

## Staff Briefing Papers

**Meeting Date**    **October 26, 2023**

**Agenda Item 2 \***

**Company**            Northern States Power Company, dba Xcel Energy

**Docket No.**        **Docket No. E-002/M-20-760**

**In the Matter of an Xcel Payment Plan Credit Proposal**

**Issues**              1. Has Xcel proposed a reasonable and equitable approach to distributing the remaining amount of \$855,405 from the Commission approved Xcel Payment Plan Credit Program amount of \$17.5 million, as currently filed?  
2. Should the Program period for disbursement of all funds be extended until the funds are fully exhausted?  
3. Should the remaining funds be deployed for use to other ratepayer-assistance programs, such as the Power-On program, etc.?

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✓ **Relevant Documents**

**Date**

**Docket No. E-002/M-20-760**

PUC – Issuance of Order Approving Payment Plan Credit Program

April 7, 2021

Xcel Energy – Compliance Filing (26<sup>th</sup> Month Status Report of Payment Plan Credit Proposal)

July 14, 2023

PUC – Notice of Comment Period

July 24, 2023

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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**

Citizens Utility Board of Minnesota – Comments

Xcel Energy – Reply Comments

Department of Commerce – Comments

## **Date**

August 18, 2023

August 29, 2023

September 8, 2023

## I. INTRODUCTION

As part of Xcel Energy's (Xcel) September 30, 2020 comments related to the Commission's Inquiry into Minnesota Utilities' ongoing or planned Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic,<sup>1</sup> Xcel included proposed a Payment Plan Credit Proposal (Program, PPCP), that would address the increasing number of residential customers experiencing higher overdue bill levels. The Program's proposal amount was for \$17.5 million and would only apply to residential electric customers with past-due balances of between \$1,000 and \$4,000 who would receive 75% of their balance in bill credits for 11 months, if they entered into payment plan arrangement and remain on the plan by making monthly payments.

On March 11, 2021, the Commission approved Xcel's proposal and, through June 30, 2023, required it to submit progress reports at intervals of 4, 9, 15 and 26 months. The Commission also required that any unspent remaining amount of the \$17.5 million be used to fund similar programs at the Commission's direction.

On July 14, 2023, Xcel Energy filed its 26<sup>th</sup> month report and requested approval to distribute the Program's remaining funds of \$855,405<sup>2</sup> as a one-time final credit to all program participants and close the Program by October 1, 2023.

## II. BACKGROUND

The Commission, on July 24, 2023, issued a NOTICE OF COMMENT PERIOD asking whether the Commission should approve Xcel's proposed handling of the Program's remaining funds and requested comments to the following topics:

- 1) Has Xcel proposed a reasonable and equitable approach to distributing the remaining amount of \$855,405 from the Commission approved Xcel Payment Plan Credit Program amount of \$17.5 million, as currently filed?
- 2) Should the Program period for disbursement of all funds be extended until the funds are fully exhausted?
- 3) Should the remaining funds be deployed for use to other ratepayer-assistance programs, such as the Power-On program, etc.?
- 4) Are there other issues or concerns related to this matter?

On August 18, 2023, The Citizens Utility Board of Minnesota ("CUB") filed Comments, recommending the Commission accept Xcel's 26-Month Payment Plan Credit Program status report but deny extending the Program period. Also, CUB recommended approval of proposal

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<sup>1</sup> In the Matter of an Inquiry into Utility Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic, Docket No. E,G-999/CI-20-492 (economic recovery docket), Notice of Reporting Required by Utilities (May 20, 2020).

<sup>2</sup> Xcel's Report, p. 2.

for distributing the remaining amount of \$855,405 from the Commission approved Xcel Payment Plan Credit Program. In the alternative, CUB proposed Xcel re-deploy the remaining funds for use in other ratepayer-assistance programs, such as the Power-On program.

On August 29, 2023, Xcel Energy submitted its Reply Comments to CUB's alternative recommendation and agreed to shift the remaining PPCP funds to the PowerON Program.

The Department of Commerce (DOC) filed Comments on September 7, 2023, after the comment period and recommended the Commission approve Xcel's proposal to close its Payment Plan Credit program and refund the remaining balance to the Program's participants.

### III. DISCUSSION

Xcel in its 26-Month Status Report (Report) which covers activity through June 30, 2023 indicated that a total of \$16,271,065 has been applied to customer accounts as part of the PPCP and an additional \$373,530 allocated for future payments.<sup>3</sup> Currently, the Program has a remaining balance of \$855,405.<sup>4</sup> Xcel proposed to distribute the remaining funds and close the Program because the costs to administer the Program are high with specialized touch points and besides, the balance on account is less than five percent of the original Program budget.

As a result of Xcel's proposal, the Commission on July 24, 2023 issued a Notice for Comments including the following issues (1-3) for comments from interested parties as variously discussed below:

- 1. Has Xcel proposed a reasonable and equitable approach to distributing the remaining amount of \$855,405 from the Commission approved Xcel Payment Plan Credit Program amount of \$17.5 million, as currently filed?**

#### A. Xcel Energy

Xcel stated that it started marketing and enrolling participants in the PPCP on May 5, 2021 and, since then, has submitted status reports for the four-month, the nine-month, the fifteen-month periods and now the twenty-six-month period.

Through June 30, 2023, the Program enrolled 17,229 of which 16,430 were eligible and 790 were ineligible. Xcel held that of the number of eligible customers 3,788 have completed their arrangements and received their full benefits, while 452 customers currently remain enrolled in the Program.<sup>5</sup> Also, Xcel disclosed that, as the Program continued, a total of 12,989 customers were disqualified mainly because they missed two consecutive payments. This total also included customers who have stopped service with the Company and are no longer active

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<sup>3</sup> Id., at p.2.

<sup>4</sup> Id.

<sup>5</sup> Xcel's Report, p. 3

customers.<sup>6</sup>

Xcel further disclosed that through June 30, 2023, a total of \$16,271,065 of the Program fund has been applied to customer accounts, and an additional \$373,530 has been allocated for future payments. Thus, leaving a remaining balance of \$855,405 of the Program fund.<sup>7</sup>

Xcel maintained that, since inception and launch of the PPCP, it has worked diligently to connect eligible customers and to promote the program. Even now, up to the 26-month run time of the Program it has had the opportunity to provide substantial relief to participating customers and continue to distribute funds. Nevertheless, Xcel held that:

...we have found that at this point in the Programs life cycle, the Program's default rate is creating a situation where the funds are not fully expended and continue to be recycled, creating an ongoing waitlist cycle. We believe the appropriate step is to distribute the remaining funds and close the Program because the costs to administer the program are high with specialized touch points and the balance is now less than five percent of the original Program budget.<sup>8</sup>

Therefore, Xcel proposed to close the program by October 1, 2023 by taking the following steps:<sup>9</sup>

- 1) No longer accept new participants to the Program effective the date of this status report (July 14).
- 2) Identify all customers in a current payment status on the program As of August 30, 2023, and within one week, apply to their account the remaining monthly installments scheduled for their account as a lump sum dollar amount.
- 3) Following the lump sum payment to current customers, distribute all remaining Program funds, in equal shares to each customer who participated in the Program, and remains a customer of the Company, as a one time final credit to all program participants, regardless of the disposition of the customers plan in the program. This one time payment will be paid to customers who have just received their remaining allocation, those who successfully paid their past due amount in full, and those who defaulted on the Program by missing two payments.
- 4) Communicate these credits to impacted customers via customized bill messaging on their bill containing the credit(s), as well as an email communicating the closure of the program and thanking them for their participation. In situations where a customer email address is not available the Company will provide this communication via an automated voice message phone call.

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<sup>6</sup> Id.

<sup>7</sup> Id., at p. 2.

<sup>8</sup> Xcel's Report, p. 3.

<sup>9</sup> Id., at p. 4.

- 5) Submit a final report regarding the Program completion on November 1, 2023 (30 days following full program closure).

### **B. Citizens Utility Board of Minnesota (“CUB”) - Comments**

CUB reviewed Xcel’s 26 -month report and expressed concern that Xcel enrolled 17,229 customers in the Program and had within the program activity period of up to June 30, 2023 disqualified 12,989, that represented a majority of the Program participants before they could pay down the full amount of their arrearages.

However, before filing its Comments on August 18, 2023, CUB decided to engage Xcel in discussions about its concerns. CUB noted in Comments that Xcel showed a willingness to discuss and allay its concerns and thus CUB stated:<sup>10</sup>

From those conversations, it is our understanding that most of those who dropped off/were disqualified from the Program had missed more than two payments. A smaller number of participants who dropped off the Program did so because they moved out of Xcel service territory while they were on it and/or shifted to other affordability programs for which they were eligible and that allowed for lower monthly payments. Xcel noted that a fair number of participants who dropped off the Program still paid down a significant portion of their arrears and were then able to pay off the rest (for some, including through qualification for Energy Assistance) to avoid disconnection. Though, some participants who did not make payments ultimately were disconnected.

CUB, also mentioned that Xcel stated:

...that managing this program was more administratively burdensome than more typical payment plan arrangements. It required Xcel staff to track individual participant accounts and make manual adjustments more often than when administering more traditional payment arrangements.<sup>11</sup>

Since Xcel allayed CUB’s concerns, CUB stated that it believed Xcel has proposed a reasonable and equitable approach to distributing the remaining \$855,405. Therefore, CUB recommended the Commission accept Xcel’s 26-month status report and approve the proposal to distribute the remaining funds.

### **C. Xcel Energy’ Reply Comments**

On August 29, 2023 Xcel offered its reply and expressed its appreciation to CUB for reviewing the PPCP 26-Month Status Report, as well, as for the open conversations with CUB before it

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<sup>10</sup> CUB’s Comments, pp.4-5.

<sup>11</sup> CUB’s Comments, p. 5.

filed Comments. Xcel also reaffirmed its belief that the appropriate next step is to distribute the remaining balance, a mere five percent (5%) of PPCP funds and close the Program.

#### **D. The Department of Commerce – Comments**

The Department in its Comments noted that PPCP funds remaining balance of \$855,405 out of the original total amount of \$17.5 million, represent merely 5% of the entire Program budget. Therefore, the Department opined that Xcel successfully distributed ninety-five percent of the PPCP budget to its residential customers.

Further, the Department stated:

Given the Program’s high administrative costs and the problems caused by the default rate described above in Step 3, the Department recommends the Commission approve Xcel’s proposal to close the Program and refund the remaining \$855,405 to Program participants.<sup>12</sup>

The Department agreed with Xcel that its proposal seem reasonable, considering the fact the remaining balance of \$855,504 will be distributed to the Program’s originally intended participants (residential electric customers).

#### **E. Staff Comments**

At first review of Xcel’ proposal, staff reasoned that the position postulated (distribution of the remaining balance of Program fund to program participants and close the program) by Xcel and supported by the Department and CUB seem to really hinge on the reason why the program was established in the first place. Though, this thought is not to diminish Xcel’s claim of the high administrative burden involved in running the program, and even more so if Xcel was to be required to continue the program until the remaining balance is fully exhausted.

However, it is not that simple, given that the Commission allowed itself a “loophole” in the way the remaining balance of the Program funds would be used. The Commission’s April 7, 2021 Order in this docket stated, “Any remaining amount of this \$17.5 million program fund not used to pay for the costs of this program shall be used to fund similar programs at the Commission’s direction.”

Therefore, Staff thinks that, in consideration of Commission’s Order Point 1(d), Xcel would not be allowed to distribute the remaining amount of PPCP funds to program participants and close the Program as proposed.

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<sup>12</sup> Department’s Comments, p. 3.

## **2. Should the Program period for disbursement of all funds be extended until the funds are fully exhausted?**

### **A. Xcel Energy**

Xcel's Petition stated that, since the Program required its staff to track every participant account and make manual payments more often than if they were managing just traditional payment arrangements, it was administratively burdensome and costly to manage the Program than a typical payment plan arrangement. Though Xcel did not specifically speak to issue 2 above, still it can be inferred from the preceding statement that extending the program period would be highly costly and therefore not a favorable option to adopt.

### **B. Citizens Utility Board of Minnesota**

CUB opined that Xcel has proposed a reasonable and equitable plan for distributing the remaining balance of \$855,405 of the Program fund. And therefore, deemed it unnecessary to extend the period for disbursement of funds until the funds are fully exhausted.<sup>13</sup>

### **C. Department of Commerce**

The Department argued that simply extending the Program period until all funds are fully exhausted may not be feasible in view of Xcel's statement that currently the Program's high default rate is resulting in a situation where the funds are not fully expended and continue to be recycled, thus creating an ongoing waitlist cycle.<sup>14</sup> Additionally, the Department noted that extending the Program period also extends the high administrative costs necessary to run the Program to distribute a relatively small, declining balance over an undetermined period. Hence, the Department does not support extending the Program period until all funds are exhausted.<sup>15</sup>

### **D. Staff Comments**

Staff agrees with other Commenters position on this issue, in light of Xcel's disclosure that Program's default rate increase is hindering efforts to fully expend program funds and continue to be recycled, thus creating an ongoing waitlist cycle. Further, it can be inferred from the preceding Xcel's disclosure that extending Program period invariably result in high administrative burden and costs required to manage the program for the extended period. Therefore, Staff does not recommend Program period for disbursement of all funds be extended until the funds are fully exhausted.

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<sup>13</sup> CUB's Comments, p. 5.

<sup>14</sup> Department's Comments p.3.

<sup>15</sup> Id., at p. 4.



**3. Should the remaining funds be deployed for use to other ratepayer-assistance programs, such as the Power-On program, etc.?**

**A. Xcel Energy**

Xcel in its August 29, 2023 Reply Comments expressed its support for deploying the remaining balance of PPCP funds for use in the PowerON Program. This was the alternative recommendation offered by CUB in its Comments. In reaching this position Xcel opined:

Due to significant outreach efforts in the past year, the PowerON Program has experienced higher than historic levels of participation and spend. Additionally, the newly approved auto-enrollment process in the Gas Affordability Program will auto enroll our joint gas and electric customers, further increasing our PowerON Program enrollment and spend.<sup>16</sup>

Further, Xcel disclosed thus:

In addition, the Company is currently finalizing a request to transfer underutilized funds from the Medical Affordability Program (MAP) to the PowerON Program for this same reason – the increased participation and spend in our PowerON Program. We anticipate submitting that request in the beginning of September. Shifting the remaining PPCP funds to the PowerON Program makes practical sense given customers' needs.<sup>17</sup>

**B. Citizens Utility Board of Minnesota**

CUB initially supported Xcel's proposal as being a reasonable and equitable way to distributing the remaining balance of \$855,405 from the Commission approved PPCP. Nevertheless, also indicated that it would not oppose Commission approval for the remaining balance of the PPCP funds be deployed for use in other ratepayer-assistance programs, such as the Power-On program, if so recommended by other Commenters.<sup>18</sup>

**C. The Department of Commerce**

The Department held that it was cognizant of the Commission Order Point 1(d) and related Commission's discretion in the instant case. Nevertheless, it still noted that the current Program is also a ratepayers-assisted program that was specifically designed to help struggling residential ratepayers. The Department, therefore continued to affirm its support for Xcel's

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<sup>16</sup> Xcel's Reply Comments, p.1.

<sup>17</sup> Xcel's Reply Comments, p. 1.

<sup>18</sup> CUB's Comments, p. 5.

proposal to refund the remaining Program funds to Program' participants originally intended to benefit from it.<sup>19</sup> Also, The Department agreed with Xcel's proposal to submit a final report regarding the Program completion on November 1, 2023, 30 days following the full program closure.

#### D. Staff Comments

Staff agrees with CUB's and Xcel's recommendation, that the remaining funds from the PPCP original budget be deployed for use to other ratepayer-assistance programs, such as the Power-On program. The Department, though, did not support this recommendation but instead recommended that Xcel's proposal to refund the remaining Program funds to Program' participants originally intended to benefit from it and close the Program be accepted.

Though Staff is sympathetic to the Department's position. However, Staff notes that the PPCP was set up during the COVID-19 health pandemic era to assist Xcel's residential customers who were affected by the devastating economic effects of the pandemic to pay down their high energy bills. In fact, at the time, PPCP was designed to cater to those customers who were ineligible for LIHEAP and invariably for PowerON. However, the heat of COVID-19 era is gone and most of the people for which PPCP was established have gone back to their jobs or been gainfully employed elsewhere. Furthermore, since the Commission's Consumer Affairs Office (CAO) has assisted ratepayers since the Program's inception, Staff sought CAO's input because they have their "finger on the pulse". As aptly remarked by COA, the one-time distribution of the remaining balance to Program participants likely makes little difference to their finances. However, redeploying the remaining funds to the PowerON Program would likely help ratepayers that need the assistance the most *today*. Moreso, Xcel, in Reply Comments, recommended deploying the remaining balance for use to PowerON because that program has experienced higher than historic levels of participation and spend.

Therefore, Staff believes that deploying the remaining funds for use to other ratepayer-assistance programs, such as the Power-On program is not unreasonable.

Further, Staff supports Xcel plan to submit a final submit a final report regarding the Program completion 30 days following full program closure.

#### IV. DECISION OPTIONS

**Has Xcel proposed a reasonable and equitable approach to distributing the remaining amount of \$855,405 from the Commission approved Xcel Payment Plan Credit Program amount of \$17.5 million, as currently filed?**

1. Accept Xcel's proposal to distributing the remaining amount of \$855,405 from the PPCP amount of \$17.5 million, as currently filed to be reasonable and equitable.

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<sup>19</sup> Department's Comments, p. 3.

(Xcel, CUB, DOC)

2. Reject the Proposal to distributing the remaining amount of \$855,405 from the PPCP amount of \$17.5 million, as currently filed to be reasonable and equitable.

**Should the Program period for disbursement of all funds be extended until the funds are fully exhausted?**

3. Reject the proposal for extension of Program period until the funds are fully exhausted. (XCEL, CUB, DOC)

**Should the remaining funds be deployed for use to other ratepayer-assistance programs, such as the Power-On program, etc.?**

4. Direct Xcel to deploy the remaining funds of \$855,405 from the PPCP amount of \$17.5 million for use to PowerON Program. (XCEL, CUB)
5. Deny Xcel from deploying the remaining funds of \$855,405 from the PPCP amount of \$17.5 million for use to PowerON Program. (DOC)

**Other**

6. Accept Xcel's 26-Month Status Report to the Commission approved Payment Plan Credit Program as modified in this docket.
7. Order Xcel to submit a final report regarding the Program completion 30 days following full program closure.