BEFORE THE COURT OF ADMINISTRATIVE HEARINGS

FOR THE

MINNESOTA PUBLIC UTILITIES COMMISSION

STATE OF MINNESOTA

In the Matter of the Petition of the City of Slayton for the Determination of Compensation for City Acquisition of Xcel Energy Electric Service Territory	MPUC Docket No. E-002, PT-7157/ SA-25-129 CAH Docket No. 25-2500-40870

SURREBUTTAL TESTIMONY OF MARK FRITSCH
ON BEHALF OF THE CITY OF SLAYTON

January 22, 2025

Exhibit ___

PUBLIC DOCUMENT

I. INTRODUCTION

Q. Mr. Fritsch, please state your full name and occupation.

A. My name is Mark Fritsch, and I am the Founder and President of Current Compass LLC, an energy industry consulting firm.

Q. On whose behalf are you giving this testimony?

A. I am testifying on behalf of the City of Slayton ("City").

Q. Have you provided other testimony in this proceeding?

A. Yes. I provided rebuttal testimony filed on January 9, 2026.

Q. What is the purpose of your surrebuttal testimony?

A. I am providing surrebuttal testimony in response to statements made by Xcel Energy witness Lisa R. Peterson and Department of Commerce witness Cuong Ngo in rebuttal testimony regarding the comparison between Xcel Energy and electric cooperatives, as well as the effects of anticipated growth on revenue and revenue loss.

II. REBUTTAL TESTIMONY OF LISA PETERSON

Q. Ms. Peterson states in her rebuttal that City witness David Berg's loss of revenue numbers are incorrect because they are too low when compared to past cooperative cases approved by the PUC.[1] Is that correct?

[1] Peterson Rebuttal Test., pp. 3, l. 13 to pp. 5, l. 5.

A. No. Mr. Berg's loss of revenue analysis is specifically based on Xcel's avoidable and not avoidable costs. Xcel is an investor-owned utility with major differences in size, operational and financial structures when compared to electric cooperatives. It is important to consider these differences, as well as the specific Slayton service area involved here. First, the table Ms. Peterson includes in her rebuttal testimony, which reports selected results of cases from the cooperative context[2] shows that even between cooperatives, loss of revenue can vary greatly. This underscores the fact that some service areas are more profitable than others.

Second, the size difference cannot be overstated when considering the percent of energy and infrastructure lost in the cooperative cases compared to the size of Xcel's sales and structure. As noted in Mr. Bergs Direct Testimony, in 2024, Slayton accounted for less than one-tenth of one percent of Xcel's annual sales.[3] This puts Slayton's impact on Xcel's system well under the 1% variation in load that I would consider could be easily adjusted very quickly without any impact on current or future rates.[4] In comparison, looking at the Olivia case Ms. Peterson references, those 38 customers represented 4.27% of the cooperative's load,[5] resulting in a much larger impact to the cooperative.

[2] "Table 1" at Peterson Rebuttal Test., pp. 4, l. 1-3.
[3] Berg. Direct. Test., pp. 45, l. 6-14.
[4] Fritsch Rebuttal Test., pp. 4, l. 7-10, and pp. 15, l. 5-14.
[5] Berg. Direct. Test., pp. 45, l. 11-12.

Q. Ms. Peterson implies that the number of customers affected by Slayton's territory loss is higher than past cooperative losses, therefore the loss revenue rate should be higher than what Mr. Berg is recommending.[6] Do you agree with that?

A. No. The loss revenue rate has nothing to do with the number of customers, only the amount of energy used. That rate is expressed in \$/kWh.

Q. Ms. Peterson concedes that future load growth could reduce the costs to Xcel's system associated with Slayton's exit, but doesn't want to credit any of that to Slayton to reduce the City's loss of revenue amount.[7] Do you agree with that?

A. No, as I've shown in my past rebuttal testimony, Xcel has consistently reduced their loss revenue amount (fixed production – energy), when electric sales are increasing, until Xcel saw sales projections declining in 2024.[8] It is only when sales are flat or decreasing that Xcel hasn't reduced the loss of revenue amount. Xcel has recognized that growth reduces the loss of revenue amount, but they have decided not to do that for Slayton.

II. REBUTTAL TESTIMONY OF CUONG NGO

Q. Do you agree with Department of Commerce witness Cuong Ngo's rebuttal when he recommends using a 10-year time horizon for compensation?

[6] Peterson Rebuttal Test., pp. 5, l. 1-2.
[7] Peterson Rebuttal Test., pp. 15, l. 5-8.
[8] Fritsch Rebuttal Test., pp. 8, l. 19 to pp. 9, l. 7.

A. No. Mr. Ngo's 10-year recommendation[9] is based on electric cooperatives, not investor-owned utilities. As I've stated in my rebuttal, there is a significant difference between cooperatives and investor-owned utilities.[10] Slaton's minimal impact (under 1%) is a major factor in the ability of a large, vertically integrated, investor-owned utility like Xcel to reduce revenue loss, by having the ability to reduce fixed costs in a short timeline.

Based on my experience managing and advising municipal utilities, negotiating agreements with cooperatives, and my 30 years of employment at NSP/Xcel, I still support no more than five years as an appropriate compensation period for Xcel in this case.

Q. Mr. Ngo recommends that fixed costs should not be treated as avoidable.[11] Do you support that statement?

A. No. Mr. Ngo is basing his recommendation on electric distribution cooperatives that focus on buying wholesale power and distributing it to members, rather than a vertically-integrated, investor-owned utility like Xcel that owns and controls multiple assets at every stage of production, transmission, and distribution. As I've stated above and in my rebuttal testimony, there is a significant difference in how these entities operate and their ability to adjust to changes in load and demand. Also, as I have shown in my rebuttal testimony, Xcel itself has recognized that fixed costs can be avoidable.[12]

[9] Cuong Ngo Rebuttal Test., pp. 8, l. 7-10
[10] Fritch Rebuttal Test., pp. 11, l. 16 to pp. 3, l. 6, and pp. 14, l. 7 to pp. 15, l. 2.
[11] Ngo Rebuttal Test., pp. 10, l. 3-6.
[12] Fritch Rebuttal Test., pp. 8, l.16-23 (transmission and fixed production-energy as avoidable), pp. 9, l.1-7 (fixed production energy as avoidable), and pp. 11, l.1-14 (transmission as avoidable).

Q. Does that conclude your surrebuttal testimony?

A. Yes.