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In the Matter of the Application of Xcel Energy's Petition for Approval of Gas State Energy Policy Rider Recovery with True-Up Mechanisms

Reply Comments

PUC Docket Number: G-002/M-25-403

LIUNA Minnesota and North Dakota ("LIUNA") appreciates the opportunity to offer reply comments on the petition by Xcel Energy ("Xcel") to recover certain costs related to the operations and maintenance of the company's gas utility infrastructure through the State Energy Policy ("SEP") Rider. LIUNA occupies a unique position among stakeholders that appear before the Minnesota Public Utilities Commission ("Commission") because our members include residential customers that benefit from low rates, and construction workers that are paid to build and maintain a safe and reliable system whose costs are recovered through those rates. As a result, we seek to ensure that the critical functions of the utility are adequately funded, while limiting negative impacts associated with rate increases, and ensuring that costs are divided fairly.

We have reviewed initial comments of other parties, including the Department of Commerce ("DoC"), Office of the Attorney General ("OAG"), Citizens Utility Board of Minnesota ("CUB"), and while they raise legitimate concerns and questions regarding the proposal, we believe that Xcel has offered a creative alternative to a rate increase that deserves the Commission's consideration.

We recognize that DoC, OAG and CUB all express concerns about the legal basis for Xcel's proposed use of the SEP to recover costs for activities that generally align with state goals, but are not necessarily the result of discrete legislative action. While we do not dispute that the proposed application of the SEP differs from past practice, in our view the law grants the Commission broad authority to approve rate recovery mechanisms that advance the public interest and produce just and reasonable rates, including through the use of riders. Xcel's proposal deserves consideration for several reason:

First, we believe that Xcel's proposal to base SEP rider recovery on sales is just and reasonable, and appreciate the substantial relief that it would provide to residential ratepayers compared to the likely outcome of a contested rate case. While the observes in initial comments that the Commission is unlikely to approve the full amount of Xcel's request, even if the Commission approves 78% of the initial request consistent with the company's most recent gas rate case, residential customers could be looking at an average monthly increase of $5.55 – nearly twice the $2.69 per month the average residential customer would pay based on Xcel's proposal.

Second, we see potential advantages to rider recovery with a true-up mechanism where a utility seeks to manage temporary growth in costs associated with activities such as a surge in safety-motivated pipe replacement or externally-driven public works accommodations. It is unclear to us whether additional costs are non-recurring, but if so, use of a rider could avoid an

unnecessary increase in base rates and deliver longer-term savings to ratepayers. We agree with DoC that Xcel should provide additional information to help answer this question.

Third, in our view CUB's request that the Commission instead protect ratepayers by finding that "exigent circumstances" require establishment of lower interim rates stands on a weaker legal and policy foundation than Xcel's proposed use of the SEP rider. Exigent circumstances represents a high bar – one that was arguably met by a global pandemic but not by the fact that many Minnesotans struggle to pay their bills which is neither new nor temporary. There is further danger that artificially lowering interim rates simply exacerbates the revenue deficiency that is the basis for the rate case. On the other hand, the proposed SEP is a creative solution that mitigates immediate impacts without requiring a legally dubious finding of exigent circumstances.

We thank the Commission for its consideration in this matter.

Sincerely,

Kevin Pranis
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LIUNA Minnesota and North Dakota