

BEFORE THE MINNESOTA COURT OF ADMINISTRATIVE HEARINGS

**600 North Robert Street
Saint Paul, Minnesota 55101**

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

**121 7th Place East, Suite 350
Saint Paul, Minnesota 55101**

MPUC Docket No. E-002/GR-24-320

CAH Docket No. 28-2500-40515

**IN THE MATTER OF THE APPLICATION OF NORTHERN STATES POWER
COMPANY D/B/A XCEL ENERGY FOR AUTHORITY TO INCREASE RATES
FOR ELECTRIC SERVICE IN THE STATE OF MINNESOTA**

**DIRECT TESTIMONY AND SCHEDULES OF
ANNIE LEVENSON-FALK**

ON BEHALF OF THE CITIZENS UTILITY BOARD OF MINNESOTA ("CUB")

AUGUST 22, 2025

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I. BACKGROUND AND QUALIFICATIONS

Q1. Please state your name and your employer.

A1. My name is Annie Levenson-Falk. I am the Executive Director of the Citizens Utility Board of Minnesota.

Q2. What is the Citizens Utility Board of Minnesota?

A2. The Citizens Utility Board of Minnesota (“CUB”) is a 501(c)(3) nonprofit organization that was founded in 2016 for the purpose of advocating on behalf of Minnesota consumers for clean, affordable, reliable, and equitable energy service. CUB’s mission is to champion affordable, reliable, safe, and clean home energy for all Minnesotans.

Q3. Describe your professional background and qualifications.

A3. In 2016, I became the first executive director of the Citizens Utility Board of Minnesota, which was a newly formed organization at the time. In this role, I have directed CUB’s entire programming over the full history of the organization. I oversee CUB’s policy and regulatory advocacy and have written formal comments, provided oral arguments, and otherwise participated in dozens of Commission proceedings. I speak frequently with CUB’s policy team about our participation in Commission dockets, and regularly review filings drafted by other CUB employees.

I also oversee CUB’s consumer outreach program, which has reached thousands of Minnesotans with information and resources about home energy options. Many of these individuals contact CUB because their utility costs are unaffordable, they have fallen behind on bills, and/or are facing disconnection. We listen as individuals describe their situation and the challenges they face. We help people understand the resources available to them and their rights and obligations under Minnesota statutes and rules, Commission orders, and utilities’ policies. I occasionally field these contacts myself, and I speak frequently with CUB’s outreach team to understand what they are hearing from Minnesotans.

I am also CUB’s primary point of contact on legislative matters affecting Minnesota’s energy and utility industries. I aim to help legislators understand the ratepayer impacts of various policies under consideration, and I have worked on legislative proposals to provide energy assistance funding, protect utility affordability programs, establish ratepayer protections, improve energy efficiency programs, decarbonize electricity, and more.

From 2013 to 2016, I served as the Executive Director of the Minnesota Legislative Energy Commission, a nonpartisan energy policy role. My resume is appended to this testimony as Schedule 1.

II. PURPOSE

Q4. What is the purpose and scope of your direct testimony?

A4. I provide an analysis of the impact of Northern States Power Company d/b/a Xcel Energy's ("Xcel" or the "Company") general rate case on the affordability of electric utility service for residential customers in the Company's service territory. Further, I address the imposition of reconnection fees, the Company's proposal to utilize late fees to fund affordability programs, and the Company's proposal for a bad debt tracker.

Q5. Can you summarize the recommendations you make in your direct testimony?

A6. I recommend that the Commission:

- Eliminate reconnection fees;
- Deny Xcel's proposal for a Residential Arrears Management Program;
- Eliminate late fees; and
- Approve Xcel's proposal for a bad debt tracker.

III. AFFORDABILITY OF UTILITY SERVICE

A. Economic Context for Residential Ratepayers

Q6. Please describe the context for your testimony on utility affordability.

A6. Xcel filed a petition in November 2024 seeking to raise rates by \$353.3 million in 2025 and an incremental \$137.5 million in 2026.¹ Through supplemental testimony, this request was later lowered by \$9.0 million in the 2025 test year and a further \$8.1 million in the 2026 plan year.² With these changes, the end result of the Company's multi-year rate plan ("MYRP") is to increase per-year costs for Minnesota ratepayers by \$474 million. If granted, the Company's proposal would increase rates by 12.72 percent, or 16.71 percent when fuel costs are excluded.³ While some of these expenses may be necessary for the provision of safe, reliable electricity service, many Xcel customers are already unable to afford electricity service. Any rate increase will cause even more customers to struggle with their bills.

The Company's request to raise rates comes at a time when many customers are already having difficulty affording the costs of everyday life. From utilities to housing,

¹ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Notice of Change in Rates and Interim Rate Petition: Notice of Change in Rates at 4 (Nov. 1, 2024).

² *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Xcel Exhibit ___, Halama Supplemental Direct (BCH-2) at 2 (Mar. 17, 2025) (hereinafter "BCH-2, Halama Supplemental Direct").

³ BCH-2, Halama Supplemental Direct at Sch. 2.

1 groceries to insurance, the current state of the economy has placed major financial
2 stress on many Minnesota households.⁴ These factors, together with some of the
3 Company's own practices, have contributed to utility arrears remaining stubbornly
4 high and the Company carrying out more disconnections than ever before. Recent
5 federal actions threaten to further exacerbate affordability challenges.

6 **Q7. Which federal actions are you speaking of, and how might those impact**
7 **Minnesota households?**

8 A7. In April 2025, the federal government laid off more than 10,000 employees of the
9 Department of Health and Human Services, including the entire staff responsible for
10 administering the Low-Income Home Energy Assistance Program ("LIHEAP").⁵ Since
11 then, President Trump has proposed to fully terminate LIHEAP and eliminate over \$4
12 billion in assistance resources provided to approximately six million low-income
13 households throughout the United States.⁶ In Minnesota alone, over \$98 million has
14 been awarded to 125,661 eligible households during the 2025 fiscal year.⁷ Many of
15 those funds went to low-income customers in Xcel's service territory, with the
16 Company receiving nearly \$31 million in LIHEAP funds during the 2024 calendar year.⁸
17 LIHEAP funding remained available to Minnesota throughout the 2024-2025 heating
18 season, despite the termination of federal program staff, but its future is uncertain.

19 Further, the federal government's recently enacted reconciliation bill⁹ is expected to
20 exacerbate the economic strain felt by utility customers. Energy Innovation—a non-

⁴ Schedule 2 (ALF-D-2): MINNESOTA HOUSING PARTNERSHIP, 2024 STATE OF THE STATE'S HOUSING PROFILE (Mar. 14, 2024) (finding that median rent rose by 8 percent, the number of cost-burdened households increased by 9 percent, and that evictions increased 44 percent relative to pre-COVID rates); Schedule 3 (ALF-D-3): MINN. DEPT. OF EMPLOYMENT AND ECON. DEV. (DEED), *Minnesota Cost of Living 2024 Data – Release Notes* (Jan. 2025) (noting that transportation costs increased by 5 percent in 2024, and housing expenses increased an additional 10.4 percent); Jim Buchta, *Median House Price in the Twin Cities Breaks \$400K for the First Time*, Star Tribune (Jul. 17, 2025), <https://www.startribune.com/twin-cities-median-home-house-price-housing-market-buyer-seller-expensive-400k/601424155>; Leah Beno, *How Grocery Prices in Minnesota Have Increased Since 2020*, FOX 9 (Sep. 15, 2024), <https://www.fox9.com/news/grocery-prices-minnesota-increase>; Emma Nelson, *Americans Have Learned to Live with Less as Consumer Food Budgets Run Out of Slack*, Star Tribune (Apr. 1, 2025), <https://www.startribune.com/americans-have-learned-to-live-with-less-as-consumer-food-budgets-run-out-of-slack/601313447>; Matt Brannon et al., *Car Insurance Premiums Will Rise 4% or More by the End of 2025, Disrupting a Trend of Stability*, Insurify Projects, INSURIFY (Jan. 26, 2025), <https://insurify.com/car-insurance/report/>; Joy Dumandan, *Homeowner Insurance Rates Rise in 2025 – See How Much You Pay in Every State*, REALTOR.COM (Jul. 8, 2025), <https://www.realtor.com/news/trends/home-insurance-rates-rise-by-state/> (providing that Minnesota homeowner's insurance rates are forecasted to increase by 15% in 2025).

⁵ Brad Plumer, *Entire Staff is Fired at Office that Helps Poorer Americans Pay for Heating*, NEW YORK TIMES (Apr. 2, 2025), <https://www.nytimes.com/2025/04/02/climate/trump-layoffs-energy-assistance-liheap.html>.

⁶ Executive Office of the President, *Recommendations on Discretionary Funding Levels for Fiscal Year 2026* at 9 (May 2, 2025), <https://www.whitehouse.gov/wp-content/uploads/2025/05/Fiscal-Year-2026-Discretionary-Budget-Request.pdf>; see also Nat'l Energy Assistance Directors Assoc., *President's FY 2026 Budget Eliminates Federal Funding for LIHEAP* (last accessed Jul. 11, 2025), <https://neada.org/wp-content/uploads/2025/05/Presidents-FY-26-Budget-LIHEAP-1-1.pdf>.

⁷ Minn. Dep't of Commerce, *Energy Assistance Program Dashboard* (last updated Aug. 18, 2025), <https://mn.gov/commerce/energy/policy-data-reports/energy-assistance-dashboard/>.

⁸ *In the Matter of Cold Weather Rule (CWR) Reports – Regulated Gas & Electric Companies*, Docket No. E,G-999/PR-23-2, Xcel Energy December 2023 Residential Customer Status Report (Jan. 18, 2024).

⁹ H.R. 1, 119th Cong. (2025).

partisan energy and climate think tank—modeled impacts from the bill and project that it will significantly increase the cost of electricity:

The loss of low-cost renewables and the resulting increase in gas prices would increase electricity prices in Minnesota. [Energy Innovation] forecast[s] that wholesale electricity prices increase by 31 percent by 2030 and 340 percent by 2035. Wholesale electricity costs in Minnesota would balloon from \$820 million in 2035 with current policies to \$3 billion in the Senate scenario, a 270-percent increase over current policies. Utilities are expected to pass these costs on to consumers; we forecast the bill will raise electricity rates by 25 to 42 percent for residential, commercial, and industrial customers in Minnesota.

Households in Minnesota will face significantly increased energy costs: [Energy Innovation] find[s] \$110 annual increases in household energy bills by 2030 and \$410 by 2035.¹⁰

By 2035, Energy Innovation also projects the bill will result in the loss of 15,000 Minnesota jobs, reduce state GDP by \$2.6 billion annually, and decrease Minnesota's generating capacity by 3.5 gigawatts.¹¹

Q8. Why are external factors relevant to this rate case?

A8. While these federal actions and existing economic conditions are outside the control of the Company, they nonetheless factor into the affordability of utility service and customers' ability to pay. The Commission must consider this broader context in order to understand the full scale of potential impacts on the Company's ratepayers.

B. Defining Energy Affordability

Q9. Are you aware of any requirement that affordability and "ability to pay" be considered in rate case proceedings?

A9. Yes. Minn. Stat. § 216B.01 states it is in the public interest to regulate utilities in order to provide "adequate and reliable services at reasonable rates." I read this as suggesting there is some level at which the rates imposed on customers would be *unreasonable*. The Commission must make an informed decision about where that threshold lies. In addition, Minn. Stat. § 216B.16, Subd. 15(a) clearly states that the Commission "must consider ability to pay as a factor in setting utility rates[.]"

¹⁰ Schedule 4 (ALF-D-4): Energy Innovation, *Economic Impacts of the U.S. "One Big Beautiful Bill Act" Energy Provisions on Minnesota* (Jul. 1, 2025).

¹¹ *Id.*

My testimony seeks to provide insight into the affordability—or unaffordability—of utility rates so the Commission can weigh those considerations in its decision.

Q10. What has the Company stated in this Application regarding bill affordability?

A10. There are several mentions of affordability throughout the Company's Application. Most notably, Company Witness Nora Lindgren provides an overview of "Customer Affordability" in her testimony, and states that "maintaining affordability, or the ability of customers to pay for the cost of electric service used, is a primary consideration for the Company and factors into all aspects of [its] service to customers."¹² She describes customer affordability as being related to "a household's energy costs in relation to gross household income," what has historically been termed "energy burden."¹³

Witness Lindgren goes on to state that energy is typically considered affordable if a household spends no more than six percent of gross income on utility bills.¹⁴ She also explains that affordability must be measured as a holistic variable, taking into account "not only . . . the total bill, but also customer income, expenses, and overall obligations."¹⁵

Witness Lindgren acknowledges the lasting impacts of the COVID-19 pandemic on energy affordability, which included "lost wages if workplaces were closed and increased costs related to supply chain issues and inflation for necessary items including housing and groceries."¹⁶ She goes on to describe how inflationary pressures have not abated and continue to present affordability challenges that disproportionately impact communities of color in the Company's service territory.¹⁷

Q11. Do you agree with Witness Lindgren's description of energy affordability?

A11. Generally, yes. Energy burden, or the percentage of household income devoted to utility expenses, is a fairly consistent indicator of affordability. It is important to note that the six percent figure Witness Lindgren cites as the threshold for determining affordability is not just for electricity service, but for all energy costs combined,

¹² *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Xcel Exhibit ___, Lindgren Direct Testimony (NCL-1) at 22 (Nov. 1, 2024) (hereinafter "NCL-1, Lindgren Direct").

¹³ *Id.*; see also Schedule 6 (ALF-D-6): *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-21-630, Direct Testimony of Dr. Gabriel Chan at 16-17 (Oct. 3, 2022) (defining "energy burden") (hereinafter "Schedule 6 (ALF-D-6): Direct Testimony of Dr. Gabriel Chan").

¹⁴ NCL-1, Lindgren Direct at 22; see also Schedule 7 (ALF-D-7): ARIEL DREHOBL, LAUREN ROSS, & ROXANA AYALA, ACEEE, HOW HIGH ARE HOUSEHOLD ENERGY BURDENS? at ii, n. 1 (Sep. 2020) (explaining that a household energy burden of 6 percent is considered high, while energy burdens of 10 percent or more are considered severe).

¹⁵ NCL-1, Lindgren Direct at 23.

¹⁶ *Id.* at 33 – 34.

¹⁷ *Id.* at 34.

1 excluding transportation.¹⁸ This includes any heating expenses a household might
2 have, such as for natural gas, propane, or delivered fuels. Unless a customer has
3 electric heating, the appropriate affordability threshold for electricity service, alone, is
4 somewhere below that six percent. For example, the Company's PowerON program
5 sets its percentage-of-income payments at three percent of household income.¹⁹

6 I also agree with Witness Lindgren's acknowledgement that other factors must be
7 considered in tandem with energy burden to paint an accurate picture of utility
8 affordability. There may be other expenses or obligations that reduce a household's
9 ability to pay. For example, as household size increases, so do expenses for food,
10 clothing, and other necessary expenditures. Medications, rent, taxes, and debt
11 payments are all similar forms of non-discretionary spending that could reduce the
12 amount of income that is available to spend on utilities.

13 **Q12. Can you please expand on how these other expenses might impact affordability?**

14 A12. Unfortunately, many households around the United States and in Minnesota cannot
15 comfortably afford basic necessities. In a poll conducted by the U.S. Census Bureau in
16 the second half of 2024, an estimated 59 percent of Minnesota households
17 experienced difficulty paying for usual household expenses.²⁰ That statistic rose to 68
18 percent for households earning less than \$75,000 each year.²¹ Faced with these
19 affordability challenges, households are forced to prioritize where their limited funds
20 will be spent. That same poll found that 23 percent of Minnesota households—and 46
21 percent of households with incomes under \$25,000—reduced or went without basic
22 household necessities like food or medicine to pay energy bills.²² Thirty-six percent of
23 these low-income households kept their homes at temperatures they felt were unsafe
24 or unhealthy to try and keep utility costs down.²³

25 These statistics are reflected in public comments filed in the present docket. As one
26 Xcel customer complained, "I have health issues and have had to stop going to doctor
27 appointments because it's either pay to heat my house and have electricity or be able

¹⁸ See MINN. DEPT OF COMMERCE, ENERGY POLICY AND CONSERVATION QUADRENNIAL REPORT, 2024 at 152 (Jul. 1, 2024), <https://mn.gov/commerce-stat/energy/EnergyPolicyandConservationQuadrennialReport2024.pdf> (stating that energy burden "combin[es] the burden accruing from the electrical load and the burden accruing from heating sources, but not including the burden from transportation energy").

¹⁹ *In the Matter of the Petition of Northern States Power Company for Approval of a Modification to the Company's Low Income Discount Program*, Docket No. E-002/M-04-1956, 2024 Annual Report at 8 (Dec. 2, 2024).

²⁰ U.S. Census Bureau, *Phase 4.2 Cycle 09 Household Pulse Survey: Aug. 20 – Sep. 16, Spending Table 1, Tab MN* (Oct. 3, 2024), <https://www.census.gov/data/tables/2024/demo/hhp/cycle09.html>.

²¹ *Id.*

²² U.S. Census Bureau, *Phase 4.2 Cycle 09 Household Pulse Survey: Aug. 20 – Sep. 16, Housing Table 4, Tab MN* (Oct. 3, 2024), <https://www.census.gov/data/tables/2024/demo/hhp/cycle09.html>.

²³ *Id.*

1 to afford medical copays and medication for my degenerative condition.”²⁴ This
2 customer reports having income just above the threshold to qualify for Energy
3 Assistance and utility affordability programs. Numerous other comments report
4 similar concerns about customers’ ability to pay for electricity service.

5 When households are confronted with these impossible choices, they are more likely
6 to be driven towards predatory financing. The Pew Charitable Trust found 69 percent
7 of borrowers turned to high-interest loans to pay everyday expenses such as utilities.²⁵
8 These loans exacerbate the affordability crisis by requiring extremely high interest
9 payments that can further compound debts and “increase households’ difficulty in
10 paying . . . utility bills.”²⁶

11 These statistics illustrate that “ability to pay” can be subjective and difficult to measure.
12 However, I consider bills to be clearly unaffordable if a household can pay them only
13 after giving up food or medicine, or turning to predatory financing options to keep the
14 lights on.

15 **C. Affordability of Xcel Service**

16 **Q13. Can you provide an overview of the affordability of Xcel electric service,**
17 **specifically?**

18 A13. Customers who do not pay their bill in full each month will start to build up past-due
19 balances, or arrears. The Company’s residential arrears substantially increased during
20 the COVID-19 pandemic and have remained consistently higher than historical levels
21 ever since. Xcel reports this data in Docket No. E,G-999/PR-YR-02 on a monthly basis,
22 but combines the arrears of its gas and electric customers. Total residential arrears
23 reported by Xcel for each month of 2024 average double (\$89.15 million) what they
24 were in 2019 (\$44.98 million).²⁷

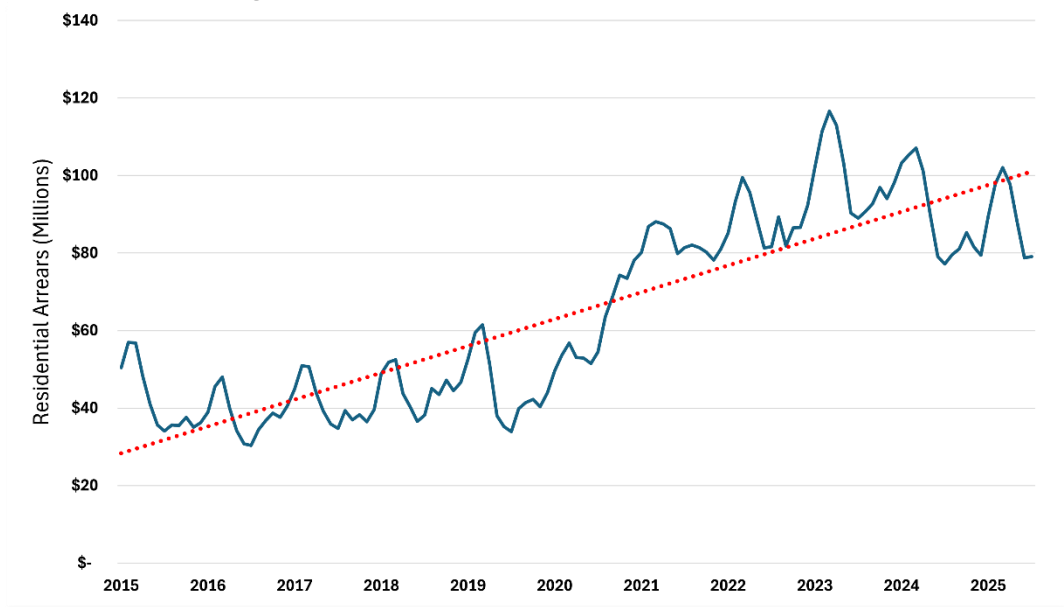
²⁴ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Public Comment of Ann K. Brady (Feb. 19, 2025).

²⁵ THE PEW CHARITABLE TRUSTS, *Payday Lending in America: Who Borrows, Where They Borrow, and Why* 14 (Jul. 2012).

²⁶ *See, e.g.,* Brian Melzer, *The Real Costs of Credit Access: Evidence from the Payday Lending Market*, 126 QUARTERLY JOURNAL OF ECON. 517, 550 (Feb. 2011).

²⁷ *See generally* Schedule 5 (ALF-D-5): Data Compilation of Cold Weather Rule and Residential Customer Status Reports filed in Dockets Nos. E,G-999/PR-YR-02 and E,G-999/CI-20-375 (hereinafter “Schedule 5 (ALF-D-5)”).

Figure 1: Xcel Residential Arrears, 2015 – 2025²⁸



As evidenced in Figure 1, Xcel's total residential customer arrears peaked at \$116 million in March of 2023. Though arrears have come down somewhat since then, they remain stubbornly high.

Q14. What are the causes of these rising arrears?

A14. I agree with Witness Lindgren's characterization of economic factors contributing to the rise in arrears since 2020:

Affordability challenges experienced in the acute phase of the COVID-19 pandemic, lasting from 2020 to early 2022, impacted communities and customers across the United States. The macroeconomic conditions resulting from pandemic era restrictions created increased affordability challenges for our customers, which, in some instances, included lost wages if workplaces were closed and increased costs related to supply chain issues and inflation for necessary items including housing and groceries.

While unemployment has abated in several ways, inflationary pricing for necessities, groceries and housing has not, which continues to present challenges for customers around energy affordability. The disparate impact of these challenges across demographic variations in census block groups throughout the Company's territory were

²⁸ Schedule 5 (ALF-D-5).

1 highlighted in the media and discussed with Commission staff during
2 the summer of 2024.²⁹

3 In addition to these external factors, the Company's 2021 rate case increased
4 electricity expenses substantially for customers in Xcel's service territory. The three-
5 year MYRP resulted in authorized net increases of \$101 million in 2022, \$193 million
6 in 2023, and \$316 million in 2024.³⁰ The imposition of these costs further accentuated
7 the economic and labor challenges brought about by the COVID-19 pandemic.

8 **Q15. Is the increase in Xcel's residential arrears caused by more customers falling**
9 **behind on bills, or are greater past-due balances being carried by those**
10 **customers who are in arrears?**

11 A15. The rise in total arrears appears to be primarily driven by greater past-due balances,
12 though the number of customers who are behind on their bills has also increased.
13 Between 2019 and 2023, the average number of past-due residential customers
14 reported by Xcel grew by approximately 11 percent before dropping slightly in 2024.³¹
15 However, the average past-due balance carried by these customers increased even
16 more dramatically, from \$240 in 2019 to \$540 in 2023.³² While there was a modest
17 reduction in 2024, the average past-due balance was still roughly \$500, or more than
18 twice what it was pre-pandemic.

19 This data appears consistent with evidence of increasing inequality in the broader
20 United States economy.³³ In this context, many of Xcel's customers continue to be able
21 to pay their bill in full, but more households are coming up short, and households that
22 were previously struggling to pay have fallen much farther behind.

23 **Q16. How do arrears affect customers?**

24 A16. If customers are behind on utility payments, they could have their electricity service
25 disconnected. Over the past several years, we have seen an astonishing increase in
26 the number of customers disconnected from service throughout Minnesota, with

²⁹ NCL-1, Lindgren Direct at 34 (internal citations omitted).

³⁰ *In the Matter of the Application of Northern States Power Company dba Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, Docket No. E002/GR-21-630, Final Rates Compliance at 1 (Oct. 17, 2023).

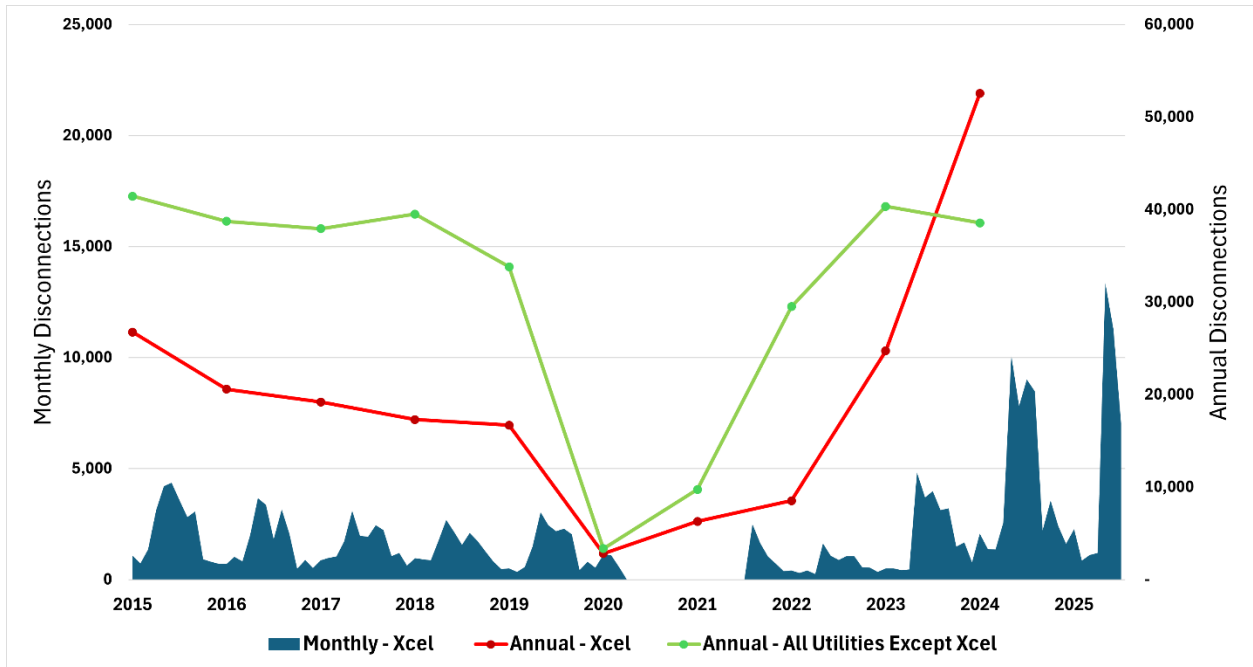
³¹ See generally Schedule 5 (ALF-D-5) (showing that the average number of customers in arrears on an annual basis was 166,511 in 2019, 185,529 in 2023, and 178,510 in 2024).

³² *Id.*

³³ See, e.g., JONATHAN HEATHCOTE ET AL., FED. RESERVE BANK OF MINNEAPOLIS AND CEPR, MORE UNEQUAL WE STAND? INEQUALITY DYNAMICS IN THE UNITED STATES, 1967-2021 at 43 (Aug. 2023), <https://www.minneapolisfed.org/research/sr/sr648.pdf> (finding that "households in the top 10% of the income distribution experienced significant gains in income and wealth, relative to households in the middle of the income distribution"); CONG. BUDGET OFF., TRENDS IN THE DISTRIBUTION OF FAMILY WEALTH, 1989 TO 2022 (Oct. 2024), <https://www.cbo.gov/publication/60807> (finding that families in the top 10 percent of the income distribution held 60 percent of all wealth, while families in the bottom half of the distribution held 6 percent); Jeff Horwich, *Lower Income, Higher Inflation? New Data Bring Answers at Last*, FED. RESERVE BANK OF MINNEAPOLIS (Oct. 7, 2024), <https://www.minneapolisfed.org/article/2024/lower-income-higher-inflation-new-data-bring-answers-at-last> (noting that low-income households have experienced roughly 10 percent higher inflation over time than higher-income households).

more than 91,000 households involuntarily disconnected in 2024.³⁴ Xcel carried out 58 percent of those disconnections, more than all other rate-regulated utilities—both gas and electric—combined.³⁵ Further, while other utilities have exhibited a slight decrease in the number of involuntary disconnections carried out over the course of the past year, the Company’s involuntary disconnections have continued to rise sharply.³⁶

Figure 2: Monthly and Annual Involuntary Disconnections³⁷



³⁴ See *In the Matter of Recent Utility Cold Weather Rule Data*, Docket No. E,G-999/PR-24-2, Comments of the Citizens Utility Board of Minnesota and the Legal Services Advocacy Project at 2 (Jan. 31, 2025).

³⁵ See *In the Matter of Recent Utility Cold Weather Rule Data*, Docket No. E,G-999/PR-24-2, Xcel Energy December 2024 Residential Customer Status Report (Jan. 17, 2025) (reporting a total of 52,549 involuntary disconnections of residential customers by Xcel, or 57.7 percent of the 91,104 disconnections carried out by all rate-regulated utilities); see also Schedule 5 (ALF-D-5).

³⁶ The data captured in Schedule 5 (ALF-D-5) and presented in Figure 2 includes both gas and electric service disconnections. Xcel reports these figures together in its monthly filings in Docket No. E,G-999/PR-YR-02. As explained by the Company, “[a]pproximately 94% of Xcel Energy’s Minnesota customers are electric or combined gas and electric customers,” and the Company’s customer service system lacks the functionality to “track disconnects due [solely] to electric non-payment.” See *In the Matter of Xcel Energy’s 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, 2024 Annual Report, Part I, Att. E (Apr. 1, 2025). Nonetheless, the Company does report the number of heat- and non-heat affected electric customers disconnected each month who did not seek Cold Weather Rule protection. Based on this information, 51,911 of the 52,549 disconnections carried out by the Company in 2024—or 98.8 percent—were for customers receiving electric service. Similar statistics are applicable for 2023 (98.2 percent) and 2022 (95.5 percent). See *In the Matter of Recent Utility Cold Weather Rule Data*, Docket No. E,G-999/PR-YR-2, Xcel Energy December 2024 Residential Customer Status Report, Tab 2: Monthly Disconnections (Jan. 17, 2025); Xcel Energy December 2023 Residential Customer Status Report, Tab 2: Monthly Disconnections (Jan. 18, 2024); Xcel Energy December 2022 Residential Customer Status Report, Tab 2: Monthly Disconnections (Jan. 23, 2023).

³⁷ Schedule 5 (ALF-D-5).

As depicted in Figure 2, Xcel involuntarily terminated service to more households in 2024 than in any other year in recent history. The comparison is not even close.

- Utility shutoffs had been decreasing leading up to the COVID-19 pandemic. After the peacetime emergency and the moratorium on service disconnections ended, that trend reversed.
- In 2023, the Company carried out more disconnections (24,722) than in any year since 2016, and nearly reached its previous high of 26,757 shutoffs that was realized in 2015.
- In 2024, the Company disconnected **more than twice** as many residential customers (52,549) than during the previous year, and roughly double the number of disconnections conducted in 2015.³⁸

Xcel is on track to surpass those numbers in 2025.

- More than 37,000 customers were disconnected during the first seven months of 2025—an 8 percent increase from last year.³⁹
- After exceeding 10,000 monthly disconnections for the first time in May 2024, the Company surpassed this threshold twice already in 2025: 13,353 disconnections were completed in May, followed by 11,275 in June.⁴⁰ Since 2015, the six months in which Xcel reported the highest number of shutoffs are May, June, and July 2025 and May, July, and August 2024.⁴¹

Q17. How does the loss of electric service impact residential customers?

A17. The downstream effects of disconnections are numerous and can be devastating. In a recent docket on Xcel's service quality, a group of "Grid Equity Commenters" described the disconnection process as "send[ing] customers deeper into a cycle of poverty, making them . . . less likely to be able to pay their electricity bills."⁴² Electricity is necessary to provide lighting; run refrigerators, washers, driers, electric cooking appliances, and well pumps; and power medical devices. The loss of electricity could lead to food—or refrigerated medicine—going bad, leave households without a way to cook, or make it difficult launder clothes. It can prevent customers from adequately

³⁸ Schedule 5 (ALF-D-5); See also *In the Matter of Cold Weather Rule (CWR) Reports – Regulated Gas & Electric Companies*, Docket No. E,G-999/PR-23-2, Xcel Energy December 2023 Residential Customer Status Report (Jan. 18, 2024); Docket No. E,G-999/PR-24-2, Xcel Energy December 2024 Residential Customer Status Report (Jan. 17, 2025).

³⁹ *Id.*; see also *In the Matter of Recent Utility Cold Weather Rule Data*, Docket No. E,G-999/PR-24-2, Xcel December 2024 Residential Customer Status Report (Jan. 17, 2025) (reporting a total of 34,302 involuntary disconnections between January and July, 2024); Docket No. E,G-999/PR-25-2, Xcel Energy July 2025 Residential Customer Status Report (Aug. 19, 2025) (reporting 37,097 disconnections between January and July, 2025).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *In the Matter of Northern States Power Company d/b/a Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Reply Comments of the Grid Equity Commenters at 5 (Sep. 12, 2024).

1 heating and cooling their homes, leading to uncomfortable and unsafe living
2 conditions.

3 Dr. Gabriel Chan testified in the Company's last rate case that energy insecurity, or the
4 "inability to adequately meet basic household energy needs," is associated with
5 developmental delays, the onset of respiratory conditions, and mental health
6 diagnoses.⁴³ Other research indicates the lack of heating, cooling, and lighting serves
7 as a catalyst for social services investigations.⁴⁴ A shutoff may make it difficult for an
8 individual to attend work or school, and may require affected families to postpone
9 scheduled medical care or other appointments.

10 **Q18. Has Xcel taken steps to address these affordability challenges?**

11 A18. Yes, the Company has taken some steps to try to address this situation. As Witness
12 Lindgren discusses, the company offers assistance programs like the "PowerON
13 Electric Affordability program (PowerON), Medical Affordability Program (MAP), Gas
14 Affordability Program (GAP), and the Electric Low-Income Discount, as well as the new
15 Low-Usage Affordability Credit."⁴⁵ Witness Lindgren further discusses Xcel's efforts to
16 connect qualified customers with resources, and a new "automatic enrollment
17 pathway for GAP participants" to receive both gas and electric assistance.⁴⁶ Further,
18 Witness Lindgren discusses how the Company is conducting an Automatic Bill Credit
19 ("ABC") Pilot program and has undertaken various other efforts to reach and support
20 customers facing affordability challenges.⁴⁷

21 Additionally, In Docket No. E-002/M-24-27, CUB and the Energy CENTS Coalition ("ECC")
22 worked with Xcel to come to agreement on a set of improved policies and practices
23 related to down payments, payment agreements, and disconnection.⁴⁸ During that
24 proceeding, CUB and ECC raised concerns with Xcel's then-current policy of requesting
25 customers to pay down 50 percent of their past-due balance as a condition of either
26 retaining service after receiving a disconnection notice or reconnecting service after a
27 disconnection.⁴⁹ The Company ultimately agreed to lower its down payment request
28 to 10 percent for the first payment plan, after which the amount would gradually

⁴³ Schedule 6 (ALF-D-6): Direct Testimony of Dr. Gabriel Chan at 16-17 (quoting Diana Hernández, *What 'Merle' Taught Me About Energy Insecurity and Health*, 37 HEALTH AFFAIRS (2018).

⁴⁴ NAACP, Env't & Climate Justice Program, *Lights Out in the Cold: Reforming Utility Shut-Off Policies as if Human Rights Matter* 8 (Mar. 2017), <https://naacp.org/resources/lights-out-cold>; see also Minn. Dept. of Human Services, The Structured Decision Making System for Child Protective Services at 10 (Oct. 2018), https://mn.gov/dhs/assets/MN%20DHS%20SDM%20Policy%20and%20Proceudre%20Manual%20October%202018_tcm1053-354385.pdf (noting that a lack of utilities is a factor that may render a child's living conditions as hazardous and immediately threatening).

⁴⁵ NCL-1, Lindgren Direct at 23-24.

⁴⁶ *Id.* at 24.

⁴⁷ See generally *id.* at 22-35.

⁴⁸ *In the Matter of Northern States Power Co. d/b/a Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Reply Comments of the Joint Commenters (Sep. 12, 2024).

⁴⁹ *Id.*; see also *In the Matter of Northern States Power Co. d/b/a Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Reply Comments of the Joint Commenters (Jun. 24, 2024).

1 increase for each subsequent arrangement.⁵⁰ Lower down payments are requested
2 from customers facing “extenuating circumstances.” The Commission approved this
3 rubric in its Order Accepting Reports and Setting Additional Requirements issued on
4 January 13, 2025.⁵¹ Xcel further agreed—and the Commission affirmed—that
5 additional flexibility would be extended to customers as needed to account for
6 individual households’ financial circumstances, as required by Minn. Stats. §§
7 216B.096 and 216B.098.⁵²

8 In that proceeding, Xcel also agreed to—and the Commission approved—a minimum
9 \$300 past-due balance before disconnection is allowed, an extended notice period
10 prior to disconnection, and to conduct additional outreach to encourage enrollment
11 in affordability programs that reduce bad debt, such as PowerON.⁵³ These offerings
12 can provide meaningful and long-term relief to customers that struggle to pay their
13 energy bills.

14 Further, at the Commission’s direction, Xcel will soon reconnect service to
15 disconnected customers during periods of extreme heat or unhealthy air quality.⁵⁴

16 We appreciate the steps that Xcel has taken and its willingness to work through these
17 issues with CUB. That said, these actions alone are insufficient to resolve the
18 significant affordability problems facing Xcel ratepayers.

19 **Q19. What do these affordability challenges mean for the Company’s rate increase**
20 **request?**

21 A19. As described above, evidence indicates that residential ratepayers of Xcel are facing
22 substantial affordability challenges, which are likely to be exacerbated in the coming
23 years due to federal policy changes. Any rate increase will further deepen these
24 challenges.

25 In this context, the Commission must be especially careful in considering the
26 Company’s requested rate increase. The Commission should seek every reasonable
27 opportunity to reduce Xcel’s total revenue requirement to avoid compounding these
28 affordability issues. The Commission must develop just and reasonable rates that
29 weigh customers’ ability to pay against the Company’s need for revenue, while

⁵⁰ *Id.* at 3.

⁵¹ *In the Matter of Northern States Power Company d/b/a Xcel Energy’s 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Xcel Energy Reply Comments at 12 (Sep. 12, 2024); Order Accepting Reports and Setting Additional Requirements at 6 (Jan. 13, 2025).

⁵² *In the Matter of Northern States Power Company d/b/a Xcel Energy’s 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Xcel Energy Reply Comments at 12 (Sep. 12, 2024); Order Accepting Reports and Setting Additional Requirements at 6 (Jan. 13, 2025).

⁵³ *In the Matter of Northern States Power Company d/b/a Xcel Energy’s 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 5-7 (Jan. 13, 2025).

⁵⁴ *In the Matter of Northern States Power Company d/b/a Xcel Energy’s 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, Commission Order (Jul. 25, 2025).

1 allowing for the continued provision of adequate and reliable service. The Commission
2 should further seek opportunities to provide targeted relief to energy-burdened
3 customers.

4 IV. RECONNECTION FEES

5 Q20. What are Minnesota's current rules on reconnection fees?

6 A20. Minnesota allows utilities to charge reconnection fees for most valid disconnections,
7 except for those that are necessary to prevent hazardous conditions.⁵⁵ If charged,
8 reconnection fees are to be based on the cost of reconnection as captured in the
9 utility's tariffs.⁵⁶

10 Q21. Does the Company charge reconnection fees?

11 A21. Yes. After a customer's electricity has been disconnected for nonpayment or any
12 permissible reason listed under Minnesota Rule 7820.1000, the Company will charge
13 a reconnection fee prior to resuming service.⁵⁷

14 Q22. Can you please explain what the Company charges for reconnection?

15 A22. Residential reconnection charges vary based on whether the household has advanced
16 metering infrastructure ("AMI") installed or not. Households with AMI are charged
17 \$13.50 to reconnect service. Households "opting for Manual Metering Reading
18 Service" are currently charged a reconnection fee of \$50. Effective January 1, 2026, the
19 reconnection fee for these households will increase to \$95.⁵⁸

20 Q23. Does the Company provide any testimony on these reconnection expenses?

21 A23. As far as I can tell, the Company does not discuss these expenses in rate case
22 testimony except to state they are included in the MYRP forecast.⁵⁹ However, the
23 Commission required Xcel to consider whether to eliminate reconnection fees in its
24 Order on the Company's 2023 Annual Safety, Reliability, and Service Quality ("SRSQ")
25 Report.⁶⁰ The Company subsequently discussed waiving reconnection fees in its 2024
26 SRSQ Report.⁶¹

⁵⁵ Minn. R. 7820.2600.

⁵⁶ *Id.*

⁵⁷ Northern States Power Minnesota Electric Rate Book, Section 6, 5th Revised Sheet No. 3.

⁵⁸ *Id.*

⁵⁹ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Xcel Exhibit ___, Halama Direct Testimony (BCH-1) at 43 (Nov. 1, 2024) (hereinafter "BCH-1, Halama Direct").

⁶⁰ *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13 (Jan. 13, 2025).

⁶¹ *In the Matter of Xcel Energy's 2024 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-25-27, Annual Report – Part 3 at 107 (Apr. 1, 2025).

Q24. How much would it cost to waive reconnection fees?

A24. The Company estimates that it would cost approximately \$485,000 per year to waive reconnection fees.⁶²

Q25. How would the Company recover those costs if reconnection fees are eliminated?

A25. The Company proposes removing the expenses from its rate case and raising base rates by the same amount to cover the costs of reconnection.⁶³ This would cost the typical residential customer approximately \$0.40 per year, or about \$0.03 per month.⁶⁴

Q26. Do you believe it's reasonable to eliminate reconnection fees?

A26. Yes, I do. Reconnection fees make it harder for customers to regain access to electricity service and can prolong the negative effects of disconnection by adding to a customers' already significant arrears. Eliminating reconnection fees will make restoration of service more affordable for households and could reduce barriers for customers to enter into agreements for the payment of arrears, as funds that would otherwise have gone toward paying the reconnection fee could be used instead to pay down past-due balances.

Q27. Do any other states limit reconnection fees for residential customers?

A27. Yes, several states impose such limitations. In 2024, Maine enacted legislation requiring its Public Utilities Commission to adopt rules governing electricity and natural gas service disconnections.⁶⁵ As part of that legislation, the PUC was directed to prohibit utilities from charging low-income customers (1) a restoration or reconnection fee; (2) a security deposit for the restoration of service; or (3) late fees that accrued prior to disconnection.⁶⁶ The Commission thereafter amended its rules to implement these protections for customers participating in low-income assistance or arrearage management programs.⁶⁷

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ Schedule 8 (ALF-D-8): Resolve, to Direct the Public Utilities Commission to Adopt Rules Regarding Utility Shut-Offs, Me. Legis., L.D. 1962 (131st Legis. 2024).

⁶⁶ *Id.*

⁶⁷ Schedule 9 (ALF-D-9): *Amendments to Consumer Protection Standards for Electric and Gas Transmission and Distribution Utilities (Ch. 815)*, Docket No. 2023-00323, Me. Public Util. Comm'n., Order Amending Rule and Statement of Factual and Policy Basis at 36-37 (Aug. 13, 2024); Schedule 10 (ALF-D-10): *Rulemaking Amendments to Late Payment Charges, Interest Rates to be Paid on Customer Deposits, and Charges for Returned Checks (Ch. 870)*, Docket No. 2024-00288, Me. Public Util. Comm'n., Order Amending Rule and Factual and Policy Statement at 6 (Feb. 19, 2025).

1 Maryland also prohibits reconnection fees for customers who are eligible to
2 participate in the state’s energy assistance and cold weather protection programs, so
3 long as their arrearage balance is \$400 or less.⁶⁸

4 Oregon recently enacted a rule which prevents electric and natural gas utilities from
5 charging low-income customers a fee for their first reconnection each year, or their
6 first two reconnections if the utility can remotely restore service.⁶⁹

7 The New Jersey Legislature recently passed a bill that prohibits utilities from
8 disconnecting the service of eligible customers between June 15 and August 31.⁷⁰ As
9 part of these protection measures, utilities are required to reconnect service to
10 qualifying households on June 15 of each year, and no reconnection fee can be
11 charged.⁷¹ Customers are eligible for these protections if they receive benefits from
12 various income-limited assistance programs or are unable to pay for utility service due
13 to circumstances beyond their control.⁷²

14 Lastly, in 2021, the Kentucky Public Service Commission found that reconnection
15 fees—together with other non-recurring charges—make it more difficult for
16 customers to pay for utility service, thereby increasing bad debt expense, reducing
17 utility income, and increasing the cost of service to other customers.⁷³

18 **Q28. What is your recommendation on how the Commission should treat**
19 **reconnection fees?**

20 A28. The Commission should eliminate reconnection fees for residential customers.

21 **Q29. Do you find it reasonable to recover reconnection costs through base rates?**

22 A29. I do. Eliminating reconnection fees will result in an extremely modest (approximately
23 \$0.03) increase in monthly bills while providing meaningful relief to those ratepayers
24 who need it most.

25 **Q30. Do you recommend reconnection fees be eliminated for income-qualified**
26 **customers, only, or for all residential customers?**

27 A30. I recommend reconnection fees be eliminated for all residential customers.
28 Regardless of income, any customer who has fallen far enough behind on utility bills
29 for a long enough period to face service disconnection can be assumed to face
30 challenges affording their bill. This includes many customers whose household

⁶⁸ Md. Admin. Code 20.31.05.08.

⁶⁹ Or. Admin. Code § 860-021-0330.

⁷⁰ N.J. Legis. Assemb., A5563, “Summer Termination Program,” Reg. Sess. 2024-2025 (2025).

⁷¹ *Id.*

⁷² Circumstances that may qualify customers for protection include, but are not limited to, unemployment, illness, medical expenses, death of a family member, and any other situations, as determined by the New Jersey Board of Public Utilities.

⁷³ Schedule 11 (ALF-D-11): *In the Matter of the Electronic Application of N. McLean Cnty. Water Dist. for an Alternative Rate Adjustment*, Case No. 2020-00238, Kentucky Public Service Commission Order at 7 (Jan. 27, 2021).

1 income falls above the qualification criteria for affordability programs, like Ms. Brady,
2 whose comment was cited above, and several others who have submitted public
3 comments in this proceeding.⁷⁴

4 Further, including an income qualification will likely result in significant under-
5 inclusion of eligible customers. The utility is unaware of household income for the
6 majority of its customers.⁷⁵ While the Company knows whether a household's income
7 was verified to meet the eligibility thresholds for LIHEAP, enrollment in this or other
8 income-qualified programs is an imperfect indicator of which households would
9 qualify for waived reconnection fees under an income-qualified approach. Historically,
10 LIHEAP has served less than a quarter of eligible customers across the state; the threat
11 of federal cuts means this program could shrink or be eliminated altogether.⁷⁶
12 Alternative eligibility options are currently being considered for utility affordability
13 programs in Docket No. E,G-999/CI-25-281, but not all income-eligible households will
14 seek or gain enrollment, no matter the income-verification process employed.

15 **V. LATE PAYMENT FEES**

16 **Q31. Does the Company's initial filing include information on the late payment fees**
17 **collected by the utility?**

18 A31. Yes. The Company provides a summary estimating the aggregate amount of late fees
19 expected to be recovered from residential customers in the 2025 Test and 2026 Plan
20 Years. According to that analysis, the Company anticipates collecting \$6.1 million in
21 late payments in 2025 and \$5.8 million in 2026.⁷⁷ Witness Lindgren confirms these
22 figures in her supplemental testimony.⁷⁸

⁷⁴ See *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Public Comments of Ann K. Brady (Feb. 19, 2025) (stating she is “just over the amount to qualify for energy assistance” and has gone without doctors’ appointments and medication in order to pay for electricity); Douglas Hughes (Jan. 8, 2025) (noting that he is on a fixed income and makes \$85 too much to qualify for assistance, yet can still barely afford food and medicine); Laura Bodertha (Jan. 13, 2025) (explaining that her family is not eligible for assistance and that the proposed increase would amount to more than a months’ worth of groceries annually); Kelly Kilbride (Jan. 9, 2025) (stating that she makes too much to qualify for assistance but not enough to replace inefficient windows and appliances).

⁷⁵ NCL-1, Lindgren Direct at 25-26.

⁷⁶ Nat’l Energy & Utility Affordability Coalition, Minnesota LIHEAP FY2023 Profile (last accessed Jul. 28, 2025), <https://neuac.org/wp-content/uploads/2025/03/Minnesota-State-Sheet-2025.pdf>.

⁷⁷ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Application for Authority to Increase Electric Rates in Minnesota, Volume 4 Workpapers, Section IV, R4. Other Revenue at 2 (Nov. 1, 2024).

⁷⁸ *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in the State of Minnesota*, PUC Docket No. E-002/GR-24-320, OAH Docket No. 28-2500-40515, Xcel Exhibit ___, Lindgren Supplemental Direct (NCL-2) at 4 (Mar. 17, 2025) (hereinafter “NCL-2, Lindgren Supplemental”).

1 **Q32. Does Xcel provide an overview of how and when those late fees are assessed**
2 **against residential customers?**

3 A32. While none of Xcel's witnesses discuss when or how late payment fees are applied to
4 customers' accounts, the Company's Minnesota Electric Rate Book details this
5 information. As reflected in Section 3.6 of the Company's General Rules and
6 Regulations, a "late payment charge of 1.5% or \$1.00, whichever is greater, will be
7 added to the unpaid balance two working days after the due date or as allowed by
8 law" and is applied to unpaid balances of \$10.00 or more.⁷⁹

9 **Q33. Is the Company required to charge a late payment fee?**

10 A33. No. The Company's late payment fee of 1.5 percent monthly, or 18 percent annually,
11 is set at the maximum amount allowable under Minnesota Rule 7820.5500. The
12 language of this rule states that utilities may not impose fees *greater* than 1.5 percent
13 per monthly billing cycle. It does not place any restrictions on assessing late payment
14 fees below this threshold or eliminating them altogether.

15 **Q34. How has the Company proposed to address late fees?**

16 A34. The Company was ordered in Docket No. E-002/M-24-27 to file supplemental direct
17 testimony discussing "a program similar to its offering in Colorado where interest
18 payments and fees from late bill payments are donated to low-income customer
19 assistance programs or the elimination of late fees and interest."⁸⁰ In response,
20 Witness Lindgren proposes to use residential late payment fees to fund a new low-
21 income offering—the Residential Arrears Management Program ("RAMP")—focused
22 on addressing customers' arrearage balances.⁸¹ Witness Lindgren does not provide
23 any discussion of whether the Company should eliminate late fees.

24 **Q35. How is the Residential Arrears Management Program designed?**

25 A35. Under the Company's proposal, a pre-determined benefit amount would be applied
26 to eligible customers' arrearage balances "to mitigate credit activity and potential
27 disconnection of service."⁸² The amount customers receive through the program
28 would fluctuate year to year. The Company proposes to calculate benefits as follows:

29 The Company would propose to calculate the total amount of
30 residential late payment fees and divide that total by the number of
31 customers who have an account with Xcel Energy in the State of
32 Minnesota, and meet the established enrollment criteria for RAMP, to

⁷⁹ XCEL ENERGY, MINNESOTA ELECTRIC RATE BOOK: GENERAL RULES AND REGULATIONS, Section 3.6, Sheet 6-16 (effective Aug. 14, 2024).

⁸⁰ *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Order Accepting Reports and Setting Additional Requirements at 13, Order Point 33 (Jan. 13, 2025).

⁸¹ NCL-2, Lindgren Supplemental at 3.

⁸² *Id.*

determine the maximum lump sum benefit amount that customers receive.⁸³

Q36. What are the eligibility criteria for the program?

A36. Residential customers that satisfy the following criteria are eligible to participate in RAMP so long as funds remain available. Customers must:

- (1) Have an active Xcel Energy account in the State of Minnesota;
- (2) Self-attest that income is at or below 80 percent of the established Area Median Income (“AMI”) for their county of residence;
- (3) Have not qualified for or received Energy Assistance Program benefits from the Department of Commerce; and
- (4) Have a past due balance of \$300 or more.⁸⁴

Q37. What are your initial reactions to the Company’s RAMP proposal?

A37. First, I want to note that well-designed affordability programs can play an essential role in helping households lower energy burdens and pay down past due balances. There are several elements of Xcel’s proposal that are commendable, including the use of self-attestation to verify income eligibility, which helps to streamline program access. The 80 percent AMI threshold is also higher than what has historically been used for Energy Assistance and aligns with the “low-income household” definition employed for Minnesota utilities’ Energy Conservation and Optimization (“ECO”) programs.⁸⁵ This expands the number of customers eligible to receive benefits and includes households that might not qualify for other assistance resources. However, despite these positive elements, the Company’s RAMP proposal employs a circular approach that places the burden of funding the program on the same customers that are likely to receive benefits.

Q38. Can you explain the “circular approach” that you mentioned?

A38. The Company has proposed to fund the RAMP program through the late fee revenues it collects from customers. There is a significant degree of overlap between customers paying late fees and those that would qualify for this affordability program or other assistance resources. In fact, being assessed late fees appears to be a prerequisite for program eligibility: to enroll in RAMP, customers must have a past due balance of at least \$300.⁸⁶ Late fees assessed against those arrears would contribute to funding RAMP benefits. In other words, the Company is proposing to take customers’ money

⁸³ *Id.* at 5.

⁸⁴ *Id.* at 3.

⁸⁵ See Minn. Stat. § 216B.2402, Subd. 16.

⁸⁶ NCL-2, Lindgren Supplemental at 3.

1 through late fees and then give a portion of those same dollars back through the
2 program after accounting for program administration costs.⁸⁷

3 **Q39. In light of this concern, do you support moving forward with RAMP?**

4 A39. No, I do not. Xcel already has a variety of income-eligible programs. Rather than adding
5 a new program—with its own administrative costs, oversight requirements, and a
6 unique set of qualifications that the Company's customer service staff must
7 understand—I believe it would be better to focus on reducing customer costs to
8 directly address energy unaffordability.

9 **Q40. What do you recommend instead?**

10 A40. I recommend that the Commission eliminate late payment charges for the Company's
11 residential customers.

12 **Q41. Please explain the reasoning behind your recommendation.**

13 A41. I have two primary concerns with Xcel's approach to late fees. First, the late fee
14 percentage assessed against customers is debilitatingly high when aggregated over
15 any length of time.

16 Second, late fees add additional costs to customers' bills and put them further behind
17 in arrears. This amounts to millions of dollars being added each year to what
18 customers must pay to continue receiving utility service.⁸⁸ In this way, late fees
19 function as a penalty against households that are already having difficulty paying their
20 bills. Saddling households that do not have the ability to pay for electricity with
21 additional costs only worsens affordability challenges.

22 **Q42. Are Xcel's late fees structured to recover the reasonable costs of unpaid bills to**
23 **the utility?**

24 A42. No. Despite Witness Lindgren's statement that "the late payment fees are, in essence,
25 interest charges,"⁸⁹ the rate charged to past-due customers is more than three times
26 higher than the rate that Xcel itself pays on past-due balances. In discovery, the
27 Company disclosed that the annual interest rate it pays is 5.3935%, or approximately
28 0.45% per month.⁹⁰ This suggests that simply recovering its own cost of interest is not
29 the Company's primary purpose in assessing late payment fees.

⁸⁷ See *id.* at 6 (stating the Company "anticipates a need of up to five percent of the late payment fee revenues to cover appropriate outreach, mailing, and staffing to administer the program").

⁸⁸ See Schedule 14 (ALF-D-14): Xcel Response to CUB IR 014; Schedule 15 (ALF-D-15): Xcel Response to CUB IR 014, Att. A; Schedule 16 (ALF-D-16): Xcel Response to CUB IR 014, Att. B (together, detailing the total dollar amount of late fees and the number of customers against whom late fees were assessed); Schedule 17 (ALF-D-17): Xcel Response to CUB IR 015.

⁸⁹ NCL-2, Lindgren Supplemental at 4.

⁹⁰ Schedule 21 (ALF-D-21): Xcel Response to CUB IR 021; Schedule 22 (ALF-D-22): Xcel Response to CUB IR 030.

At 1.5 percent per month (18 percent per year), Xcel's late fees have generally exceeded the average interest rate charged on credit card balances for decades.⁹¹ Even today, with credit card rates near 30-plus-year highs, these rates exceed the Company's late payment fees only marginally. Xcel is a regulated company granted a monopoly service territory in order to provide a vital public service, and it must demonstrate that its rates are just and reasonable. It is unreasonable to charge credit card-level late fees to customers already unable to afford their bills.

Q43. Do late payment fees have a significant impact on past-due customers?

A43. Yes. As discussed above and outlined in the Company's tariffs, a late fee of 1.5 percent is assessed against customers who are behind on their bills each month.⁹² If the customer is unable to pay their balance in full—including those fees—then each subsequent month they are behind will result in the late fee balance growing.⁹³

Late fees can amount to a significant portion of a customer's past due balance, sometimes adding up to thousands of dollars. For example, a customer who recently appealed a complaint with the Commission accumulated approximately \$3,000 in late fees, amounting to approximately 19 percent of their total past-due balance according to the Commission's Consumer Affairs Office.⁹⁴

Q44. Does evidence indicate that late payment fees spur more on-time payment of utility bills?

A44. I am not aware of any such evidence, and the Company does not provide any backing to support such a claim. In fact, the Company admits it is unaware whether late fees contribute to more timely payments, reduce residential arrears, or have any impact on bad debt.⁹⁵ The Company further admits it has not conducted any research on these questions.⁹⁶ As I describe further below, the Kentucky Public Service Commission concluded that late fees actually hamper customers' ability to timely pay.

Imposing a late payment fee will not change household financial circumstances. If a customer is already unable to afford utility service, then increasing the amount owed by assessing one or more late fees will only make it more difficult for that customer to pay down their past-due balance.

⁹¹ FED. RES. BANK OF ST. LOUIS, *Commercial Bank Interest Rate on Credit Card Plans* (last updated Jul. 8, 2025), <https://fred.stlouisfed.org/series/TERMCBCCALLNS> (reporting that the commercial bank interest rate on credit card plans has ranged from 11.82 percent to 21.76 percent since November, 1994).

⁹² XCEL ENERGY, MINNESOTA ELECTRIC RATE BOOK: GENERAL RULES AND REGULATIONS, Section 3.6, Sheet 6-16 (Effective Aug. 14, 2024).

⁹³ See generally Schedule 18 (ALF-D-18): Xcel Response to CUB IR 016 (showing that late fees are often not a one-time charge, and that thousands of customers are assessed late fees multiple times each year).

⁹⁴ *In the Matter of the Consumer Appeal of Consumer Complaint 86122*, Docket No. E002/C-25-308, CAO Case Record at 6 (Aug. 1, 2025).

⁹⁵ Schedule 19 (ALF-D-19): Xcel Response to CUB IR 018; Schedule 20 (ALF-D-20): Xcel Response to CUB IR 019.

⁹⁶ *Id.*

Q45. Are you aware of any other states or jurisdictions that prohibit the recovery of late payment fees from residential customers?

A45. Yes. Both Massachusetts⁹⁷ and New Jersey⁹⁸ prohibit rate-regulated utilities from imposing late payment fees on residential customers. New York is likewise considering legislation to implement such a prohibition.⁹⁹ Other states require that low-income customers be exempt from late payment fees.

Q46. Which states exempt low-income customers from late payment fees?

A46. Illinois statutorily prohibits late payment fees for all low-income customers.¹⁰⁰ While Montana does not expressly forbid late payment penalties, the state's universal system benefits program provides credits to utilities if they waive reconnection, application, or late payment fees for low-income households.¹⁰¹

Maine,¹⁰² Michigan,¹⁰³ and Ohio¹⁰⁴ also have protections in place to prevent the imposition of late fees against customers receiving assistance resources or enrolled in utility programs.

Q47. Have any public utilities commissions provided a rationale for why late payment fees should be reduced or eliminated?

A47. Yes, the Kentucky Public Service Commission ("KPSC") waived regulated utility late payment fees as part of the state's response to the COVID-19 pandemic.¹⁰⁵ KPSC later initiated an investigation on the effects of this waiver and, based on evidence submitted by multiple regulated utilities, determined that "late fees have little discernible effect on the timeliness of residential customer payments for utility service."¹⁰⁶ Timely payment rates stayed virtually the same—and in some cases even increased—after late payment fees were eliminated.¹⁰⁷

KPSC later stated the collection of late payment fees is "a purely punitive exercise that disproportionately affects those customers already unable to pay for service

⁹⁷ 220 Code of Mass. Reg. ("CMR") 26.01 – 26.10 (providing that service deposits and late payment charges can only be assessed against non-residential customers).

⁹⁸ N.J. Admin. Code § 14:3-7.1(e) (stating that a "utility shall not assess a late payment charge on a residential customer, or on a State, county or municipal government entity").

⁹⁹ N.Y. Legis. Assemb., A-7963, Reg. Sess. 2025-2026 (2025).

¹⁰⁰ 220 ILCS 5/8-201.8 (prohibiting the assessment of late payment fees, charges, or penalties against customers whose income is at or below 80 percent of area median income).

¹⁰¹ Mont. Admin. R. 42.29.107.

¹⁰² 65-407 C.M.R. Ch. 870 § 1(E) – (F), (J).

¹⁰³ Mich. Admin. Code R. 460.125(2).

¹⁰⁴ Ohio Admin. Code R. 4901:1-18-15(c).

¹⁰⁵ *In the Matter of an Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order of the Kentucky Public Service Commission (Mar. 16, 2020).

¹⁰⁶ Schedule 12 (ALF-D-12): *In the Matter of an Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order of the Kentucky Public Service Commission at 3 (Sep. 21, 2020).

¹⁰⁷ *Id.*

1 rendered,"¹⁰⁸ and makes it harder for payment-burdened households to afford utility
2 service:

3 [T]he addition of late fees, disconnect charges, and reconnect charges
4 to a bill for [utility] service makes it less likely customers who have
5 already failed to timely pay will be able to do so at all. Customers being
6 unable to pay at all increases the utility's bad debt expense, reduces
7 the utility's income and cash flow in that period, and ultimately
8 increases the cost of service for the remainder of customers.¹⁰⁹

9 **Q48. Please explain why you recommend eliminating all residential late payment fees**
10 **instead of just those assessed against low-income customers.**

11 A48. I recommend eliminating late payment fees for all customers for the same reasons
12 cited above regarding reconnection fees. As discussed, these fees negatively affect
13 payment-troubled customers regardless of household income. An income
14 requirement will likely result in under-inclusion of qualified households. Further, the
15 Company presents no evidence that late fees spur more timely payment of bills and
16 has failed to meet its burden to show these charges are reasonable.

17 In my assessment, the Company's imposition of late payment fees is a punitive
18 practice and should be eliminated for all residential customers.

19 **Q49. Do you have any alternative recommendations if the Commission does not**
20 **eliminate late payment fees?**

21 A49. Yes. Although my primary recommendation remains to eliminate late payment fees
22 for all residential customers, if the Commission ultimately decides to allow the
23 Company to continue to charge late fees, it should lower the charges assessed so they
24 align with the 5.3935 percent annual interest paid by the Company on residential
25 customer past-due balances.¹¹⁰ This results in a monthly late payment fee of
26 approximately 0.45 percent.

27 If the Commission wishes to apply late payment fees toward a program that supports
28 Xcel ratepayers, I still would not recommend approving RAMP. Rather than setting up
29 an entirely new program, late payment fee revenue would be better used to bolster
30 funding for the Company's PowerON program. This affordability offering is well-
31 designed, reduces energy burden to a percentage of household income, and provides
32 arrearage forgiveness for customers with past-due balances.

¹⁰⁸ Schedule 13 (ALF-D-13): *In the Matter of the Electronic Application of Hyden-Leslie Cty. Water District for an Alternative Rate Adjustment*, Case No. 2020-00141, Kentucky Public Service Commission Order at 22 (Nov. 6, 2020).

¹⁰⁹ Schedule 11 (ALF-D-11) at 7.

¹¹⁰ Schedule 21 (ALF-D-21); Schedule 22 (ALF-D-22).

VI. BAD DEBT TRACKER

Q50. Please describe the Company's proposal for a bad debt tracker.

A50. The Company is proposing to track its actual cost of bad debt and report this in an annual compliance filing. If the actual costs are less than the amount included in the Company's approved revenue requirement, the Company would provide a refund to ratepayers. If actual costs exceed the amount in the Company's revenue requirement, that amount would be deferred for later recovery.¹¹¹

Q51. What is the Company's rationale for this tracker?

A51. The Company believes a tracker is appropriate in light of the down payment reductions agreed to by Xcel, CUB, and ECC in Docket No. E-002/M-24-27.¹¹² As discussed above, the Company requests customers to pay down a percentage of their past-due balance as a condition of entering into a payment agreement. The Company has now reduced its initial down payment request from 50 percent to as low as 10 percent to make payment agreements more accessible to energy-burdened customers.¹¹³ However, the Company expects this policy "to create higher customer arrears and average balances in the residential class, thus increasing associated bad debt expense."¹¹⁴

Q52. Do you agree with this rationale?

A52. Not entirely. I am appreciative of Xcel's willingness to work with CUB and ECC to modify its disconnection and payment agreement policies. However, I think it is too early to conclude that more lenient payment agreements will negatively impact customer arrears, thereby increasing bad debt. I believe there is at least an equal chance that, facing unaffordable payment agreements, customers may simply cease to pay anything at all. When payment agreement terms are more affordable, customers may be more able to make timely payments on an ongoing basis, thus reducing bad debt expense. Such a result is in line with the Kentucky Public Service Commission's conclusion that "[c]ustomers being unable to pay at all increases the utility's bad debt expense, reduces the utility's income and cash flow in that period, and ultimately increases the cost of service for the remainder of customers."¹¹⁵

¹¹¹ BCH-1, Halama Direct at 119-120.

¹¹² *Id.* at 119.

¹¹³ *In the Matter of Xcel Energy's 2023 Annual Safety, Reliability, and Service Quality Report*, Docket No. E-002/M-24-27, Corrected Compliance Filing (Mar. 3, 2025).

¹¹⁴ NCL-1, Lindgren Direct at 35.

¹¹⁵ Schedule 11 (ALF-D-11) at 7.

Q53. Do you believe the bad debt tracker is reasonable?

A53. Yes. Regardless of how the changes in Xcel's down payment policies may affect the Company's bad debt expense, I believe allowing the Company to track and true-up this expense is consistent with ratepayers' interest. In general, ratepayer advocates tend to be wary of riders, trackers, and true-ups due to their tendency to "reduce[] . . . incentive[s] for cost control[,] . . . shift[] risk onto customers," and impede a holistic review of utility expenditures.¹¹⁶ Generally, I agree with these critiques. I believe that cost trackers should be used sparingly. However, in this narrow instance, I believe "reducing the incentive for cost control" is consistent with the public interest.

Allowing Xcel to recover actual bad debt expenses may make the Company less aggressive in its collection practices. As more fully captured in the record developed in Docket No. E002/M-24-27, CUB has had significant concerns about Xcel's treatment of past-due customers. Though the Company's new down payment policy represents progress, many customers will still require modifications (i.e. lower or no down payments, or longer repayment terms) to reach agreements that are affordable based on their household financial circumstances. Allowing Xcel to recover its actual bad debt costs may encourage the Company to be flexible with customers who truly need it.

Q54. What is your recommendation regarding the bad debt tracker?

A54. I recommend the Commission approve Xcel's proposed bad debt tracker.

VII. CONCLUSION

Q55. Please provide a summary of your testimony and recommendations.

A55. The Company's residential customers are having trouble affording their bills. The instant request for a rate increase will exacerbate this crisis. I respectfully recommend the Commission:

- Eliminate reconnection fees;
- Deny Xcel's proposal for a Residential Arrears Management Program;
- Eliminate late fees; and
- Approve Xcel's proposal for a bad debt tracker.

¹¹⁶ Paul Schulz, Montana Consumer Counsel, *Introduction to Utility Tracking Mechanisms* at 3 (last accessed Aug. 14, 2025), <https://archive.legmt.gov/content/Committees/Administration/Consumer%20Counsel/Reports/10-30-2023/Tracker%20Basics%20October%202023.pdf>; see also Minn. Pub. Utils. Comm'n, *Report to the Legislature: Utility Rates Study* at 7 (Jun. 2010), https://mn.gov/puc/assets/012854_tcm14-5188.pdf (hereinafter "PUC Utility Rates Study") (noting that cost trackers could substantially erode incentives to control costs by "eliminating regulatory lag and allowing immediate pass-through of certain types of cost increases"); PUC Utility Rates Study, Att. A: Ken Costello, Nat'l Reg. Res. Inst., *How Should Regulators View Cost Trackers?* at iii (2009).

1 **Q56.** **Does this conclude your testimony?**

2 A56. Yes, it does.