infrastructure or systems to better serve customers. Other times, the Company may need to hire and train more customer service representatives to adequately address customer complaints, answer phones in a timely manner, or otherwise mitigate quality of service issues. Far from being isolated from inflationary pressures, these infrastructure and labor costs are directly impacted by economic forces. As the costs for making these investments rise, the incentivization provided by the \$1 million penalty is lessened.

At the same time, inflation pales in comparison to the Company’s growth in net income and profit. Xcel Energy Inc. reported 2013 GAAP earnings of \$948 million, or \$1.91 per share.⁵⁷ In 2024, those numbers more than doubled to \$1.94 billion and \$3.44 per share.⁵⁸ As illustrated below, Northern States Power’s jurisdictional net income for both gas and electric services likewise increased by substantial amounts.

Table 1: Northern States Power: Minnesota Jurisdictional Net Income⁵⁹

	2013	2024
Electric	\$486,209,000	\$941,633,000
Gas	\$38,060,000	\$98,823,000
Total	\$524,269,000	\$1,040,456,000

This increase far outpaces inflation. Had Xcel’s 2013 jurisdictional net income increased at the rate of inflation, it would be equivalent to \$706 million in 2024 dollars, or \$334 million less than was recorded by the Company.

Between inflationary pressures and rising utility profits, the effectiveness of the \$1 million underperformance payment has been greatly weakened. When the Commission approved the

Division of Energy Resources at 8 (Jun. 15, 2012) (hereinafter “DOC-DER June 2012 Comments”) (stating that “should a potential underperformance payment be significantly less than the cost to make the investments needed to maintain or improve service quality, the underperformance payment would not sufficiently incent the Company to make the investments”).

⁵⁶ DOC-DER June 2012 Comments at 8.

⁵⁷ Xcel Energy, Xcel Energy 2013 Year End Earnings Report,

https://s202.q4cdn.com/586283047/files/doc_news/2014/01/1/Xcel-Energy-2013-Year-End-Earnings-Report.pdf (Jan. 30, 2014).

⁵⁸ Xcel Energy, Xcel Energy 2024 Year End Earnings Report, <https://investors.xcelenergy.com/news-events/news-releases/news-details/2025/Xcel-Energy-2024-Year-End-Earnings-Report/default.aspx> (Feb. 6, 2025).

⁵⁹ See *In the Matter of Utilities’ 2013 Jurisdictional Annual Reports*, Docket No. E,G999/PR-13-4, Xcel 2013 Electric Jurisdictional Annual Report, Composite E-1 Tab; Xcel 2013 Gas Jurisdictional Annual Report, Tab 2 – NARUC (May 1, 2014); *In the Matter of Utilities’ 2024 Jurisdictional Annual Reports*, Docket No. E,G999/PR-25-4, Xcel 2024 Electric Jurisdictional Annual Report, Composite E-1 Tab; Xcel 2024 Gas Jurisdictional Annual Report at Tab 2 – NARUC (May 1, 2025).

penalty, it represented approximately 0.19 percent of the Company's jurisdictional net income for 2013. As of 2024, it had been reduced to less than one-tenth of one percent of net income across both gas and electric service. Xcel has simultaneously exhibited a concerning increase in service quality issues over the past two years. This is precisely the sort of situation the Department warned about in 2012 when it explained that "removing a strong incentive to continue to place a high priority on [service quality] matters may result in an eventual return to an unacceptable level of performance."⁶⁰ In adjusting the underperformance penalty to account for these various changes, the Commission can help reestablish a strong incentive to improve performance.

For these reasons, we recommend the Commission take one of the following actions to ensure service quality continues to be prioritized by the Company:

1. Set the per-metric QSP penalty at \$1.38 million and require annual inflation adjustments on a forward-looking basis.
2. Set the per-metric QSP penalty at \$1.5 million and require inflation adjustments every three years.
3. Set the per-metric QSP penalty at \$2 million and require the Company to index the underperformance payment to annual net income as reported in its gas and electric jurisdictional reports filed in Docket No. E,G999/PR-YR-4.

The first of these options captures the impacts of inflation between 2013 and 2025 and allows the penalty to be annually updated to account for economic pressures. The second option places the underperformance payment slightly above the current inflation-adjusted amount but reduces the frequency of further penalty modifications. The last option seeks to tie underperformance payments not to inflation, but to net income received by the Company.

CUB prefers the third option. While we had previously recommended an inflation adjustment, we recognize that utility net income and inflation do not perfectly track. Because the underperformance payment is borne by shareholders, tying the penalty amount to net income seems like an appropriate method for incentivizing service quality performance. As earnings rise, so too should the potential that some of those funds will be returned to ratepayers if the Company's service quality fails to meet reasonable expectations. The proposed \$2 million penalty is directly based on the growth of net income realized by the Company since the QSP tariff was last updated. In 2013, \$1 million accounted for 0.19 percent of net utility income. A \$2 million penalty represents the same percentage of the Company's 2024 net income. We believe that modifying the amount of the underperformance payment in this way is a necessary step towards rectifying the service quality issues captured here and in other Commission proceedings.⁶¹

⁶⁰ DOC-DER June 2012 Comments at 7-8.

⁶¹ See, e.g., *In the Matter Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, Initial Comment of the Building Owners and Managers Association of Greater Minneapolis at 1 (BOMA) (Jul. 11, 2025) (noting that Xcel has "fail[ed] to adequately address [a] wide swath of customer service, billing, and invoicing issues BOMA members have experienced").

B. Penalty Structure

In addition to modifying the underperformance amount assessed against the Company, we believe that adjustments to the customer complaint penalty structure may be necessary. As the OAG pointed out, the underperformance threshold for this metric is based on a static number of complaints, and “once that number is exceeded each year, the penalty may no longer incentivize Xcel to reduce complaints for the remaining months of the year.”⁶² In other words, there is no difference between Xcel exceeding the threshold by one complaint or 1,000 complaints.

In order to counteract this lack of incentive, we agree with the OAG that the penalty should increase based on how far Xcel deviates from the QSP threshold. It is our understanding that the Department likewise agrees with this premise and intends to recommend an underperformance payment modification to ensure the Company remains incentivized to improve customer service performance after the customer complaint QSP threshold has been exceeded. We believe that such an approach is reasonable and appropriate, and look forward to reviewing the proposal.

C. Other Tariff Adjustments

CUB continues to support modifying the QSP tariff language governing how underperformance payments will be disbursed. The current structure requires that half the penalty be returned to customers, while the other half is used for the maintenance and repair of the Company’s distribution system.⁶³ We recommend revising this process to explicitly allow arrearage forgiveness and/or alternative disbursement options tailored towards rectifying the source of metric exceedance:

Under Performance Payment Disbursement

Any under performance payments assessed will be used to provide customers with arrearage forgiveness and/or be put to uses designed to address the cause of metric exceedance. The Company must file with the Commission a proposal for the disbursement of under performance payments describing the relationship between the proposed use of funds and the metric exceeded, the amounts to be expended, and any additional ongoing expenses that could be incurred as a result of the proposed disbursement approach. The Commission will consider each proposal on a case-by-case basis to determine the most appropriate uses for under performance payments. The Company shall not earn a return on the portion of any investment or project funded by an under performance payment.

The above language would fully replace Section 6, Sheet 7.6, Subdivision (C) of Xcel’s Minnesota Electric and Gas Rate Books to provide a greater level of flexibility around how underperformance penalties are utilized. We believe that these changes will allow the Company and the Commission to more directly benefit ratepayers and address service quality issues.

⁶² OAG Comments at 13.

⁶³ Northern States Power Company, Minnesota Electric Rate Book, Section 6, 3rd Revised Sheet No. 7.6.

VII. Conclusion

CUB appreciates the opportunity to provide comments on this matter, and respectfully recommends the Commission take the following actions:

1. Determine that Xcel exceeded the customer complaint and telephone response time thresholds included in its Quality-of-Service Plan and assess a \$1 million underperformance payment for each metric.
2. Require Xcel to use the entirety of the \$1 million customer complaint underperformance payment to apply a direct credit to the accounts of customers who (1) have a past-due balance greater than \$2,000; (2) have not otherwise received energy assistance; (3) have made a payment on their account in the last 90 days; and (4) have received a notice of potential disconnection. Xcel will apply the credits as follows:
 - a. In order of oldest outstanding account balance first.
 - OR
 - b. In order of largest to smallest outstanding account balance.
 - c. If not enough customers meet the above criteria to fully disburse assessed underperformance payments, Xcel will lower criterion #1 (have a past-due balance greater than \$2,000) by increments of \$500 once all eligible customers with \$2,000 or more past-due have received bill credits. This process will be repeated until the entirety of the underperformance payment has been expended.
3. Deny Xcel's proposal to modify the customer complaint threshold.
4. Deny Xcel's proposal to modify the definition of "customer complaint."
5. Require Xcel to change its method of reporting compliance with the 80/20 standard to exclude IVR calls.
- OR
6. Require Xcel to report in its annual QSP and SRSQ reports both the percentage of calls including IVR answered in 20 seconds or less *and* the percentage of calls excluding IVR answered in 20 seconds or less.
7. Require Xcel to report in its annual QSP and SRSQ reports the average customer wait time for telephone calls not answered within 20 seconds.
8. Deny Xcel's proposal to use 50 percent of its telephone response time underperformance payment to develop a Live Chat feature.

9. Require Xcel to use the customer bill credit portion of the telephone response time underperformance payment to provide arrearage forgiveness to customers as contemplated in Decision Option 2.
10. Set the per-metric QSP underperformance payment at \$1.38 million and require annual inflation adjustments on a forward-looking basis.

OR

11. Set the per-metric QSP underperformance payment at \$1.5 million and require inflation adjustments every three years.

OR

12. Set the per-metric QSP underperformance payment at \$2 million and require the Company to index the underperformance payment to annual net income as reported in its gas and electric jurisdictional reports filed in Docket No. E,G999/PR-YR-4.
13. Adopt the following language to replace Section 6, Sheet 7.6, Subdivision (C) of Xcel's Minnesota Electric and Gas Rate Books:

Under Performance Payment Disbursement

Any under performance payments assessed will be used to provide customers with arrearage forgiveness and/or be put to uses designed to address the cause of metric exceedance. The Company must file with the Commission a proposal for the disbursement of under performance payments describing the relationship between the proposed use of funds and the metric exceeded, the amounts to be expended, and any additional ongoing expenses that could be incurred as a result of the proposed disbursement approach. The Commission will consider each proposal on a case-by-case basis to determine the most appropriate uses for under performance payments. The Company shall not earn a return on the portion of any investment or project funded by an under performance payment.

Sincerely,

August 15, 2025

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