

Direct Testimony and Schedules  
Christopher C. Cardenas

Before the Minnesota Public Utilities Commission  
State of Minnesota

In the Matter of the Application of Northern States Power Company  
for Authority to Increase Rates for Electric Service in Minnesota

Docket No. E002/GR-21-630  
Exhibit \_\_ (CCC-1)

**Customer Care and Bad Debt Expense**

October 25, 2021

## Table of Contents

I.	Introduction	1		
II.	Customer Care Organization	4		
	A.	Overview	4	
	B.	Test Year O&M Budget – Overall Customer Care	9	
	C.	O&M Budgets by Business Function	19	
		1.	Customer Contact Center	21
		2.	Credit and Collections	22
		3.	Customer Care, Measurement and Analytics	23
		4.	Customer Policy and Assistance	23
		5.	Meter Reading and Field Collections	23
III.	Commodity Bad Debt Expense	24		
	A.	Introduction	24	
	B.	Bad Debt Expense Budget and Forecast Process	26	
	C.	Test Year Bad Debt Calculation	34	
		1.	Bad Debt Ratios and Trend	34
		2.	Bad Debt Expense and Trend	36
	D.	Allocation Methodology	39	
IV.	Non-Commodity Bad Debt Expense	41		
V.	Conclusion	42		

## Schedules

Resume	Schedule 1
Customer Care O&M Expense Levels	Schedule 2
Voice of the Customer Relationship (VOC) Survey	Schedule 3
The Company's Write-Off Policy	Schedule 4
Commodity Bad Debt Expense	Schedule 5
Non-Commodity Bad Debt	Schedule 6
FERC Data	Schedule 7

1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Christopher C. Cardenas. I am the Vice President of Customer  
5 Care for Xcel Energy Services Inc. (XES), which provides services to Northern  
6 States Power Company (NSPM or the Company).

7  
8 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

9 A. I have more than 22 years of experience in the areas of customer service and  
10 finance for energy utilities, cable, and telecommunication companies. I joined  
11 XES in January 2019. In my current position, I am responsible for the overall  
12 business performance of the Customer Care organization. Prior to joining XES,  
13 I served as the Vice President of Customer Services for PPL Electric Utilities  
14 in Pennsylvania. Prior to this, I held various customer service and financial  
15 leadership roles with Time Warner Cable, Comcast Cable, U.S. Cellular, and  
16 Sprint Nextel. I have also held various positions in corporate strategy, customer  
17 service operations, and business development. My resume is attached as  
18 Exhibit\_\_\_(CCC-1), Schedule 1.

19  
20 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

21 A. My testimony provides an overview of the Customer Care organization and its  
22 2021-2024 Operation and Maintenance (O&M) expense levels. I describe ways  
23 we measure customer satisfaction for work Customer Care performs. I also  
24 present and discuss the Company's commodity and non-commodity bad debt  
25 expense, and the actions we have taken to minimize and manage it to the benefit  
26 of customers.

1 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

2 A. The Customer Care organization has achieved strong customer satisfaction  
3 results, controlled its O&M expenses, and outperformed other utilities in  
4 managing bad debt expense. The 2022 test year O&M expense I propose for  
5 the Customer Care organization is \$28.2 million for the State of Minnesota  
6 Electric Jurisdiction. This level of O&M expense continues Customer Care's  
7 trend of decreasing O&M expense since 2018, while continuing to achieve high  
8 levels of satisfaction with the service we provide our customers.

9

10 The 2022 test year bad debt ratio we propose is 0.40 percent, which results in a  
11 2022 test year commodity bad debt expense of \$13.8 million, and approximately  
12 \$72,000 for non-commodity bad debt expense for the State of Minnesota  
13 Electric Jurisdiction. While this bad debt performance compares favorably to  
14 other utilities, it is relatively flat when compared to 2018-2021 average  
15 performance levels as a result of the ongoing COVID-19 global health crisis  
16 and associated economic impact offset by savings attributed to improved credit  
17 and collections performance by the Company.

18

19 Q. ARE THERE ANY CURRENT EVENTS OR ISSUES IMPACTING CUSTOMERS AND  
20 YOUR ORGANIZATION?

21 A. The ongoing COVID-19 pandemic has certainly impacted the communities and  
22 customers to whom we provide service, and also the Customer Care  
23 organization and employees of the Company. In March of 2020, Xcel Energy  
24 suspended residential disconnections of service for nonpayment across the  
25 many states we service. In Minnesota this action was in accordance with the  
26 request made by the Public Utilities Commission. By the first week of April  
27 2020, we had successfully transitioned over 600 Customer Care employees from

1 the office to working from home. Throughout the pandemic, we have remained  
2 committed to providing the highest levels of customer support and have worked  
3 diligently to ensure our customers impacted by the pandemic are connected  
4 with available assistance and resources they need through flexible payment  
5 plans, stimulus programs such as our Payment Plan Credit Program, and  
6 partnerships with government agencies, non-profits, and community  
7 organizations. Customer Care has supported these initiatives and our customers  
8 throughout the pandemic and has done so successfully by embracing  
9 technology and the shift to a virtual workplace. These actions and the impact  
10 they have had on the Customer Care organization are discussed in my testimony  
11 and are evident in our O&M and bad debt projections.

12  
13 Q. HOW IS YOUR TESTIMONY ORGANIZED?

14 A. I present the remainder of my testimony in the following sections:

- 15 • *Customer Care Organization.* I discuss my organization in terms of the  
16 business functions it provides to the Company and its customers. I also  
17 discuss the improvements we have made to various aspects of our service  
18 and the research we have done to understand our customers and to  
19 measure their satisfaction with the service we provide. In addition, I  
20 summarize the Company's service quality results. In this section, I also  
21 present the overall Customer Care O&M budget and the budgets by  
22 business function.
- 23 • *Commodity Bad Debt Expense.* This is billed commodity revenue for electric  
24 and natural gas service that is considered uncollectible from customers.  
25 I discuss the test year expense and proposed bad debt ratios, as well as  
26 how we determine our bad debt ratios and manage our bad debt expense.



1 communication, consultation and information, and automated functionality  
2 intended to improve our customers' experience. Our organization is critical to  
3 the Company's vision of becoming more customer-focused, and we will be  
4 instrumental as we support our customers through advanced grid  
5 modernization and help them realize the many benefits it holds.

6  
7 Q. PLEASE PROVIDE AN OVERVIEW OF THE CUSTOMER CARE ORGANIZATION AND  
8 HOW THE ORGANIZATION SUPPORTS THESE COMPANY EFFORTS.

9 A. The Customer Care organization provides service to approximately 3.7 million  
10 electricity customers and 2.1 million gas customers served by Xcel Energy  
11 across its service territory in eight states. We serve customers starting when  
12 they initiate their energy service, as we collect ongoing meter readings and issue  
13 bills, and through posting their payments to their accounts. We are available to  
14 customers via phone, web, mobile, email, and various social media. We analyze  
15 customer survey data and other feedback and use it to assess our performance  
16 and opportunities for improvement. Below is a brief description of the various  
17 business functions that comprise the Customer Care organization:

- 18 • *Billing Services.* Responsible for the production and delivery of billing  
19 statements, researching billing and payment inquiries, resolving customer  
20 billing and payment issues, billing quality assurance, and receiving and  
21 posting all customer payments.
- 22 • *Contact Center.* Responsible for interacting with our customers through  
23 our customer contact centers, mailed and electronic correspondence,  
24 social media and online inquiries to answer their questions, resolve their  
25 concerns, and fulfill their requests.



- 1           • *Credit and Collections.* Responsible for accounts receivable management,  
2           minimizing customer receivable write-offs, and operation of credit  
3           contact centers.
- 4           • *Measurement and Analytics:* Responsible for staff training, quality assurance,  
5           planning and forecasting, operational management, workforce  
6           management, performance reporting, advanced analytics, vendor  
7           management and budget oversight.
- 8           • *Customer Policy and Assistance:* Responsible for process efficiencies,  
9           resolving customer complaints, communications within the organization,  
10          customer policy, and income qualified programs.
- 11          • *Meter Reading, Field Collections and Revenue Assurance.* Responsible for  
12          reading customer meters, performing field disconnection and collection  
13          activities, and investigating energy theft and revenue loss situations.

14  
15 Q. DO YOU USE ONLINE OR TECHNOLOGY TOOLS TO INTERACT WITH CUSTOMERS?

16 A. Yes. Our Interactive Voice Response (IVR) automated phone system is an  
17 important tool customers use to conduct quick and easy transactions without  
18 the need to speak with a customer service representative. We actively manage  
19 this tool, making enhancements to ensure customers are satisfied and their  
20 issues are resolved efficiently. Our customers use the IVR system extensively  
21 and are very satisfied with it, as shown in Table 2. In addition, we respond to  
22 customer inquiries and requests submitted through our web site, and we have  
23 seen a notable increase in the number of online requests for moving-related  
24 changes over the last several years. We also respond to emails received from  
25 customers, as well as respond to comments or requests through social media.  
26 Customers also interact with the Company through our web site, including  
27 MyAccount online account management, as well as through our mobile

1 application.<sup>1</sup> Increased utilization of these digital self-service channels has  
2 translated into increases in the number of customers receiving electronic  
3 versions of their bill. Customer Care expects nearly half of the Company's bills  
4 to be delivered electronically by the end of 2021. Increased customer  
5 engagement in paperless billing options provides the Company an effective  
6 solution to continued increases in postage costs and strategies to encourage  
7 further customer engagement in this product are being analyzed.

8  
9 Q. WHAT PAYMENT METHOD OPTIONS DO CUSTOMERS HAVE TO PAY THEIR  
10 UTILITY BILLS?

11 A. We currently offer several payment alternatives to our customers which we  
12 group into four payment channels: Mail, Phone, Electronic, and Other.  
13 Customers can pay their bills by phone and either complete the payment using  
14 our IVR system, or by talking to a customer service representative. They may  
15 use the MyAccount portal to pay their bill electronically; use our mobile  
16 application; or they can pay their bill at designated pay stations.<sup>2</sup> They may also  
17 use a credit or debit card to make a payment through our credit card vendor.  
18 Later in my testimony I will discuss this topic in more detail, as the Company is  
19 proposing to waive the existing transaction fee that our customers currently pay  
20 to the credit card vendor when using this option. Business customers have an  
21 additional option to pay their bills through Electronic Funds Transfer.

22  
23 As shown in Figure 1 below, an increasing percentage of customers are  
24 submitting their payments through electronic payment options. In addition to  
25 being more convenient for a significant number of customers, this shift creates

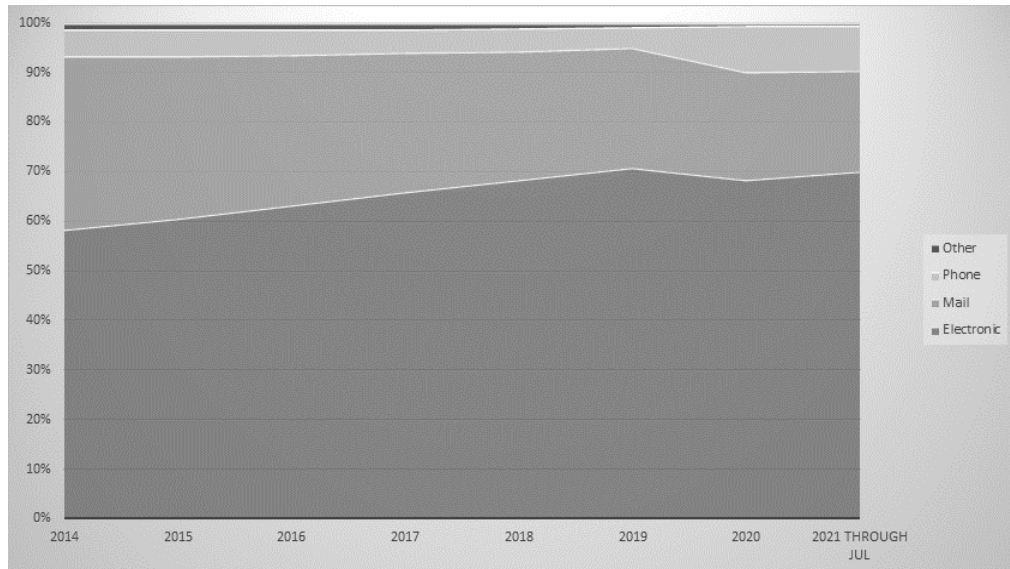
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<sup>1</sup> Information on the mobile application can be found at: [https://www.xcelenergy.com/mobile\\_app](https://www.xcelenergy.com/mobile_app)

<sup>2</sup> Information on designated pay stations can be found at:  
[https://www.xcelenergy.com/billing\\_and\\_payment](https://www.xcelenergy.com/billing_and_payment)

1 efficiencies for the Company as the use of any electronic channel helps reduce  
2 overall billing costs.

3  
4 **Figure 1**  
5 **Customer Payments by Channel<sup>3</sup>**



16  
17 Q. ARE YOU SEEING ANY OTHER AREAS OF EVOLVING CUSTOMER EXPECTATIONS  
18 IN ADDITION TO BILLING AND PAYMENT?

19 A. Just as customers expect choices when it comes to billing and payment options,  
20 they also seek choices for how they interact with the Company. Customers  
21 appreciate receiving notifications and status updates to keep them informed of  
22 matters impacting their service, such as during outages. They increasingly  
23 interact with us using digital channels and look to their utility provider to use

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<sup>3</sup> The Electronic payment channel includes payments through My Account, CheckFree, auto payments, and electronic funds/wire transfers. The Other payment channel includes payments through pay stations, credit/debit cards through a contracted vendor, energy assistance payments, and payments from collection activities.

1 technology to help them improve their quality of life, save money, learn about  
2 renewable energy options, and maintain their safety.

3  
4 **B. Test Year O&M Budget – Overall Customer Care**

5 Q. HOW DOES THE CUSTOMER CARE ORGANIZATION DEVELOP ITS PLANS AND  
6 BUDGETS?

7 A. We assess the needs of the Customer Care organization and the various  
8 Operating Companies we support and plan and budget at the business function  
9 level. This is necessary given the variety of services provided by the different  
10 business functions that make up the Customer Care organization. Unless  
11 otherwise noted, this discussion relates to Customer Care O&M at the NSPM  
12 Electric level.<sup>4</sup>

13  
14 Q. PLEASE PROVIDE AN OVERVIEW OF THE CUSTOMER CARE O&M BUDGET.

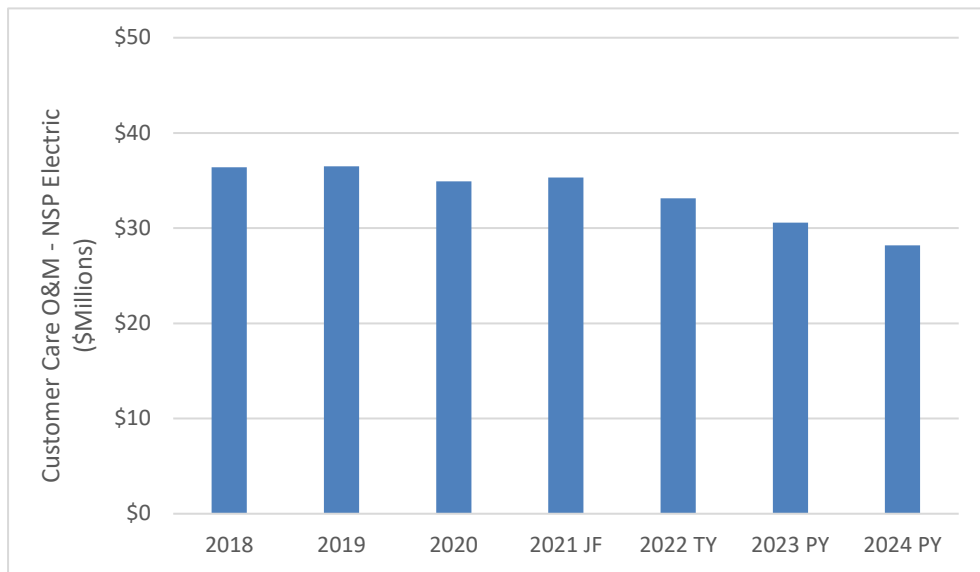
15 A. Figure 2 below summarizes overall Customer Care O&M expense since 2018.  
16 Please see Exhibit\_\_\_(CCC-1), Schedule 2 for additional details regarding  
17 Customer Care O&M expense levels.

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<sup>4</sup> Company witness Mr. Ross L. Baumgarten explains how the Company allocates and assigns Xcel Energy Service Company costs to NSPM. Company witness Mr. Benjamin C. Halama explains the utility and jurisdictional allocation process that assigns NSPM operating company costs to the State of Minnesota Electric Jurisdiction.

1 **Figure 2**

2 **Customer Care O&M Trend – NSPM Electric**



13

14 Overall, the Customer Care 2022 test year O&M budget decreases compared to

15 the O&M expense levels for the past four years. The total 2022 Customer Care

16 test year O&M expense of \$33.1 million decreases by 9 percent of the spending

17 level observed in 2018, mainly due to vendor contract renegotiation for meter

18 reading activities where a contract cost escalation was eliminated and a lower

19 cost per read was gained, as I explain in greater detail below. This is in addition

20 to anticipated Advanced Metering Infrastructure (AMI) savings, with continued

21 decreases forecasted for 2023 and 2024.

22

23 Q. PLEASE SUMMARIZE KEY FACTORS IMPACTING CUSTOMER CARE EXPENSE

24 LEVELS FROM 2021 THROUGH 2024.

25 A. Customer Care expects an overall O&M reduction from 2021 through 2024

26 primarily associated with anticipated reductions in meter reading expenses. Part

27 of this reduction results from successful contract negotiations with the

1 Company's meter reading services vendor. The negotiations eliminated a  
2 contract cost escalation factor associated with economic indicators starting in  
3 January 2019. It also enables reductions in meter reading service costs as AMI  
4 deployment occurs starting in 2022, partially offset by the elimination of credits  
5 for meters the vendor cannot read according to its contractual schedule. These  
6 negotiated contract changes extend for the life of the remaining contract.  
7 Additional O&M reductions are associated with the anticipated AMI  
8 deployment timeline. In addition, COVID-19 related impacts and reallocations  
9 impacted 2021 O&M. For example, reduced work hours due to suspended field  
10 collections and residential manual meter reading activities were charged to  
11 Pandemic Non-Productive (enterprise) accounts resulting in lower Customer  
12 Care labor costs in 2021. I discuss the year-to-year O&M impacts and expense  
13 drivers in more detail below.

14  
15 Q. AS ILLUSTRATED IN FIGURE 2 HOW HAS CUSTOMER CARE BEEN ABLE TO KEEP  
16 ITS O&M BUDGET RELATIVELY FLAT?

17 A. We have largely been able to achieve favorable results by automating work  
18 processes and focusing on operational performance improvements and  
19 efficiencies. Increasing customer use of electronic billing and payment methods  
20 and digital interaction channels also play a role in managing costs.

21  
22 Q. HAVE YOU COMPARED THE COMPANY'S HISTORICAL O&M EXPENSE TO OTHER  
23 COMPANIES FOR CUSTOMER CARE-RELATED EXPENSES?

24 A. Yes. The Federal Energy Regulatory Commission (FERC) cost data from the  
25 S&P Global Intelligence Platform compares Customer Care-related expenses  
26 for more than 100 regulated energy companies representing gas and electric  
27 utilities, including combination gas and electric utilities, like NSPM. This data

1 represents Customer Care related O&M expense for all customers regardless of  
2 utility type. The total population, on average, consisted of 102 companies  
3 annually from 2015 through 2019.

4  
5 Q. HOW DOES NSPM'S HISTORICAL O&M EXPENSE COMPARE TO OTHER  
6 COMPANIES FOR CUSTOMER CARE-RELATED EXPENSES?

7 A. Overall, NSPM continues to compare favorably when looking at mean  
8 performance in total costs captured in FERC accounts 901 through 905, which  
9 include most costs managed by Customer Care, Exhibit\_\_\_\_(CCC-1), Schedule  
10 7. Table 1 below shows total Customer Accounts Expense, including bad debt  
11 expense, per retail customer for FERC accounts 901 through 905. Traditionally  
12 the cost per retail customer for the NSPM Total Company has been relatively  
13 flat, and consistently lower than the Competitor Group (mean) during the last  
14 five years of reported data. 2020 was an aberration, however, because the  
15 Company reserved for higher potential bad debt expenses to mitigate pandemic  
16 related risks of increased accounts receivable aging and potential bankruptcies.  
17 This incremental adjustment was put into place to increase reserve levels and  
18 protect against potential future pandemic related bad debt expense and does  
19 not include any bad debt expense that the Company had been deferring  
20 pursuant to the Commission's order in Docket No. E,G999/M-20-427. This  
21 performance is expected to return to previous levels by 2023, and 2024 as  
22 discussed later in my testimony.

**Table 1**  
**Customer Accounts Expense per Retail Customer**  
**Comparison (901-905)**

	2018	2019	2020
<b>NSPM Total Company</b>	\$37.7	\$38.2	\$57.9
<b>Competitor Group (mean)</b>	\$49.1	\$51.7	\$52.5

*Source: S&P Global Intelligence Platform*

Q. GIVEN THE RELATIVELY FLAT O&M OVER THE PAST SEVERAL YEARS, HAVE YOU SEEN A NEGATIVE IMPACT ON CUSTOMER SATISFACTION?

A. The Company’s Voice of the Customer Transaction Survey (VOC) is the most direct measure of customer satisfaction with the services provided by the Customer Care organization. As seen in Table 2 below, VOC transaction results remain high, however results in 2020 and 2021 are slightly lower than the preceding time period. The Company attributes this decrease to the increased call response time that has been discussed in the most recent annual Service Quality filing as our experience finds these two metrics are directly correlated.

As has been discussed in the Company’s associated filings, and in the national media, post-COVID trends have made it difficult to fill front-line customer service jobs and retain those employees. This trend is apparent within and outside of the utility industry. The Company has performed benchmarking of recruiting, training, and retention efforts with multiple other call centers as we work to improve the employee experience and keep more people.



1 Hiring efforts will continue through year end, and the Company is expanding  
2 these efforts into new communities. We also recently made a significant  
3 increase to the starting wage of these positions from \$14.00 per hour to \$17.00  
4 per hour. We continue to work toward improving our customer experience and  
5 reaching our targeted customer service response levels that we have consistently  
6 achieved in the past.

7  
8 **Table 2**

9 **Voice of the Customer Transaction Survey – Minnesota Electric**  
10 **(Percentage of Customers Providing a Positive Rating)<sup>5</sup>**

	2018	2019	2020	2021 Jan-Jul
Overall Satisfaction with Transaction (IVR and Agent 2015-2016; Agent Only 2017 – 2018)	84%	85%	82%	80%
IVR Overall Satisfaction with Transaction	81%	81%	83%	84%

11  
12  
13  
14  
15  
16  
17  
18 I provide more information regarding customer satisfaction in  
19 Exhibit\_\_\_(CCC-1), Schedule 3. While customer satisfaction remains high  
20 relative to the work Customer Care performs, there is room for improvement  
21 in other areas, such as the Company’s digital platform for customer information,  
22 which is discussed further in the Direct Testimony of Company witness Mr.  
23 Michael Remington.

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<sup>5</sup> Positive rating equates to a score of 8, 9, or 10 on a 0-10 scale (2014 – 2016) or 8, 9, or 10 on a 1-10 scale (2017 – 2020) for Agent/IVR or Agent Only satisfaction; or a score of 4 or 5 on a 1-5 scale for IVR satisfaction. 2020 data represents January-July.

1 Q. ARE THERE ANY SIGNIFICANT STRATEGIES OR INITIATIVES CUSTOMER CARE IS  
2 DEVELOPING TO INCREASE CUSTOMER SATISFACTION?

3 A. Yes. Customer Care has recently analyzed the potential impacts of providing  
4 residential customers a waiver of the fee associated with paying bills by credit  
5 cards and is recommending providing a credit card fee waiver for our residential  
6 customers beginning in 2024. Currently, customers wishing to pay their electric  
7 bill with a credit or debit card do so through a third-party vendor, with each  
8 transaction subject to a \$1.50 processing fee paid by the customer to the third-  
9 party vendor. Such fees are a result of the processing charges levied by Credit  
10 Card Networks (i.e., MasterCard, Visa, Discover, American Express, et al) to  
11 merchants accepting credit card payments from their customers. Across  
12 multiple industries, and in day-to-day transactions such as purchasing groceries,  
13 credit card fees are invisible to the customer as the merchant incorporates this  
14 cost into their pricing and does not require the customer to make separate  
15 payment of the processing fee. Waiving this fee would align the experience of  
16 our customers' electric bill payment transactions with that of countless other  
17 transactions made across the state each day. The Company anticipates  
18 associated increases in convenience, accessibility, and satisfaction of this  
19 interaction with our customers.

20

21 Q. HAS THE COMPANY CALCULATED THE ESTIMATED COST OF THE PROPOSED  
22 CREDIT CARD FEE WAIVER PROGRAM?

23 A. Yes. We estimate the 2024 cost of such a waiver program to be \$6.6 million for  
24 the electric operations of the Company. Our calculation of this estimated cost  
25 is based on historical experiences and a similar program put into place in 2021  
26 for Xcel Energy's Northern States Power of Wisconsin (NSP-WI) jurisdiction.  
27 In the inaugural year of the NSP-WI program the customer facing fee for one-

1 time credit card transactions is being waived, and transactions of this type are  
2 expected to account for 9 percent of all payment transactions by the end of  
3 2021.

4  
5 We expect to see significantly higher utilization of the program being proposed  
6 for our Minnesota customers, as we propose to offer the fee waiver not just for  
7 one-time payments, but also in conjunction with autopay functionality. Offering  
8 the fee waiver in conjunction with autopay functionality is expected to increase  
9 customer utilization of the program by just over four times in 2024, over what  
10 we would otherwise experience. Assuming a 0.5 percent growth in the total  
11 number of payments each year, this would account for 5.1 million transactions  
12 and a total cost of \$8.3M in 2024. Allocating that total cost between electric  
13 and gas operations, results in the estimated electric cost of \$6.6M.

14  
15 Assuming the program is approved, the Company intends to open participation  
16 to electric and gas customers simultaneously in early 2024 via a “soft launch,”  
17 that is, without direct marketing or formal announcement. The Company  
18 proposes opening participation for gas and electric customers at the same time  
19 to avoid introducing unnecessary complexities and confusion into payment  
20 processing for our employees and customers. Using a soft launch approach will  
21 allow for better control around initial interest in participation and avoid a  
22 situation where utilization of the product exceeds estimated levels, thereby  
23 increasing the cost of the program. The proposed recovery of this cost is  
24 discussed in Mr. Halama’s testimony.

1 Q. WHAT ARE CUSTOMER CARE'S O&M 2022 EXPENSE LEVELS FOR THE 2023 AND  
2 2024 PLAN YEARS?

3 A. The Company requests a NSPM Electric O&M expense level for Customer  
4 Care of \$33.1 million for the 2022 test year, \$30.6 million for 2023 and \$28.2  
5 million for 2024. I note that these amounts incorporate anticipated O&M  
6 reductions associated with the proposed AMI deployment plan. Deployment  
7 delays of AMI would impact these Customer Care O&M expense levels. I  
8 discuss the key drivers of Customer Care's O&M expenses from 2021 through  
9 2024 below.

10

11 Q. PLEASE EXPLAIN THE PURPOSE AND IMPACT OF THE KEY COST DRIVERS OF  
12 CUSTOMER CARE'S 2021 O&M EXPENSES FROM 2020 LEVELS.

13 A. From 2020 to 2021, we anticipate an increase of approximately \$410,000. Labor  
14 costs increase by approximately \$815,000 with a three percent annual  
15 performance-based wage increase in most business areas and lower labor  
16 associated with suspended field collections and manual meter reading activities  
17 in 2020. In addition, Employee Expenses are reduced by approximately \$40,000  
18 as a result of pandemic-related travel and spending reductions. In Outside  
19 Services, we anticipate a decrease of approximately \$367,000 mainly due to a  
20 credit received from a vendor assisting with certain types of payment processing  
21 received in 2021 for overbilling of dual delivery charges in 2020 and lower bill  
22 processing fees due to customer adoption of electronic billing.

23

24 As mentioned earlier in my testimony, electronic billing is on track to be the  
25 preferred bill format for nearly half of the Company's customers by the end of  
26 2021. Given the impact increased adoption of electronic billing can have on

1 Customer Care’s budget, increasing customer utilization for this item will be an  
2 important part of our strategy in the coming years.

3  
4 Q. PLEASE EXPLAIN THE PURPOSE AND IMPACT OF THE KEY COST DRIVERS ON  
5 CUSTOMER CARE’S 2022 O&M EXPENSES FROM 2021 LEVELS.

6 A. From 2021 to 2022, we anticipate a decrease of approximately \$2.2 million in  
7 Customer Care O&M expenses. This is primarily driven by anticipated cost  
8 reductions in Meter Reading; including a \$3.4 million reduction expected due to  
9 vendor contract renegotiation, \$1.3 million reduction based on the deployment  
10 of AMI meters, and partially offset by elimination of vendor credits of \$1.2  
11 million in 2022. This decrease is also offset by a labor increase of approximately  
12 \$1.1 million due to annual wage increases and increases in employee headcounts  
13 to meet the increasingly complex needs of our customers as it relates to AMI  
14 technology and rate options, renewable energy sources, supporting the societal  
15 shift to electric vehicles, maintaining service levels, assisting Billing with  
16 complex billing issues, and labor reductions associated with suspended field  
17 collections and manual meter reading activities for portions of 2021. We  
18 anticipate an increase for postage costs of \$278,000 associated with an  
19 anticipated percent increase in postage rates partially offset by customer  
20 adoption of electronic billing and payment methods.

21  
22 Q. PLEASE EXPLAIN THE PURPOSE AND IMPACT OF THE KEY COST DRIVERS OF  
23 CUSTOMER CARE’S 2023 O&M EXPENSES FROM 2022 LEVELS.

24 A. From 2022 to 2023, we anticipate the Customer Care O&M budget will decrease  
25 by about \$2.5 million. This is primarily driven by anticipated cost reductions in  
26 Meter Reading, including a \$3.3 million reduction based on the deployment of  
27 AMI meters. This decrease is offset by an increase in labor by approximately

1 \$295,000 due to annual wage increases, an increase in meter reading outside  
2 services to support anticipated meter growth for \$110,000, and an increase for  
3 postage costs of \$305,000 to address anticipated increases in postage rates  
4 which is partially offset by customer adoption of electronic billing and payment  
5 methods.

6  
7 Q. PLEASE EXPLAIN THE PURPOSE AND IMPACT OF THE KEY COST DRIVERS OF  
8 CUSTOMER CARE'S 2024 O&M EXPENSES FROM 2023 LEVELS.

9 A. From 2023 to 2024, we anticipate the Customer Care O&M budget will decrease  
10 by about \$2.4 million. This is primarily driven by anticipated cost reductions in  
11 Meter Reading, including a \$ 3.3 million reduction based on the deployment of  
12 AMI meters. This decrease is offset by an increase in labor by approximately  
13 \$443,000 due to annual wage increases, an increase in meter reading outside  
14 services to support anticipated meter growth for \$110,000, an increase for  
15 postage costs of \$329,000 to address anticipated increases in postage rates  
16 which is partially offset by customer adoption of electronic billing and payment  
17 methods.

18  
19 **C. O&M Budgets by Business Function**

20 Q. PLEASE SUMMARIZE CUSTOMER CARE O&M EXPENSE BY BUSINESS FUNCTION.

21 A. Table 3 below provides an overall view of Customer Care O&M expense levels  
22 since 2018. Please see Exhibit\_\_\_\_(CCC-1), Schedule 2 for additional details  
23 regarding Customer Care O&M expense. As I discussed above, overall  
24 Customer Care O&M levels have remained relatively flat over a significant  
25 period of time. I discuss below some of the variations that have occurred in the  
26 various functional areas of Customer Care for the 2018 to 2024 period. I discuss

1 the drivers of Customer Care’s 2023 through 2024 plan year expense levels in  
 2 Section II.B above.

3  
 4 **Table 3**  
 5 **Customer Care O&M by Business Area –**  
 6 **NSPM Electric (\$ millions)**

	Historic Actuals			July 2021 Forecast	2022 Test Year	Plan Years		Percent Change 2018 - 2024
	2018	2019	2020			2023	2024	
Billing Services	\$7.4	\$7.1	\$6.7	\$6.5	\$7.1	\$7.5	\$7.9	7.6%
Contact Center	\$4.0	\$4.1	\$3.9	\$4.0	\$4.0	\$4.0	\$4.1	3.9%
Credit and Collections	\$2.3	\$2.1	\$2.0	\$2.3	\$2.5	\$2.6	\$2.7	16.7%
Customer Care, Measurement & Analytics	\$1.1	\$1.1	\$1.0	\$1.4	\$1.4	\$1.5	\$1.5	40.1%
Customer Policy and Assistance	\$0.5	\$0.5	\$0.6	\$0.6	\$0.6	\$0.7	\$0.7	24.5%
Meter Reading and Field Collections	\$21.2	\$21.5	\$20.7	\$20.6	\$17.4	\$14.4	\$11.3	-46.6%
<i>Total Customer Care O&amp;M</i>	<i>\$36.4</i>	<i>\$36.5</i>	<i>\$34.9</i>	<i>\$35.3</i>	<i>\$33.1</i>	<i>\$30.6</i>	<i>\$28.2</i>	<i>-22.5 %</i>

21  
 22 *Due to rounding, there may be differences between the sum of the individual category amounts and total amounts.*

23  
 24 Q. PLEASE DESCRIBE THE CHANGE IN BILLING SERVICES O&M.

25 A. From 2018 through 2024, we project the Billing Services O&M budget to  
 26 increase by 7.6 percent, or \$560,000, mainly due to annual wage increases and

1 annual postage rate increase. This increase is partially offset by lower bill  
2 processing fees due to increased customer adoption of electronic billing.

3  
4 *1. Customer Contact Center*

5 Q. PLEASE DESCRIBE THE CHANGE IN CUSTOMER CONTACT CENTER O&M.

6 A. We project the Customer Contact Center O&M budget to increase by 3.9  
7 percent, or \$150,000, from 2018 to 2024. This is primarily due to annual wage  
8 increases offset by increased customer use of automated interaction channels,  
9 including the IVR system, which has helped to lower labor costs through  
10 reduced staffing needs. We have seen agent-handled call volume decline over  
11 time. We are focusing on resolving customers' needs efficiently on the first call.  
12 We also recognize that calls coming into our contact centers are more complex,  
13 as simpler transactions are increasingly completed through automated means.  
14 As discussed earlier in my testimony we have experienced difficulties hiring  
15 Contact Center staff and recently made a significant starting wage increase to  
16 ensure we remain competitive in the labor market and can keep our Contact  
17 Centers staffed to meet the needs of our customers. In addition to addressing  
18 those hiring shortfalls, the wage increase is expected to decrease attrition and  
19 overtime and reduce the amount of expense associated with hiring and training  
20 a large number of new hires.

21  
22 Tables 4 and 5 below illustrate Minnesota customers' increased use of the IVR  
23 system, as well as total Minnesota call volume trends. Call volume has generally  
24 been declining over time, as customers continue to increase their use of digital  
25 interaction channels, including the IVR. There is always some variability from  
26 year to year, with weather primarily influencing the volume of both power  
27 outage and billing-related calls.



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**Table 4**  
**Minnesota Customer IVR Utilization**  
**Rate State of Minnesota**

	2018	2019	2020	2021 Jan - Jul
Percent of Calls Handled in the IVR	61%	64%	68%	62%

**Table 5**  
**Customer Call Volume - State of Minnesota**

	2018	2019	2020	2021 Jan - Jul
Total Offered Calls (Agent and IVR)	3,372,034	3,262,732	2,849,834	1,529,322
Average Monthly Call Volume	281,003	271,894	237,486	218,475

*2. Credit and Collections*

- Q. PLEASE DISCUSS CREDIT AND COLLECTIONS O&M.
- A. The Credit and Collections O&M budget is projected to increase by 16.7 percent, just under \$380,000, from 2018 to 2024 primarily due to annual wage increases and increased headcounts to maintain service level. This increase is offset by anticipated lower collection agency commissions due to better collection efforts. In addition, this increase is offset by increased use of more cost-effective and efficient customer outreach methods, such as email and calls, for proactive outbound credit campaigns to the Company’s past-due customers. These campaigns integrate with our IVR system to facilitate more automated customer payments. IVR functionality has also been expanded to enable disconnected customers to set up reconnection of their service through the IVR

1 and to establish payment arrangements. Analytics have also helped to further  
2 target cost-effective customer outreach efforts.

3  
4 *3. Customer Care, Measurement and Analytics*

5 Q. PLEASE DISCUSS THE CUSTOMER CARE, MEASUREMENT, AND ANALYTICS  
6 O&M.

7 A. The Customer Care, Measurement, and Analytics O&M budget is projected to  
8 increase by 40.1 percent, or \$400,000, from 2018 to 2024 mainly due to annual  
9 wage increases and increased headcounts of \$169,000, outsourcing Quality  
10 Assurance call monitoring of \$163,000, customer program promotion for eBill  
11 delivery and general billing and payment strategy, combined with increased  
12 automated customer notifications of \$92,000, which are used to keep customers  
13 informed of outage status and provide billing and payment reminders.

14  
15 *4. Customer Policy and Assistance*

16 Q. PLEASE DISCUSS THE CUSTOMER POLICY & ASSISTANCE O&M.

17 A. The Customer Policy & Assistance O&M budget is projected to increase by 24.5  
18 percent, or \$124,000, from 2018 to 2024, mainly due to annual wage increases.

19  
20 *5. Meter Reading and Field Collections*

21 Q. WHAT IS THE COMPANY'S CURRENT METER READING PROCESS?

22 A. The Company currently uses Automated Meter Reading (AMR) technology,  
23 which it implemented beginning in the mid-1990s. Meter readings are collected  
24 and provided to the Company via a proprietary network by our vendor, our  
25 current meter reading services vendor. Informational meter readings are  
26 generally provided daily, and billing quality readings are provided once per  
27 billing cycle, with the billing quality readings used to generate the monthly

1 customer bill. In addition to providing the meter readings, our vendor owns  
2 and maintains the communication network and software used to transmit the  
3 readings. The vendor also owns and maintains electric meter communication  
4 modules, which refers to the radio interface that is installed as part of the electric  
5 meter. The Company's payments to our vendor for these services are reflected  
6 as O&M expense in our budgets.

7  
8 Q. PLEASE DISCUSS THE METER READING AND FIELD COLLECTIONS O&M.

9 A. The Meter Reading and Field Collections O&M budget – by far the largest single  
10 component of the Customer Care budget – is projected to decline by 46.6  
11 percent from 2018 to 2024. Through recent negotiations with our vendor, the  
12 Company successfully removed an annual cost escalation factor tied to  
13 economic indicators. This is reflected in relatively flat O&M budgets starting  
14 in 2020 and 2021. The elimination of this cost escalation factor will continue  
15 through the remaining life of the contract. This will be a significant benefit in  
16 managing meter reading O&M cost during the next several years. Contract  
17 negotiations also resulted in lower meter reading services fees starting in 2022  
18 that continue for the life of the remaining contract.

### 19 20 **III. COMMODITY BAD DEBT EXPENSE**

#### 21 22 **A. Introduction**

23 Q. WHAT IS COMMODITY BAD DEBT EXPENSE?

24 A. Commodity bad debt expense is billed commodity revenue for electric and  
25 natural gas service that is considered uncollectible from customers. Commodity  
26 revenue refers to the revenue billed to the Company's customers for the cost of  
27 utility service, including fuel charges and all regulated charges to customers,

1 such as riders. Commodity revenue represents virtually all of the Company's  
2 billed retail customer revenue. It does not include comparatively minor ancillary  
3 charges such as damage claims, which are considered "non-commodity"  
4 revenue, discussed in Section IV of my testimony.

5  
6 Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED TEST YEAR COMMODITY BAD  
7 DEBT EXPENSE.

8 A. For the 2022 test year, we propose a 0.40 percent of revenue ratio. On a State  
9 of Minnesota Electric Jurisdiction level, this represents commodity bad debt  
10 expense of \$13.8 million. For 2023 and 2024 plan years, we propose a 0.35  
11 percent of revenue ratio and commodity bad debt expense of \$12.3 million in  
12 2023 and \$13 million in 2024. I discuss the bad debt expense budget and  
13 forecast process in Part B; the methodology we use to determine our bad debt  
14 ratios and proposed bad debt expense levels and trending in Part C; and the  
15 allocation methodology for commodity bad debt expense between electric and  
16 gas operations in Part D.

17  
18 Q. HOW DO THE 2022-2024 PROPOSED BAD DEBT EXPENSE LEVELS COMPARE TO  
19 PREVIOUS LEVELS?

20 A. As discussed below in Section C, the 2022 through 2024 bad debt expense levels  
21 are forecast to decrease over recent pandemic era performance. The Company  
22 has experience in managing through similar economic circumstances and  
23 achieved significant and steady declines from the Great Recession of 2008,  
24 when the Company's bad debt expense ratio was at 0.65 percent – nearly double  
25 the bad debt expense ratios observed in 2018 and 2019. We expect to perform  
26 similarly in recovering from the current situation. For 2022, the Company  
27 utilizes the same bad debt percentage of revenue as experienced in 2010

1 including anticipated savings attributed to improved credit and collections  
2 performance by the Company. The Company anticipates that the bad debt  
3 expense will largely return to pre-pandemic levels and move past acute  
4 pandemic economic impacts in 2023 and 2024.

5  
6 Q. DO THE TEST YEAR OR PLAN YEARS INCLUDE ANY BAD DEBT EXPENSE THAT  
7 THE COMPANY HAD BEEN DEFERRING PURSUANT TO THE COMMISSION'S  
8 ORDER IN DOCKET NO. E,G999/M-20-427?

9 A. No. Pursuant to the Commission's April 2, 2021 Order in Docket No.  
10 E002/M-20-743, the Company filed a letter on June 30, 2021 in Dockets Nos.  
11 E002/GR-20-723, E002/M-20-748, E002/M-20-743, and E,G999/M-20-427  
12 withdrawing our request for deferred accounting of COVID-19 pandemic-  
13 related expenses, including bad debt, for electric and gas service that had been  
14 tracked and reported along with cost offsets until that time. Accordingly, such  
15 costs are not included in this case.

16  
17 **B. Bad Debt Expense Budget and Forecast Process**

18 Q. HOW DOES THE COMPANY BUDGET AND FORECAST COMMODITY BAD DEBT  
19 EXPENSE?

20 A. In general, we recognize commodity bad debt expense through a combination  
21 of: (1) creating an accounts receivable reserve based on our estimates of  
22 outstanding receivables that will be unrecoverable; and then (2) writing-off  
23 uncollectible accounts not previously reflected in this reserve. From the  
24 combination of these amounts, we derive a weighted average ratio of bad debt  
25 to overall billed commodity revenue. To determine forecasted bad debt  
26 expense, as is necessary for budgeting purposes and for a rate case, the

1 Company applies this bad debt ratio to forecasted commodity revenues and  
2 allocates it between its electric and natural gas operations.

3  
4 Q. WHY IS IT REASONABLE TO ESTIMATE BAD DEBT EXPENSE BASED UPON A RATIO  
5 OF BAD DEBT EXPENSE TO COMMODITY REVENUE?

6 A. Using a ratio of billed commodity revenue is reasonable because there is a direct  
7 relationship between billed commodity revenue and bad debt expense. As billed  
8 commodity revenue increases and decreases, bad debt proportionately increases  
9 and decreases. This practice is commonly used by industry groups, as verified  
10 by the Edison Electric Institute (EEI), and this trend is also supported by  
11 historical data.

12  
13 Q. WHAT FACTORS IMPACT COMMODITY BAD DEBT EXPENSE?

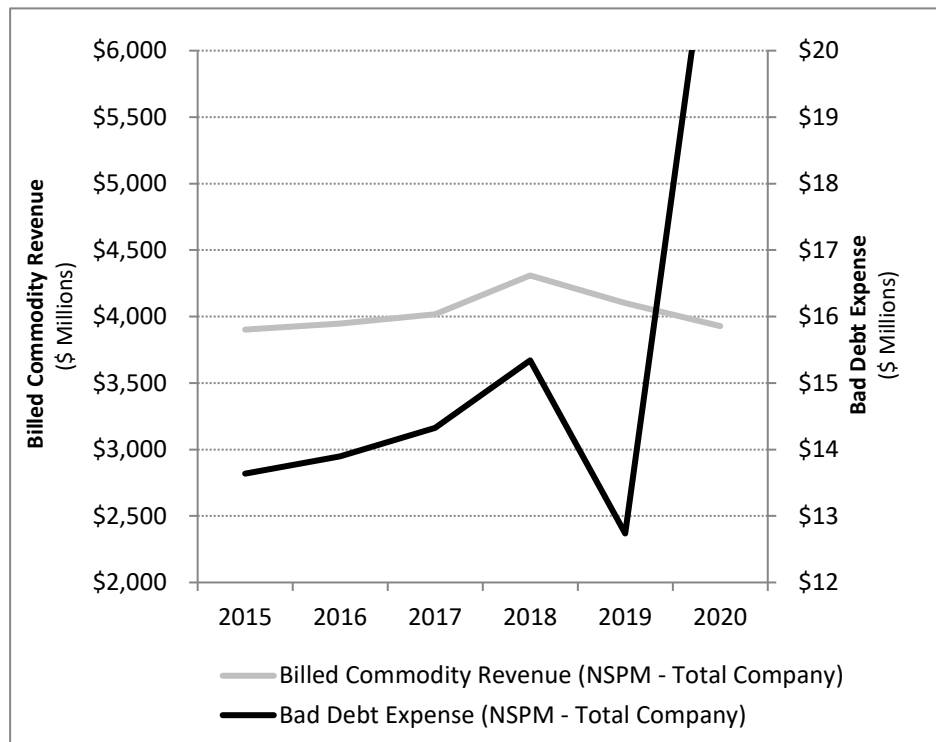
14 A. All else being equal, commodity bad debt expense varies directly with billed  
15 commodity revenues. Other factors affecting bad debt expense include changes  
16 in credit policy, external considerations such as the economy, income qualified  
17 energy assistance programs, levels of business bankruptcies, as well as the  
18 efficiency of the Company's supporting processes and operations.

19  
20 Q. CAN YOU ILLUSTRATE THE CORRELATION BETWEEN BILLED COMMODITY  
21 REVENUES AND THE RESERVE FOR BAD DEBT?

22 A. Yes. Figure 3 below illustrates the historical correlation between billed  
23 commodity revenues and the change in bad debt reserve. It is notable that while  
24 the correlation is evident in the 2018 to 2019 data, the result for 2019 is skewed  
25 due to one-time refunds posted to customer accounts that year associated with  
26 the Tax Cut and Jobs Act (TCJA). Additionally, in 2020, there were multiple  
27 pandemic related impacts which impacted performance. These include \$3.7

1 million of incremental COVID-19 adjustments on billed commodity revenue  
 2 and \$1.1 million of incremental residential reserve attributed to improved credit  
 3 and collections performance by the Company. This was further compounded  
 4 as the Company reserved higher bad debt provision as a result of increases in  
 5 aged debt influenced by the ongoing COVID-19 pandemic.

6  
 7 **Figure 3**  
 8 **Billed Commodity Revenues and**  
 9 **Bad Debt Expense NSPM Total Company**



23  
 24 Q. DOES THE FUEL FORECAST IMPACT COMMODITY BAD DEBT EXPENSE?

25 A. Yes. The revenue forecast is a primary input to the bad debt expense forecast,  
 26 and the fuel cost forecast is used in developing the revenue forecast. Therefore,  
 27 the relationship of fuel cost increases and decreases are directly correlated to

1 changes in revenues, and ultimately bad debt expense budgets and forecasts.  
2 Once the revenue forecast is complete, the bad debt expense model uses that  
3 forecast as an input so that the bad debt expense forecast directly reflects  
4 forecasted changes in revenue.

5  
6 Q. HOW DO YOU CALCULATE THE ACCOUNTS RECEIVABLE RESERVE PORTION OF  
7 BAD DEBT EXPENSE?

8 A. We calculate the reserve by applying provisioning factors to various aging  
9 categories of outstanding arrears for both active and inactive customers. A  
10 provisioning factor is the percentage of the accounts receivable estimated to  
11 eventually prove uncollectible. In general, as arrears age, and as they move with  
12 our customers from active to inactive status, we apply a higher provisioning  
13 factor to reflect the declining likelihood that we will collect the full outstanding  
14 balance. These reserve amounts are updated monthly and are combined with  
15 net write-offs to become the total bad debt expense for the period.

16  
17 Q. HOW DOES THE COMPANY KNOW THAT ITS PROVISIONING FACTORS ARE  
18 REASONABLE?

19 A. The provisioning factors we apply to outstanding arrears are developed from  
20 annual reserve studies in which we analyze historical customer payment  
21 behavior data and consider contributing factors such as the sales forecast and  
22 underlying fuel forecast, any changes in credit policy, and external  
23 considerations such as the economy. Our most recent reserve study was  
24 completed in June 2020.



1 Q. IS THE IMPACT OF INCOME QUALIFIED PROGRAMS REFLECTED IN THE  
2 COMPANY'S 2022 THROUGH 2023 PLAN YEAR BAD DEBT EXPENSE?

3 A. Generally, yes. Income Qualified programs (*i.e.*, Low-Income Home Energy  
4 Assistance Program (LIHEAP), our Electric Low-Income Discount Rider,  
5 and/or our Gas Affordability Program) help income qualified customers pay  
6 amounts due for energy services, thereby reducing outstanding receivables. To  
7 the extent the remaining balance of these customer accounts are later written  
8 off per current Company policy (Exhibit\_\_\_\_(CCC-1), Schedule 4, Northern  
9 States Power Write-Off Policy, income qualified payment programs help reduce  
10 the amount of the write-off, and thus bad debt expense. We work closely with  
11 our customers and agencies to try to maximize customers' participation in  
12 energy assistance funding and programs. While we believe State funding  
13 appears relatively consistent for the plan years, Federal funding is reviewed  
14 annually and subject to change. Table 6 below, shows historical customer  
15 participation in LIHEAP and other energy assistance programs from 2017  
16 through 2019 for the associated federal fiscal years. It is important to note that  
17 the apparent decrease in Energy Assistance participation for the FY 2020 is seen  
18 as an aberration caused by the ongoing COVID-19 pandemic and associated  
19 moratorium on credit and collections activities. In the current federal fiscal year  
20 the Company has seen participation levels increase.

**Table 6**  
**LIHEAP and Energy Assistance Program**  
**Historical Participation**  
**(\$ millions)**

Year	NSPM LIHEAP Houesholds	NSPM Program Participants	NSPM Discount and PowerOn Disbursement	NSPM Medical Program Disbursements	Total Energy Assistance (LIHEAP, County Assistance, Fuel Funds)	Total*
2018	55,223	45,120	\$12,006,280.79	\$ 1,621,238.98	\$ 30,140,172.03	\$43,767,691.80
2019	55,527	52,622	\$14,539,662.44	\$ 3,097,956.48	\$ 25,272,836.56	\$42,910,455.48
2020	50,261	50,772	\$14,171,537.00	\$ 1,503,053.97	\$ 26,300,591.61	\$41,975,182.58

*Note: The LIHEAP households, Company program participation and Total Energy Assistance columns are following the program year of October 1 to September 30. Discount and PowerON Disbursements are January to December.*  
*\* Totals may not match sum of components due to rounding.*

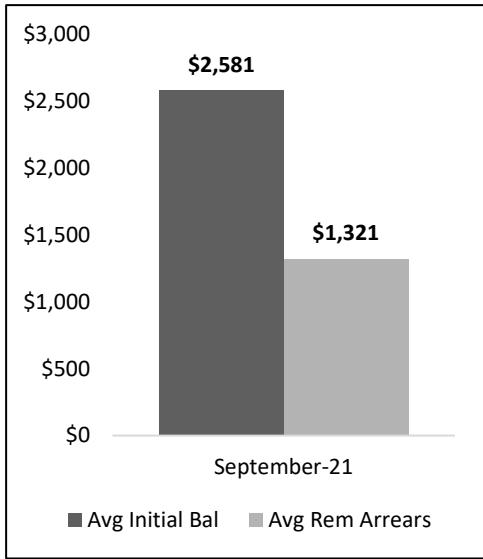
Q. HAS THE COMPANY OFFERED ANY DIRECT ASSISTANCE TO CUSTOMERS IN ADDITION TO THE INCOME QUALIFIED PROGRAMS DISCUSSED ABOVE ?

A. Yes. In May of 2021 the Company began enrolling customers in the Payment Plan Credit Program as approved by the Commission in Docket No. E002/M-20-760. The program offers forgiveness of up to 75 percent of the overdue amount on eligible customers' balances and was provided \$17.5 million in initial funding by Company shareholders. Through September of 2021 the program has enrolled 10,541 customers and provided a total of \$9 million in assistance to customer accounts with an additional \$5.9 million scheduled for future payment. We will continue to enroll customers into the program until the full \$17.5 million of funding has been subscribed. As discussed in relation to income qualified programs this program helps customers pay amounts due for energy services, thereby reducing outstanding receivables and potential future bad debt expenses.

1 Q. CAN YOU ILLUSTRATE THE IMPACT THIS PROGRAM HAS HAD ON ENROLLED  
2 CUSTOMERS' ACCOUNT BALANCES ?

3 A. Yes. Figure 4 below illustrates the direct impact this program has had on the  
4 balances of the over 10 thousand Minnesota customers that have participated  
5 in this program to date. On average, each participant has received nearly \$1,200  
6 in the form of bill credits to assist in reducing their past due electric balance.  
7 Within the \$1200 average customer credit is the 25 percent upfront credit paid  
8 to a customer for enrolling in the program and setting up a payment  
9 arrangement and the credit paid to date as customers make their monthly  
10 payments.

11  
12 **Figure 4**  
13 **Average Initial Balance vs Average Remaining Balance**  
14 **of participants in the Payment Plan Credit Program**



1 Q. TO DATE, WHAT IMPACT HAS THE PAYMENT PLAN CREDIT PROGRAM HAD ON  
2 BAD DEBT?

3 A. The \$17.5 million value of the Payment Plan Credit Program on outstanding  
4 customer receivables translates to an approximately \$2.7 million dollar  
5 reduction to bad debt expense. This reduction is reflected in the Company's  
6 2020 actual bad debt expense as detailed in Exhibit\_\_\_\_(CCC-1), Schedule 5.

7

8 Q. ARE THE COSTS OF THE PAYMENT PLAN CREDIT PROGRAM INCLUDED IN THE  
9 COMPANY'S RATE REQUEST IN THIS CASE?

10 A. No. Consistent with our commitment and the Commission's April 2, 2021  
11 Order in Docket No. E002/M-20-743, we are not seeking cost recovery for  
12 the Payment Plan Credit Program.

13

14 Q. WHAT DOES THE COMPANY DO TO MANAGE BAD DEBT EXPENSE,  
15 PARTICULARLY WHEN REVENUES ARE INCREASING?

16 A. We continue to use a combination of approaches to manage bad debt expense,  
17 including:

18 • Proactively contacting delinquent residential customers through targeted  
19 contacts, including emails and outbound calls.

20 • Close monitoring of commercial accounts and industry trends, and work  
21 to keep these customers as current as possible to minimize potential  
22 bankruptcy impacts.

23 • Focused management of collection agency practices to help improve  
24 collections from customers whose debt had previously been written off.

25 • Developing advanced analytical methods to ensure the most efficient and  
26 effective credit activities are utilized.

- Strong support of energy assistance programs that help the Company's most at-risk customers.

We continually monitor our level of bad debt expense and the factors that influence it and take action to respond through process or other changes. I discuss specific activities that Customer Care has implemented to manage bad debt expense in conjunction with my discussion of our bad debt expense trend in Part C below.

### **C. Test Year Bad Debt Calculation**

#### *1. Bad Debt Ratios and Trend*

Q. HOW WAS THE 2022 BAD DEBT RATIO CALCULATED?

A. As I have discussed, the ongoing COVID-19 pandemic disrupted the economy in 2020, impacting our customers and, for some, creating challenges in paying their bills. While there are certainly unprecedented aspects of current events in relation to the pandemic, the Company does have a relevant benchmark on which to forecast recovery from global economic disruption in the Great Recession of 2008. As a result of that economic downturn, the Company saw a significant rise in bad debt expense in 2010, even as the economy began to recover. The Company anticipates a similar pattern due to the current economic disruption. Thus, the 2022 bad debt ratio was calculated by utilizing the same bad debt percentage of revenue as experienced in 2010 and also including an anticipated \$1.7M in bad debt savings. This cost was then proportionately allocated to the Company based on the actual bad debt experienced in 2020.

1 Q. HOW DID YOU DERIVE THE 2023 THROUGH 2024 BAD DEBT RATIOS?

2 A. Continuing the methodology of using the Company's experience recovering  
3 from the Great Recession, the bad debt ratios for 2023 and 2024 were calculated  
4 by utilizing the same bad debt as percentage of revenue as 2019 and including  
5 an anticipated \$1.7M in bad debt savings. This cost was then proportionately  
6 allocated to the Company based on the actual bad debt experienced in 2020.

7

8 Recovery from the current economic recession is expected to occur at a faster  
9 pace than experienced after the 2008 Great Recession. Significant portions of  
10 the current situation can be attributed to government-imposed business  
11 restrictions and closures related to health safety protocols. As the pandemic has  
12 transitioned out of an acute phase these have been significantly reduced or  
13 removed entirely. The Company anticipates that the bad debt expense will  
14 return to pre-pandemic levels and move past acute pandemic economic impacts  
15 in 2023 and 2024.

16

17 Q. ARE THE COMMODITY BAD DEBT RATIOS THE COMPANY PROPOSES FOR THE  
18 2022 TEST YEAR AND 2022 THROUGH 2024 REASONABLE?

19 A. Yes. As shown in Table 7 below, our bad debt ratio for 2020 can be seen as an  
20 aberration when compared to 2018 and 2019 levels. The bad ratio in 2021 has  
21 already begun to show evidence of improvement when compared to  
22 2020. Also, the ratios we propose for 2022 to 2024 closely align with our actual  
23 bad debt expense ratios experienced in the recovery after the 2008 Great  
24 Recession and are adjusted to reflect savings from improved credit and  
25 collections performance. Our commodity bad debt ratio for 2019 was lower due  
26 to one-time refunds posted to customer accounts in 2019 associated with the  
27 Tax Cut and Jobs Act (TCJA). Minnesota electric customers received TCJA

1 refunds totaling \$198 million in 2019. These one-time refunds will not occur in  
 2 future years. Commodity bad debt ratios for NSPM are forecasted based on  
 3 the total company, including electric and natural gas commodities. Our  
 4 commodity bad debt ratio was higher in 2020 due to \$3.7 million of incremental  
 5 COVID-19 adjustment on billed commodity revenue and \$1.1 million of  
 6 incremental residential reserve based on improved credit and collections  
 7 performance offset by residential rate relief impact reserve. Our commodity bad  
 8 debt ratio was higher in 2021 due to \$2.6 million of incremental COVID-19  
 9 adjustment on billed commodity revenue. In addition, the Company is reserving  
 10 a higher bad debt provision to address increases in unpaid balances attributed  
 11 to the economic impacts of the COVID-19 pandemic.

12  
 13 **Table 7**  
 14 **Commodity Bad Debt Ratio – NSPM Total Company**

Actuals			July Forecast	Test Year	Plan Years	
2018	2019	2020	2021	2022	2023	2024
0.36%	0.31%	0.59%	0.45%	0.40%	0.35%	0.35%

15  
 16  
 17  
 18  
 19 *Note: 2019 shows a lower ratio because it includes the impact of one-time TCJA customer*  
 20 *refunds.*

21  
 22 **2. Bad Debt Expense and Trend**

23 **Q. WHAT IS THE PROPOSED 2022 COMMODITY BAD DEBT EXPENSE?**

24 **A.** We propose a commodity bad debt expense of \$15.7 million for NSPM Total  
 25 Company, which translates to a 2022 test year commodity bad debt expense of  
 26 \$13.8 million for the State of Minnesota Electric Jurisdiction. We provide

1 detailed calculations supporting the 2022 test year commodity bad debt expense  
2 as Exhibit\_\_\_\_(CCC-1), Schedule 5.

3  
4 Q. WHAT IS THE PROPOSED 2023 THROUGH 2024 COMMODITY BAD DEBT  
5 EXPENSE?

6 A. We propose a 2023 commodity bad debt expense of \$14 million for NSPM  
7 Total Company, which translates to a 2023 plan year commodity bad debt  
8 expense of \$12.3 million for the State of Minnesota Electric Jurisdiction. For  
9 2024, we propose NSPM Total Company commodity bad debt expense of \$14.8  
10 million, which translates to a 2023 plan year commodity bad debt expense of  
11 \$13 million for the State of Minnesota Electric Jurisdiction. We provide detailed  
12 calculations supporting the 2023 through 2024 plan years commodity bad debt  
13 expense as Schedule 5.

14  
15 Q. HOW WAS THE PER-YEAR BAD DEBT EXPENSE CALCULATED?

16 A. We calculate the commodity bad debt expense level by applying the bad debt  
17 ratio for each year to each year's total Company forecasted commodity  
18 revenues. We then allocate the proposed bad debt expense to the State of  
19 Minnesota Electric Jurisdiction through an allocation process that I discuss in  
20 Section III.D of my testimony.

21  
22 Q. HOW DO 2022 THROUGH 2024 BAD DEBT EXPENSE LEVELS COMPARE TO  
23 HISTORICAL BAD DEBT EXPENSE LEVELS?

24 A. Table 8 below presents the trend of the Company's commodity bad debt  
25 expense since 2018. Commodity bad debt expense is expected to be elevated  
26 in 2022 through 2024 due to increasing revenue and expected economic impacts  
27 of the global COVID-19 pandemic, but as discussed above, we are forecasting



1 such impacts to wane by 2024. Bad debt as a percent of revenue is expected to  
 2 peak at 0.59 percent in 2020 then reduce to 2018 levels in 2024. This is  
 3 consistent with performance experienced in 2018 through 2020 and the  
 4 Company's recovery following the 2008 Great Recession. As stated earlier in  
 5 my testimony, bad debt as a percent of revenue came in at 0.31 percent for  
 6 2019, which is lower than historical trending and future forecasts due to the  
 7 one-time impact of TCJA customer refunds applied within the year.

8  
 9 **Table 8**  
 10 **Commodity Bad Debt Expense Trend –**  
 11 **State of Minnesota Electric**  
 12 **(\$ millions)**

Actuals			July Forecast	Test Year	Plan Years	
2018	2019	2020	2021	2022	2023	2024
\$11.50	\$ 9.79	\$ 17.71	\$ 14.11	\$ 13.83	\$ 12.32	\$ 13.00

13  
 14  
 15  
 16  
 17  
 18 Q. PLEASE DISCUSS THE TREND IN THE COMPANY'S COMMODITY BAD DEBT  
 19 EXPENSE.

20 A. Table 8 above shows the Company's bad debt expense has generally increased  
 21 since 2018. The primary reason is the increase of approximately \$496 million  
 22 in NSPM Total Company billed commodity revenue from 2018 (approximately  
 23 \$4.3 billion) to 2024 (approximately \$4.8 billion) as reflected in Exhibit\_\_\_\_(CCC-  
 24 1), Schedule 6. This increase in revenue has been compounded by the increase  
 25 in bad debt as a percent of revenue attributed to the economic impacts of the  
 26 ongoing global pandemic as discussed throughout my testimony.

1 Q. HOW DOES THE COMPANY’S TOTAL BAD DEBT EXPENSE COMPARE TO OTHER  
2 UTILITIES?

3 A. The Company’s bad debt expense compares favorably to other utilities as  
4 reflected in FERC account 904 expenses.<sup>6</sup> For the 2015-2019 period, which is  
5 the most current information available, the combination of the Company’s total  
6 commodity and non-commodity bad debt expense has consistently been below  
7 the mean expense level of other utilities. We provide a summary of this expense  
8 level comparison in Table 9 below.

9

10

**Table 9**

11

**Customer Records and Uncollectible Expense per  
Retail Customer Comparison**

12

13

	2018	2019	2020
<b>NSPM Total Company</b>	\$9.28	\$7.83	\$13.23
<b>Competitor Group (mean)</b>	\$11.74	\$11.14	\$17.49

14

15

16

*Source: S&P Global Intelligence Platform*

17

18

**D. Allocation Methodology**

19

Q. HOW DOES THE COMPANY ALLOCATE COMMODITY BAD DEBT EXPENSE  
20 BETWEEN ELECTRIC AND NATURAL GAS OPERATIONS?

21

22

A. We allocate bad debt expense to our natural gas and electric operations  
23 consistent with the process by which debt is written off. Total bad debt expense  
24 is assigned at a total Operating Company level because customer payments and  
25 write-offs are recorded to the customer’s overall account – not separately for  
electric and gas service. Therefore, because we have combined electric and gas

22

23

24

25

---

<sup>6</sup> FERC account 904 is “charged with amounts sufficient to provide for losses from uncollectible utility revenues.”

1 customers who pay for utility service on an integrated basis, the bad debt  
2 expense is also integrated at a customer account level.

3  
4 To differentiate bad debt expense between gas and electric service, we use an  
5 allocation to reasonably approximate the proportions of electric and gas utilities'  
6 bad debt expense. After applying the bad debt ratio to total NSPM commodity  
7 revenue, the resulting amount is allocated to the Minnesota jurisdiction and  
8 between the electric and gas utilities by using a rolling four-year total of revenues  
9 to utility and jurisdiction. The allocator in the 2022 test year is developed based  
10 on the four previous calendar years' actual operating revenues from the  
11 corporate income statement, which we update every April.

12  
13 Using this methodology, the amount of bad debt expense allocated to the State  
14 of Minnesota Electric Jurisdiction utility operations for 2022 in this case is 76.7  
15 percent of the total bad debt expense for the Company. Essentially, this reflects  
16 the fact that Minnesota electric commodity revenues equaled 76.7 percent of  
17 NSPM commodity revenues during the January 2017 through December 2020  
18 period.

19  
20 Q. DID YOU USE THE SAME ALLOCATION PERCENTAGE FOR THE 2023 THROUGH  
21 2024 PLAN YEARS?

22 A. Yes. The 2023 through 2024 plan years use the same allocation percentage as  
23 the 2022 test year.

1 Q. HAS THE COMPANY USED THIS ALLOCATION METHODOLOGY IN ITS PREVIOUS  
2 RATE CASES?

3 A. Yes. This is the same methodology used in all recent rate cases, including the  
4 2019 rate case (Docket No. E002/GR-19-564), and the Company's most recent  
5 natural gas rate case (Docket No. G002/GR-09-1153).

6

7 **IV. NON-COMMODITY BAD DEBT EXPENSE**

8

9 Q. WHAT IS NON-COMMODITY BAD DEBT EXPENSE?

10 A. Non-commodity bad debt expense is billed revenue that is considered  
11 uncollectible for everything other than electric and natural gas service. The non-  
12 commodity bad debt budget categories align with functional business areas and  
13 include miscellaneous charges such as returned checks and connection-related  
14 fees, which are discussed within my testimony.

15

16 Q. WHAT IS THE 2022 TEST YEAR AMOUNT FOR NON-COMMODITY BAD DEBT?

17 A. The 2022 test year non-commodity bad debt expense for the State of Minnesota  
18 Electric Jurisdiction is \$72,000. Detailed calculations supporting the test year non-  
19 commodity bad debt expense are provided in Schedule 6.

20

21 Q. WHAT ARE THE 2023 THROUGH 2024 PLAN YEAR AMOUNTS FOR NON-  
22 COMMODITY BAD DEBT EXPENSE?

23 A. The 2023 through 2024 plan year non-commodity bad debt for the State of  
24 Minnesota Electric Jurisdiction is \$72,000 each year. I provide the details as  
25 Schedule 6 to my testimony.

- 1 Q. HOW DO THESE AMOUNTS COMPARE TO PAST YEARS?
- 2 A. Table 10 below provides actual non-commodity bad debt expense amounts for
- 3 the 2018-2020 period, the 2021 forecast, the 2022 test year, and the 2023
- 4 through 2024 plan year amounts.

5

6 **Table 10**

7 **Non-Commodity Bad Debt Expense**

8 **State of Minnesota Electric Jurisdiction**

9 **(\$ millions)**

10

	Actual Expense			July Forecast	Test Year	Plan Years	
	2018	2019	2020	2021	2022	2023	2024
Customer Care	\$0.08	\$0.07	\$0.06	\$0.07	\$0.07	\$0.07	\$0.07

11

12

13

- 14
- 15 Q. HOW DID THE COMPANY DEVELOP THE 2022 THROUGH 2024 NON-
- 16 COMMODITY BAD DEBT EXPENSE LEVELS?
- 17 A. The non-commodity bad debt for 2022 Test Year is calculated by using the
- 18 average of actual non-commodity bad debt from 2017 to 2020. For 2023 and
- 19 2024 Plan Years, the Company is using the same methodology as the 2022 Test
- 20 year.

21

22 **V. CONCLUSION**

23

- 24 Q. PLEASE SUMMARIZE YOUR TESTIMONY.
- 25 A. The Customer Care organization continues to achieve strong customer
- 26 satisfaction results and effectively manage its O&M expense levels. It continues
- 27 to perform favorably compared to other electric utilities in managing bad debt

1 expense and the cost to perform overall Customer Care functions. Therefore,  
2 the Customer Care organization's overall O&M expenses, including commodity  
3 and non-commodity bad debt expense, are reasonable and should be approved.  
4 Finally, Customer Care has continued to perform essential business functions  
5 and support customers while managing through the unique and unprecedented  
6 impacts of a global pandemic.

7

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes, it does.

## **Résumé**

Christopher C. Cardenas  
Vice President, Customer Care  
Xcel Energy  
1800 Larimer Street, Suite 1500, Denver, Colorado

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### **Current Responsibilities (2019 - Present)**

Provides leadership and direction for the Company's customer care functions, including meter reading, field collection, billing, credit and collection, customer contact centers, and related business support functions.

### **Previous Positions**

PPL Electric Utilities

2014 - 2018 Vice President, Customer Services

Time Warner Cable

2012 – 2014 Vice President, Customer Service Operations

Comcast Cable

2011 – 2012 Director, Customer Service

U.S. Cellular

2007 – 2010 Director, Customer Service Operations

Sprint

2001 – 2007 Senior Manager, Business Customer Support

### **Education**

Bachelor's Degree, Business Administration in Finance, Texas Lutheran University; Master's Degree, Business Administration (Finance emphasis), Webster University

### **Business / Industry Activities**

Chair, Customer Service Committee for Association of Edison Illuminating Companies (AEIC); Advisory Board, J.D. Power (Electric Utility Industry); Advisory Board, CS Week; Advisory Board, Utility Analytics Institute

**Customer Care O&M Expense Levels  
(\$s)**

<b>Total NSP Electric</b>	Historic Actuals						
Cost Element	2018 Actual	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year
Labor	11,215,202	11,326,632	10,389,902	11,204,857	12,298,482	12,593,538	13,036,352
AMI Saving					(1,297,189)	(4,547,874)	(7,833,873)
Contract Labor	39,784	92,926	55,581	50,566	53,524	53,524	53,524
Outside Services	21,298,276	21,307,997	21,308,588	20,941,170	17,523,668	17,633,391	17,744,224
Employee Expenses	331,113	346,784	208,363	168,814	282,287	282,287	282,287
O&M Credits	(978,953)	(962,198)	(1,154,496)	(1,214,244)			
Postage	3,872,032	3,723,036	3,429,593	3,385,239	3,662,958	3,968,183	4,296,887
Net Other*	627,601	674,044	660,305	771,330	602,573	610,462	617,686
<b>Grand Total</b>	<b>36,405,055</b>	<b>36,509,220</b>	<b>34,897,835</b>	<b>35,307,732</b>	<b>33,126,303</b>	<b>30,593,511</b>	<b>28,197,088</b>

\* All other accounts with less than \$250,000 annually average for the years listed above

<b>Total MN Electric Jurisdiction</b>	Historic Actuals						
Cost Element	2018 Actual	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year
Labor	9,587,334	9,678,577	8,936,180	9,596,549	10,532,061	10,793,029	11,172,064
AMI Saving					(1,297,189)	(4,547,874)	(7,833,873)
Contract Labor	7,230	32,037	11,138	8,921	12,460	12,460	12,460
Outside Services	19,353,926	19,366,871	19,346,802	18,998,892	14,956,653	15,049,733	15,143,755
Employee Expenses	282,714	295,977	178,084	144,330	239,074	239,074	239,074
O&M Credits	(978,953)	(962,198)	(1,154,496)	(1,214,244)			
Postage	3,377,470	3,249,597	2,993,194	2,955,613	3,197,690	3,464,218	3,751,248
Net Other*	528,286	595,449	578,051	676,739	514,546	521,443	527,752
<b>Grand Total</b>	<b>32,158,008</b>	<b>32,256,309</b>	<b>30,888,952</b>	<b>31,166,800</b>	<b>28,155,297</b>	<b>25,532,083</b>	<b>23,012,480</b>



**Customer Care O&M Expense Levels**  
 (\$s)

Sum of YE Amt		Total NSP Electric						
		Historic Actuals			2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year
Director	Cost Element	2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year
Billing Services	Labor	1,999,450	1,892,165	1,876,325	1,873,879	2,181,102	2,249,094	2,328,173
	Contract Labor	8,288	35,838	10,253	9,106	12,048	12,048	12,048
	Outside Services	1,427,939	1,414,866	1,383,643	1,083,057	1,107,910	1,107,910	1,107,910
	Employee Expenses	21,479	25,895	7,581	4,818	19,006	19,006	19,006
	Postage	3,863,721	3,716,571	3,424,336	3,376,324	3,655,263	3,960,489	4,289,193
	Net Other*	34,846	56,273	31,112	149,720	147,753	154,568	161,793
<b>Billing Services Total</b>		<b>7,355,724</b>	<b>7,141,609</b>	<b>6,733,249</b>	<b>6,496,903</b>	<b>7,123,082</b>	<b>7,503,115</b>	<b>7,918,123</b>
Contact Center	Labor	3,868,993	4,031,697	3,734,489	3,886,263	3,893,910	3,871,837	4,002,100
	Outside Services	32,885	25,848	50,949	42,175	30,087	30,087	30,087
	Employee Expenses	55,698	75,241	64,866	26,781	45,824	45,824	45,824
	Postage	3,654	3,249	2,598	3,489	4,157	4,157	4,157
	Net Other*	16,914	(8,062)	13,592	28,580	50,143	50,314	50,314
<b>Contact Center Total</b>		<b>3,978,144</b>	<b>4,127,974</b>	<b>3,866,494</b>	<b>3,987,288</b>	<b>4,024,121</b>	<b>4,002,219</b>	<b>4,132,482</b>
Credit & Collections	Labor	1,518,807	1,515,612	1,495,915	1,770,632	1,986,507	2,033,774	2,108,506
	Contract Labor	-	866	976	-	-	-	-
	Outside Services	664,291	469,333	439,074	474,679	483,421	483,421	483,421
	Employee Expenses	47,678	52,079	19,198	13,992	25,090	25,090	25,090
	Postage	2,504	1,392	1,370	3,878	1,446	1,446	1,446
	Net Other*	38,738	44,869	28,610	25,292	31,379	32,216	32,216
<b>Credit &amp; Collections Total</b>		<b>2,272,018</b>	<b>2,084,151</b>	<b>1,985,143</b>	<b>2,288,472</b>	<b>2,527,842</b>	<b>2,575,947</b>	<b>2,650,678</b>
Cust Care, Measurement & Analytics	Labor	944,305	948,578	909,396	1,090,834	1,046,427	1,077,766	1,113,755
	Contract Labor	-	-	66	-	-	-	-
	Outside Services	94,545	105,860	102,455	162,046	256,064	256,980	257,911
	Employee Expenses	28,949	40,563	21,458	18,657	26,042	26,042	26,042
	Postage	33	426	181	305	298	298	298
	Net Other*	9,816	44,489	3,960	102,733	111,722	111,722	111,722
<b>Cust Care, Measurement &amp; Analytics Total</b>		<b>1,077,648</b>	<b>1,139,916</b>	<b>1,037,516</b>	<b>1,374,575</b>	<b>1,440,552</b>	<b>1,472,808</b>	<b>1,509,727</b>
Customer Policy and Assistance	Labor	439,993	418,761	454,041	471,708	529,319	545,146	563,454
	Contract Labor	-	-	-	199	398	398	398
	Outside Services	42,886	42,366	42,260	44,926	45,824	45,824	45,824
	Employee Expenses	5,981	5,436	2,132	3,947	10,052	10,052	10,052
	Postage	39	6	7	52	81	81	81
	Net Other*	60,043	58,035	53,841	61,303	63,464	63,464	63,464
<b>Customer Policy and Assistance Total</b>		<b>548,943</b>	<b>524,604</b>	<b>552,280</b>	<b>582,135</b>	<b>649,138</b>	<b>664,965</b>	<b>683,274</b>
Meter Reading	Labor	2,443,654	2,519,819	1,919,737	2,111,542	2,661,217	2,815,920	2,920,365
	AMI Saving	-	-	-	-	(1,297,189)	(4,547,874)	(7,833,873)
	Contract Labor	31,495	56,222	44,286	41,261	41,078	41,078	41,078
	Outside Services	19,035,730	19,249,723	19,290,207	19,134,287	15,600,363	15,709,170	15,819,072
	Employee Expenses	171,328	147,570	93,128	100,619	156,272	156,272	156,272
	O&M Credits	(978,953)	(962,198)	(1,154,496)	(1,214,244)	-	-	-
	Postage	2,081	1,391	1,102	1,191	1,714	1,714	1,714
	Net Other*	467,245	478,440	529,190	403,702	198,113	198,176	198,176
<b>Meter Reading Total</b>		<b>21,172,580</b>	<b>21,490,966</b>	<b>20,723,154</b>	<b>20,578,358</b>	<b>17,361,568</b>	<b>14,374,456</b>	<b>11,302,805</b>
<b>Grand Total</b>		<b>36,405,055</b>	<b>36,509,220</b>	<b>34,897,835</b>	<b>35,307,732</b>	<b>33,126,303</b>	<b>30,593,511</b>	<b>28,197,088</b>

Total MN Electric Jurisdiction							
Historic Actuals			2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year	
2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year	2023 Plan Year	2024 Plan Year	
1,744,146	1,651,582	1,637,635	1,636,301	1,904,573	1,963,945	2,032,998	
7,230	31,282	8,949	7,951	10,520	10,520	10,520	
1,245,610	1,234,970	1,207,628	945,743	967,444	967,444	967,444	
18,736	22,603	6,616	4,207	16,596	16,596	16,596	
3,370,374	3,244,021	2,988,722	2,948,260	3,191,834	3,458,362	3,745,392	
30,397	49,118	27,154	130,738	129,020	134,972	141,280	
6,416,493	6,233,575	5,876,705	5,673,200	6,219,989	6,551,841	6,914,231	
3,374,973	3,519,078	3,259,421	3,393,547	3,400,225	3,380,950	3,494,697	
28,686	22,562	44,467	36,828	26,273	26,273	26,273	
48,586	65,675	56,614	23,386	40,014	40,014	40,014	
3,187	2,836	2,267	3,047	3,630	3,630	3,630	
14,754	(7,037)	11,863	24,956	43,785	43,935	43,935	
3,470,186	3,603,114	3,374,633	3,481,764	3,513,927	3,494,802	3,608,549	
1,324,875	1,322,907	1,305,618	1,546,144	1,734,650	1,775,924	1,841,181	
-	755	852	-	-	-	-	
579,470	409,659	383,219	414,497	422,131	422,131	422,131	
41,590	45,457	16,756	12,218	21,909	21,909	21,909	
2,185	1,215	1,195	3,386	1,263	1,263	1,263	
33,791	39,164	24,970	22,085	27,400	28,132	28,132	
1,981,911	1,819,157	1,732,611	1,998,331	2,207,352	2,249,358	2,314,615	
823,730	827,969	793,711	952,534	913,757	941,123	972,548	
-	57	57	-	-	-	-	
82,473	92,400	89,421	141,501	223,599	224,399	225,212	
25,253	35,405	18,729	16,291	22,741	22,741	22,741	
29	372	158	266	260	260	260	
8,562	38,832	3,456	89,708	97,557	97,557	97,557	
940,046	994,979	905,533	1,200,301	1,257,913	1,286,079	1,318,318	
383,812	365,517	396,282	411,903	462,209	476,030	492,017	
-	174	348	174	348	348	348	
37,410	36,979	36,884	39,230	40,014	40,014	40,014	
5,217	4,745	1,860	3,447	8,778	8,778	8,778	
34	5	6	45	70	70	70	
52,377	50,656	46,992	53,531	55,418	55,418	55,418	
478,850	457,902	482,024	508,330	566,838	580,658	596,645	
1,935,799	1,991,524	1,543,512	1,656,121	2,116,647	2,255,056	2,338,622	
-	-	-	-	(1,297,189)	(4,547,874)	(7,833,873)	
-	-	-	-	1,592	1,592	1,592	
17,380,278	17,570,300	17,585,182	17,421,093	13,277,192	13,369,472	13,462,681	
143,331	122,093	77,508	84,781	129,036	129,036	129,036	
(978,953)	(962,198)	(1,154,496)	(1,214,244)	-	-	-	
1,662	1,148	845	608	633	633	633	
388,405	424,715	463,615	355,720	161,365	161,429	161,429	
18,870,522	19,147,581	18,517,446	18,304,875	14,389,278	11,369,345	8,260,122	
32,158,008	32,256,309	30,888,952	31,166,800	28,155,297	25,532,083	23,012,480	

\* All accounts included in the "Net Other" category from Page 1

## **Measuring the Voice of our Customers with J.D. Power Satisfaction**

Xcel Energy participates in the J.D. Power residential study to capture the voice of our customers across a broad spectrum of satisfaction categories.

J.D. Power is an independent global research firm that provides services to several industries, including the energy industry. As it pertains to the energy industry, J.D. Power performs ongoing benchmarking studies that assess how utilities have performed compared to one another in several customer service-related categories.

The Company does not retain J.D. Power to perform its surveys; rather, J.D. Power performs the surveys and makes the results available annually via subscription. The Company subscribes to the J.D. Power survey because the Company finds value in understanding the issues that are important to customers nationally and regionally, as well as how its customers rate its service performance compared to other utilities.

The J.D. Power study uses a ratings scale of 1 to 10, where 10 represents very satisfied and 1 represents very dissatisfied. J.D. Power uses an index to combine customer scores to create a single overall satisfaction score, which is on a 1,000 point scale.

J.D. Power has identified through ongoing analysis the top drivers of customer satisfaction. Utilities use this information to understand and prioritize activities to improve satisfaction. J.D. Power results are shared with business areas so they have timely information from which to make any necessary changes to better serve customers.

The table below summarizes our performance over the past six and a half years in these areas. It also includes some examples of what J.D. Power collects regarding each of these categories.

**J.D. Power Utility Residential Study Results: Xcel Energy Midwest**  
**Index score on 1,000 point scale as calculated by J.D. Power**

<b>Factor</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 Q2 YTD</b>
<b>Price</b> (i.e., total monthly cost, fairness, options, easy to understand, help in managing usage)	574	596	625	663	664	691	710	707
<b>Power Quality &amp; Reliability</b> (i.e., quality power, avoiding outages, reliable during extreme weather, prompt restoration, outage communications)	717	718	743	781	780	802	810	806
<b>Billing &amp; Payment</b> (i.e., reasonableness of billing cycle, clarity of bill, ease, variety of methods to pay)	726	728	749	781	779	798	810	808
<b>Corporate Citizenship</b> (i.e., community involvement, environmental stewardship, energy efficiency focused, develops future energy plans)	604	622	636	653	674	697	732	726
<b>Communications</b> (i.e., variety of communications used, safety, communicating changes, messages that get attention)	605	629	647	668	681	709	731	740
<b>Customer Care</b> (i.e., phone ease of use, rep clarity, promptness, courteousness, knowledge, concern, clarity, timeliness, online appearance, clarity, ease, timeliness, helpfulness, in-person promptness, courtesy, knowledge, concern, clarity, timeliness)	728	737	762	788	792	827	814	820

JD Power reports satisfaction performance based on region by utility. Therefore, NSP-Minnesota and NSP-Wisconsin are combined into “Xcel Energy Midwest” by JD Power. To be consistent with all data in this section, we are reporting Xcel Energy Midwest performance.

As mentioned, the J.D. Power study measures customer satisfaction with utilities nationally, which includes over 143 utilities as of 2020. The table below provides a six and a half year history over our overall satisfaction index score and how that compares to the average score in our region as well as our quartile performance in the Midwest.

### **J.D. Power Utility Residential Customer Satisfaction Study Regional Benchmarks**

<b>J.D. Power Study</b>	<b>Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021 Q2 YTD</b>
Residential Electricity Customers	Xcel Energy Midwest Large Segment Quartile Achievement	2	2	1	1	2	1	1	2
	Xcel Energy Midwest Customer Satisfaction Index Score	658	670	692	723	727	751	766	765
	Midwest Large Segment - Average Index Score	644	661	678	717	726	732	754	757

## Northern States Power Write-Off Policy

Once an account is finalized and has aged **139** working days past the final bill due date, the following events take place:

- Debtors with a balance of \$1,000 or less go directly to write-off in Daily Processing in the Customer Resource System (CRS).
- Accounts with a balance of over \$1,000 need to be worked manually.
  - A 'Pending Write-offs' report is created for all debtors that are ready to be written off but have not been written off by CRS. This report is reviewed by Revenue Assurance to search for an active account for the same debtor to transfer the past due amount to, and/or to collect money if possible. If they are unable to find a current account for the same debtor, the past due amount is manually written-off. (Refer to *Write-off Requests, Manual Approval Procedures* for process steps.)
- For debt meeting the criteria above for manual processing (**139** working days past the final bill due date over \$1,000) items will be processed for up to 30 days from the Pending Write-Off report with one of the following actions taking place by day 30 of the item being in the queue:
  - 1) Transfer balance to new using account
  - 2) Collection of debt
  - 3) Write off
- Enforcement of the 30-day processing will be managed with a report to identify and track all accounts aged later than the **139** date and ensure any uncollectible account is written off by the cutoff date, unless there is evidence of collectibility to the contrary (collections incoming or a legitimate promise to pay in place). Changes will be minimized as much as possible, and any changes will require the approval of the Vice President of Customer Care.



**Non-Commodity Non-Energy Bad Debt Information**  
 (Amounts in \$'s)

	2018 Actual		2019 Actual		2020 Actual		2021 July Forecast		2022 Test Year		2023 Plan Year		2024 Plan Year	
	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction	Total Electric	Mn Jurisdiction
Customer Care Non-Commodity (1)	88,628	77,326	74,710	65,183	70,624	61,640	81,930	71,543	81,926	71,539	81,926	71,539	81,926	71,539
Distribution Operations (2)	440,831	435,710	223,106	214,613	629,869	549,740	375,648	328,075	-	-	-	-	-	-
Corporate Other (3)	-	-	316,252	316,252	(24,955)	-	(17,701)	-	-	-	-	-	-	-
	<u>529,458</u>	<u>513,036</u>	<u>614,068</u>	<u>596,048</u>	<u>675,538</u>	<u>611,380</u>	<u>439,877</u>	<u>399,618</u>	<u>81,926</u>	<u>71,539</u>	<u>81,926</u>	<u>71,539</u>	<u>81,926</u>	<u>71,539</u>

(1) Miscellaneous charges such as returned check and connection-related fees

(2) Distribution Contributions In Aid Of Construction, and charges for requests made by customers for non-standard equipment or set-up; claims against third parties that damage the Company's electric and gas facilities

(3) Puerto Rico mutual aid reserve in 2019 and COVID-19 bad debt adjustment in 2020 and 2021.

(904) Uncollectible Accounts per Retail Customer			(901-905 less 904) Customer Care Accts Exp per Retail Customer			(902) Meter Reading Exp per Retail Customer			(903) Customer Records & Collection Exp per Retail Customer			(901 - 905) Total Customer Accounts Expense per Retail Customer		
	Mean	NSPM		Mean	NSPM		Mean	NSPM		Mean	NSPM		Mean	NSPM
2008	\$ 14.50	\$ 13.95	2008	\$ 38.33	\$ 34.11	2008	\$ 8.16	\$ 15.15	2008	\$ 26.98	\$ 18.68	2008	\$ 52.82	\$ 48.06
2009	\$ 13.66	\$ 10.52	2009	\$ 38.62	\$ 34.09	2009	\$ 8.36	\$ 14.90	2009	\$ 27.05	\$ 18.94	2009	\$ 52.39	\$ 44.61
2010	\$ 12.98	\$ 8.49	2010	\$ 39.08	\$ 34.58	2010	\$ 8.14	\$ 15.41	2010	\$ 28.12	\$ 19.00	2010	\$ 52.22	\$ 43.07
2011	\$ 12.24	\$ 9.04	2011	\$ 39.34	\$ 33.29	2011	\$ 7.93	\$ 14.18	2011	\$ 28.26	\$ 18.97	2011	\$ 51.57	\$ 42.33
2012	\$ 11.44	\$ 6.33	2012	\$ 38.26	\$ 31.82	2012	\$ 7.37	\$ 12.95	2012	\$ 27.80	\$ 18.73	2012	\$ 49.70	\$ 38.15
2013	\$ 12.36	\$ 7.96	2013	\$ 37.75	\$ 31.02	2013	\$ 6.83	\$ 12.96	2013	\$ 27.68	\$ 17.93	2013	\$ 50.11	\$ 38.98
2014	\$ 13.35	\$ 9.97	2014	\$ 38.06	\$ 30.64	2014	\$ 6.51	\$ 13.00	2014	\$ 28.31	\$ 17.54	2014	\$ 51.41	\$ 40.61
2015	\$ 12.90	\$ 8.33	2015	\$ 38.86	\$ 30.06	2015	\$ 6.66	\$ 13.23	2015	\$ 28.95	\$ 16.75	2015	\$ 51.76	\$ 38.39
2016	\$ 12.70	\$ 8.61	2016	\$ 37.92	\$ 29.90	2016	\$ 6.35	\$ 13.42	2016	\$ 28.57	\$ 16.39	2016	\$ 50.62	\$ 38.50
2017	\$ 10.11	\$ 8.87	2017	\$ 38.07	\$ 28.91	2017	\$ 6.11	\$ 13.48	2017	\$ 28.74	\$ 15.35	2017	\$ 48.18	\$ 37.78
2018	\$ 11.74	\$ 9.28	2018	\$ 37.35	\$ 28.45	2018	\$ 5.84	\$ 14.36	2018	\$ 28.69	\$ 14.04	2018	\$ 49.08	\$ 37.73
2019	\$ 11.14	\$ 7.83	2019	\$ 37.35	\$ 30.36	2019	\$ 5.64	\$ 14.64	2019	\$ 28.82	\$ 15.64	2019	\$ 51.68	\$ 38.20
2020	\$ 17.49	\$ 13.23	2020	\$ 36.24	\$ 44.72	2020	\$ 5.53	\$ 19.06	2020	\$ 27.94	\$ 13.85	2020	\$ 52.50	\$ 57.95
* 2019 data was not impacted by the pandemic														