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 Gas Service in Minnesota

Docket No. G002/GR-21-678
Exhibit___(CCC-1)

Customer Care and Bad Debt Expense

November 1, 2021

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Schedules

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

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

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have more than 21 years of experience in the areas of customer service and finance for energy utilities, cable, and telecommunication companies. I joined XES in January 2019, previously serving as Vice President of Customer Services for PPL Electric Utilities in Pennsylvania. In my current position, I am responsible for the overall business performance of the Customer Care organization. Prior to this, I held various customer service and financial leadership roles with Time Warner Cable, Comcast Cable, U.S. Cellular, and Sprint Nextel. I have also held various positions in corporate strategy, customer service operations, and business development. My resume is provided as Exhibit___(CCC-1), Schedule 1.

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

A. My testimony provides an overview of the Customer Care organization and its 2021 and 2022 Operation and Maintenance (O&M) expense levels. I share ways we measure customer satisfaction for work Customer Care performs. I also present and discuss the Company's commodity and non-commodity bad debt expense, and the actions we have taken to minimize and manage it to the benefit of customers.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Customer Care organization has achieved strong customer satisfaction results, controlled its O&M expenses, and outperformed other utilities in managing bad debt expense. The 2022 test year O&M expense I propose for the Customer Care organization is $7.6 million for the State of Minnesota Gas Jurisdiction. This level of O&M expense continues Customer Care's trend to decrease O&M expense since 2018, while continuing to achieve strong results in the Company's service quality measures and high levels of satisfaction with the service we provide our customers.

The 2022 test year bad debt ratio we propose is 0.40 percent, which results in a 2022 test year commodity bad debt expense of $2.1 million, and approximately $19,000 for non-commodity bad debt expense for the State of Minnesota Gas Jurisdiction. While this bad debt performance compares favorably to other utilities, it is relatively flat when compared to 2018-2021 average performance levels as a result of the ongoing COVID-19 global health crisis and associated economic impact offset by anticipated savings related to improved credit and collections performance.

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

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

2020, we had successfully transitioned over 600 Customer Care employees from the office to working from home. Throughout the pandemic, we have remained committed to providing the highest levels of customer support and have worked diligently to ensure our customers impacted by the pandemic are connected with available assistance and resources they need through flexible payment plans, stimulus programs such as our Payment Plan Credit Program, and partnerships with government agencies, non-profits, and community organizations. Customer Care has supported these initiatives and our customers throughout the pandemic and has done so successfully by embracing technology and the shift to a virtual workplace. These actions and the impact they have had on the Customer Care organization are discussed in my testimony and are evident in our O&M and bad debt projections.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

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

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

- *Non-Commodity Bad Debt Expense.* This is billed revenue that is considered uncollectible for everything other than electric and natural gas service. I discuss the Company's test year levels of expense, the various components of non-commodity bad debt expense, and what the various business functions do to manage non-commodity bad debt expense.

II. CUSTOMER CARE ORGANIZATION

A. Overview

Q. PLEASE SUMMARIZE THIS SECTION OF YOUR TESTIMONY.

A. In this section, I discuss the structure of the Customer Care organization and describe the various functions involved in providing service to the Xcel Energy organization, including NSPM and the other Operating Companies and their customers. I also present the Company's test year O&M expense and discuss how we have managed to keep O&M expenses relatively flat since 2018 while introducing new customer programs and options and maintaining high levels of customer satisfaction relative to the work Customer Care performs.

Q. PLEASE DISCUSS THE FUNCTIONS OF THE CUSTOMER CARE ORGANIZATION AND HOW THEY RELATE TO THE COMPANY'S OVERALL BUSINESS GOALS.

A. The Customer Care organization performs essential functions that help the Company effectively provide its customers energy products and services and high levels of customer service. We ensure energy use is measured and billed accurately, collect and process customer payments, and assist our customers with questions, concerns or requests about their energy services. We understand customer needs and expectations are evolving in the energy marketplace. We strive to meet those changing needs through improved

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

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

A. The Customer Care organization provides service to approximately 3.6 million electricity customers and 2.0 million gas customers served by Xcel Energy across its service territory in eight states. We support customers starting when they initiate their energy service, as we collect ongoing meter readings and issue bills, through posting their payments to their accounts. We are available to customers via phone, web, mobile, email, and various social media. We consider customer survey data and other feedback and use it to assess our performance and opportunities for improvement. Below is a brief description of the various business functions that comprise the Customer Care organization:

- *Billing Services.* Responsible for the production and delivery of billing statements, researching billing and payment inquiries and resolving customer billing and payment issues, billing quality assurance, and receiving and posting all customer payments.
- *Contact Center.* Responsible for interacting with our customers through our customer Contact Centers, mailed and electronic correspondence, social media and online inquires to answer their questions, resolve their concerns, and fulfill their requests.

- *Credit and Collections*. Responsible for accounts receivable management, minimizing customer receivable write-offs, and operation of credit Contact Centers.
- *Measurement and Analytics*: Responsible for staff training, quality assurance, planning and forecasting, operational management, workforce management, performance reporting, advanced analytics, vendor management and budget oversight.
- *Customer Policy and Assistance:* Responsible for process efficiencies, resolving customer complaints, communications within the organization, customer policy, and low-income programs.
- *Meter Reading, Field Collections and Revenue Assurance.* Responsible for reading customer meters, performing field disconnection and collection activities, and investigating energy theft and revenue loss situations.

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

A. Yes. Our Interactive Voice Response (IVR) automated phone system is an important tool customers use to conduct quick and easy transactions without the need to speak with a customer service representative. We actively manage this tool, making enhancements to ensure customers are satisfied and their issues are resolved efficiently. Our customers use the IVR system extensively and are very satisfied with it, as shown in Table 2. In addition, we support our customers with inquiries and requests submitted through our website, with a notable increase in the number of customer interactions requesting moving-related changes being submitted online over the last several years. We also receive emails from customers, as well as respond to comments or requests through social media. Customers also interact with the Company through our website, including MyAccount online account management, as well as through

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

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

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

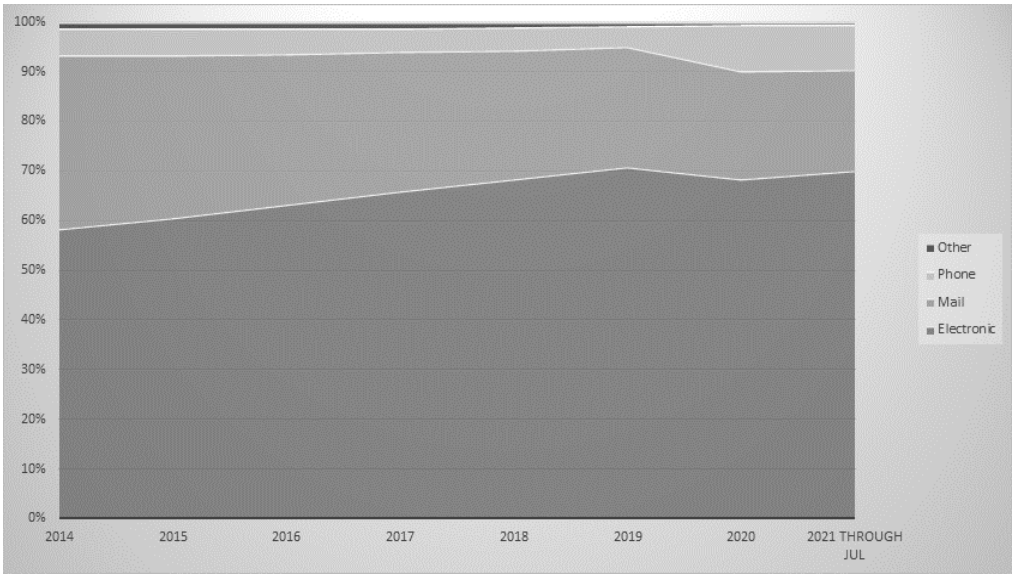
As shown in Figure 1 below, an increasing percentage of customers are submitting their payments through electronic payment options. In addition to being more convenient for a significant number of customers, this shift creates

[1] Information on the mobile application can be found at: https://www.xcelenergy.com/mobile_app
[2] Information on designated pay stations can be found at: https://www.xcelenergy.com/billing_and_payment

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

Figure 1

Customer Payments by Channel[3]



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

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

[3] 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.

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

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

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

A. We assess the needs of the Customer Care organization and the various Operating Companies we support and plan and budget at the business function level. This is necessary given the variety of services provided by the different business functions that make up the Customer Care organization. Unless otherwise noted, this discussion relates to Customer Care O&M at the NSPM Gas level.[4]

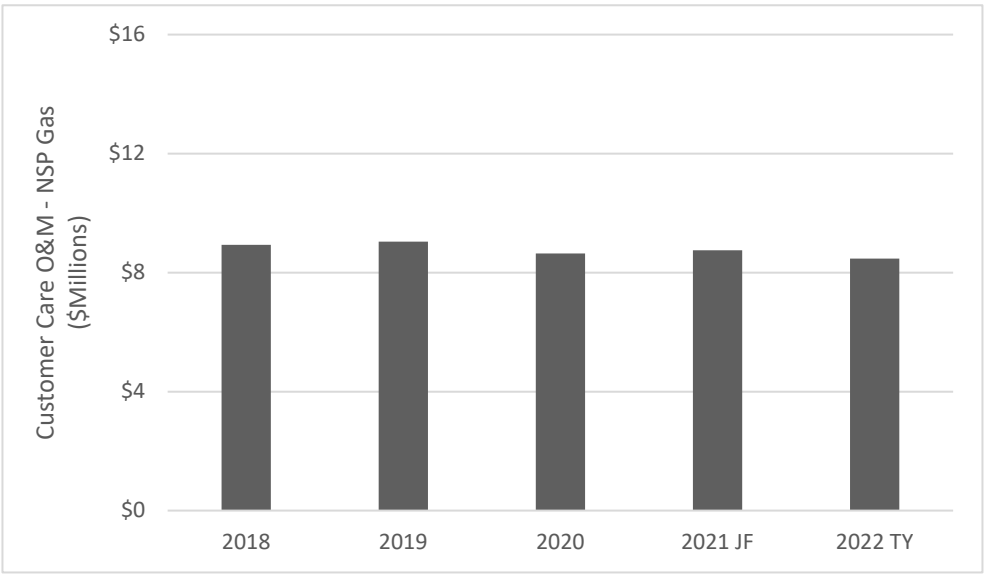
Q. PLEASE PROVIDE AN OVERVIEW OF THE CUSTOMER CARE O&M BUDGET.

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

[4] 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 Gas Jurisdiction.

Figure 2

Customer Care O&M Trend – NSPM Gas



Overall, the Customer Care 2022 test year O&M budget decreases compared to the O&M expense levels for the past four years. The total 2022 Customer Care test year O&M expense of $8.5 million decreases by 5 percent of the spending level in 2018, mainly due to vendor contract renegotiation for meter reading activities where a contract cost escalation was eliminated and a lower cost per read was gained, as I explain in greater detail below.

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

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

forward, the impact of cost renegotiations with our current meter reading vendor will reduce meter reading costs substantially.

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

A. Yes. The Federal Energy Regulatory Commission (FERC) cost data from the S&P Global Intelligence Platform compares Customer Care-related expenses for more than 100 regulated energy companies representing gas and electric utilities, including combination gas and electric utilities, like NSPM. This data represents Customer Care-related O&M expense for all customers regardless of utility type. The total population, on average, consisted of 102 companies annually from 2015 through 2019.

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

A. Overall, NSPM continues to compare favorably when looking at mean performance in total costs captured in FERC accounts 901 through 905, which include the majority of costs managed by Customer Care, Exhibit___(CCC-1), Schedule 7. Table 1 below shows total Customer Accounts Expense, including bad debt expense, per retail customer for FERC accounts 901 through 905. NSPM Total Company shows relatively flat, and consistently lower, cost per retail customer than the Competitor Group (mean) during the last five years of reported data. 2020 was an aberration, however, because the Company reserved for higher potential bad debt expenses to mitigate pandemic related risks of increased accounts receivable aging and potential bankruptcies. This incremental adjustment was put into place to increase reserve levels and protect against potential future pandemic related bad debt expense and does not include

any bad debt expense that the company had been deferring pursuant to the Commission's order in Docket No. E,G999/M-20-427.

Table 1

Customer Accounts Expense per Retail Customer

Comparison (901-905)

	2018	2019	2020
NSPM Total Company	$37.7	$38.2	$57.9
Competitor Group (mean)	$49.1	$51.7	$52.5

Source: S&P Global Intelligence Platform

Q. IN LIGHT OF THE RELATIVELY FLAT O&M OVER THE PAST SEVERAL YEARS, WHAT INFORMATION DO YOU HAVE ABOUT CUSTOMER SATISFACTION WITH THEIR NATURAL GAS SERVICE?

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.

Hiring efforts will continue through year end, and the Company is expanding these efforts into new communities. We also recently significantly increased the starting wage of these positions from $14.00 per hour to $17.00 per hour. We continue to work toward improving our customer experience and reaching our targeted customer service response levels that we have consistently achieved in the past.

Table 2

Voice of the Customer Transaction Survey – Minnesota Gas

(Percentage of Customers Providing a Positive Rating)[5]

	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%

I provide more information regarding customer satisfaction in Exhibit___(CCC-1), Schedule 3. While customer satisfaction remains high relative to the work Customer Care performs, there is room for improvement in other areas, such as the Company's digital platform for customer information, which is discussed further in the Direct Testimony of Company witness Mr. Michael Remington.

[5] 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.

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

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

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

A. Yes. We estimate the 2024 cost of such a waiver program to be $1.7 million for the gas operations of the Company. Our calculation of this estimated cost is based on historical experiences and a similar program put into place in 2021 for Xcel Energy's Northern States Power of Wisconsin (NSP-WI) jurisdiction. In the inaugural year of the NSP-WI program, the customer facing fee for one-

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

We expect to see significantly higher utilization of the program being proposed for our Minnesota customers, as we propose to offer the fee waiver not just for one-time payments, but also in conjunction with autopay functionality. Offering the fee waiver in conjunction with autopay functionality is expected to increase customer utilization of the program by just over four times in 2024, over what we would otherwise experience. Assuming a 0.5 percent growth in the total number of payments each year, this would account for 5.1 million transactions and a total cost of $8.3M in 2024. Allocating that total cost between electric and gas operations results in the estimated gas cost of $1.7M.

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

Q. WHAT IS CUSTOMER CARE'S O&M 2022 EXPENSE?

A. The Company requests a NSPM Gas O&M expense level for Customer Care of $8.5 million for the 2022 test year. I discuss the key drivers of Customer Care's O&M expenses from 2021 through 2022 below.

Q. PLEASE SUMMARIZE KEY FACTORS IMPACTING CUSTOMER CARE EXPENSE LEVELS FROM 2021 THROUGH 2022.

A. Customer Care expects an overall O&M reduction from 2021 through 2022 primarily associated with anticipated reductions in meter reading expenses. Part of this reduction results from successful contract negotiations with the Company's meter reading services vendor. The negotiations eliminated a contract cost escalation factor associated with economic indicators starting in January 2019. It also enables reductions in meter reading services costs occurs starting in 2022, partially offset by the elimination of credits for meters the vendor cannot read according to its contractual schedule. These negotiated contract changes extend for the life of the remaining contract. In addition, COVID-19 related impacts and reallocations impacted 2021 O&M. As an example, reduced work hours due to suspended field collections and residential manual meter reading activities were charged to Pandemic Non-Productive (enterprise) accounts resulting in lower Customer Care labor costs in 2021. I discuss the year-to-year O&M impacts and expense drivers in more detail below.

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

A. From 2020 to 2021, we anticipate an increase of approximately $114,000. Labor costs increase by approximately $202,000 with a three-percent annual

performance-based wage increase in most business areas and lower labor associated with suspended field collections and manual meter reading activities in 2020. In addition, Employee Expenses are reduced by approximately $10,000 as a result of pandemic-related travel and spending reductions. In Outside Services, we anticipate a decrease of approximately $78,000 mainly due to a credit received from a vendor assisting with certain types of payment processing received in 2021 for overbilling of dual delivery charges in 2020 and lower bill processing fees due to customer adoption of electronic billing.

As mentioned earlier in my testimony, electronic billing is on track to be the preferred bill format for nearly half of the Company's customers by the end of 2021. Given the impact increased adoption of electronic billing can have on Customer Care's budget, increasing customer utilization for this item will be an important part of our strategy in the coming years.

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

A. From 2021 to 2022, we anticipate a decrease of approximately $286,000 in Customer Care O&M expenses. This is primarily driven by anticipated cost reductions in Meter Reading; including a $930,000 reduction expected due to vendor contract renegotiation, and partially offset by elimination of vendor credits of $311,000 in 2022. This decrease is offset by a labor increase of approximately $277,000 due to annual wage increases and increases in employee headcounts to meet the increasingly complex needs of our customers, as it relates to maintaining service levels, assisting Billing with complex billing issues, and labor reductions associated with suspended field collections and manual meter reading activities for portions of 2021. We anticipate an increase for

postage costs of $72,000 associated with an anticipated percent increase in postage rates partially offset by customer adoption of electronic billing and payment methods.

C. O&M Budgets by Business Function

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

A. Table 3 below provides an overall view of Customer Care O&M expense levels since 2018. Please see Exhibit___(CCC-1), Schedule 2 for additional details regarding Customer Care O&M expense. As I discussed above, overall Customer Care O&M levels have remained relatively flat over a significant period of time. I discuss below some of the variations that have occurred in the various functional areas of Customer Care for the 2018 to 2022 period.

Table 3

Customer Care O&M by Business Area –

NSPM Gas ($ millions)

	Historic Actuals			July 2021 Forecast	2022 Test Year	Percent Change 2018 - 2022
	2018	2019	2020			
Billing Services	$1.8	$1.8	$1.7	$1.6	$1.8	-2.3%
Contact Center	$1.0	$1.1	$1.0	$1.0	$1.0	-2.3%
Credit and Collections	$0.6	$0.5	$0.5	$0.6	$0.6	12.6%
Customer Care, Measurement & Analytics	$0.3	$0.3	$0.3	$0.4	$0.4	35.1%
Customer Policy and Assistance	$0.1	$0.1	$0.1	$0.1	$0.2	19.5%
Meter Reading and Field Collections	$5.1	$5.2	$5.0	$5.0	$4.5	-12.7%
Total Customer Care O&M	*$8.9*	*$9.0*	*$8.6*	*$8.8*	*$8.5*	*-5.3%*

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

1. Billing Services

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

A. From 2018 through 2022, the Billing Services O&M budget decreases by 2.3 percent, or $40,000 mainly due to lower bill processing and postage fees due to increased customer adoption of electronic billing offset by annual wage increases.

2. Customer Contact Center

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

A. The Customer Contact Center O&M budget increases by 2.3 percent, or $23,000, from 2018 to 2022. This is primarily due to annual wage increases offset by increased customer use of automated interaction channels, including the IVR system, which has helped to lower labor costs through reduced staffing needs. While Contact Center entry-level wage rates have increased, given more competitive labor markets, we have seen agent-handled call volume decline over time. We are focusing on resolving customers' needs efficiently on the first call. We recognize that calls coming into our Contact Centers are more complex, as simpler transactions are increasingly completed through automated means.

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

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

3. Credit and Collections

Q. PLEASE DISCUSS CREDIT AND COLLECTIONS O&M.

A. The Credit and Collections O&M budget increases by 12.6 percent, or $72,000, from 2018 to 2022, primarily due to annual wage increases and increased headcounts to maintain service level. This increase is offset by anticipated lower collection agency commission due to better collection effort. 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 and to establish payment arrangements. Analytics have also helped to further target cost-effective customer outreach efforts.

4. Customer Care, Measurement and Analytics

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

A. The Customer Care, Measurement and Analytics is projected to increase by 35.1 percent, or $95,000, from 2018 to 2022 mainly due to annual wage increases

and increased automated customer notifications, which are used to keep customers informed of outage status and provide billing and payment reminders.

5. Customer Policy and Assistance

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

A. The Customer Policy and Assistance O&M is projected to increase by 19.5 percent, or $27,000, from 2018 to 2022, mainly due to annual wage increases.

6. Meter Reading and Field Collections

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

A. The Company currently uses Automated Meter Reading technology, which it implemented beginning in the mid-1990s. Meter readings are collected and provided to the Company via a proprietary network by our current meter reading services vendor. Informational meter readings are generally provided daily, and billing quality readings are provided once per billing cycle, with the billing quality readings used to generate the monthly customer bill. In addition to providing the meter readings, our vendor owns and maintains the communication network and software used to transmit the readings. The vendor also owns and maintains gas meter communication modules, which refers to the radio interface that is installed as part of the gas meter. The Company's payments to our vendor for these services are reflected as O&M expense in our budgets.

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

A. The Meter Reading and Field Collections O&M budget is projected to decline by 12.7 percent, or $645,000 from 2018 to 2022. Through recent negotiations

with our vendor, the Company successfully removed an annual cost escalation factor tied to economic indicators. This is reflected in relatively flat O&M budgets starting in 2020 and 2021. The elimination of this cost escalation factor will continue through the remaining life of the contract. This will be a significant benefit in managing meter reading O&M cost during the next several years. Contract negotiations also resulted in lower meter reading services fees starting in 2022 that continue for the life of the remaining contract.

III. COMMODITY BAD DEBT EXPENSE

A. Introduction

Q. WHAT IS COMMODITY BAD DEBT EXPENSE?

A. Commodity bad debt expense is billed commodity revenue for electric and natural gas service that is considered uncollectible from customers. Commodity revenue refers to the revenue billed to the Company's customers for the cost of utility service, including fuel charges and all regulated charges to customers, such as riders. This definition represents virtually all of the Company's billed retail customer revenue. It does not include comparatively minor ancillary charges such as damage claims, which are considered "non-commodity" revenue, discussed in Section IV of my testimony.

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

A. For the 2022 test year, we propose a 0.40 percent of revenue ratio. On a State of Minnesota Gas Jurisdiction level, this represents commodity bad debt expense of $2.1 million. I discuss the bad debt expense budget and forecast process in Part B; the methodology we use to determine our bad debt ratios and

proposed bad debt expense levels and trending in Part C; and the allocation methodology for commodity bad debt expense between electric and gas operations in Part D.

Q. HOW DO THE 2022 PROPOSED BAD DEBT EXPENSE LEVELS COMPARE TO PREVIOUS LEVELS?

A. The 2022 bad debt expense levels are forecast to decrease over past performance. The Company has recent experience in managing through such difficulties and did achieve significant and steady declines from the Great Recession of 2008, when the Company's bad debt expense ratio was at 0.65 percent. We expect to perform similarly in recovery from the current situation. For 2022, the Company utilizes the same bad debt percentage of revenue experienced in 2010 including anticipated savings attributed to improved credit and collections performance by the Company.

Q. DOES THE TEST YEAR INCLUDE ANY BAD DEBT EXPENSE THAT THE COMPANY HAD BEEN DEFERRING PURSUANT TO THE COMMISSION'S ORDER IN DOCKET NO. E,G999/M-20-427?

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

B. Bad Debt Expense Budget and Forecast Process

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

A. In general, we recognize commodity bad debt expense through a combination of: (1) estimating an amount of accounts receivable reserve (or provision) associated with outstanding receivables that will be unrecoverable; and, (2) writing-off uncollectible accounts not previously reflected in this reserve. From the combination of these amounts, we derive a weighted average ratio of bad debt to overall billed commodity revenue. To determine forecasted bad debt expense, as is necessary for budgeting purposes and for a rate case, the Company applies this bad debt ratio to forecasted commodity revenues and allocates it between its electric and natural gas operations.

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

A. Using a ratio of billed commodity revenue is reasonable because there is a direct relationship between billed commodity revenue and bad debt expense. In particular, as billed commodity revenue increases and decreases, bad debt proportionately increases and decreases. This practice is commonly used by industry groups, as verified by the Edison Electric Institute, and this trend is also supported by historical data.

Q. WHAT FACTORS IMPACT COMMODITY BAD DEBT EXPENSE?

A. All else being equal, commodity bad debt expense varies directly with billed commodity revenues. Other factors affecting bad debt expense include changes in credit policy, external considerations such as the economy, income qualified

energy assistance programs, levels of business bankruptcies, as well as the efficiency of the Company's supporting processes and operations.

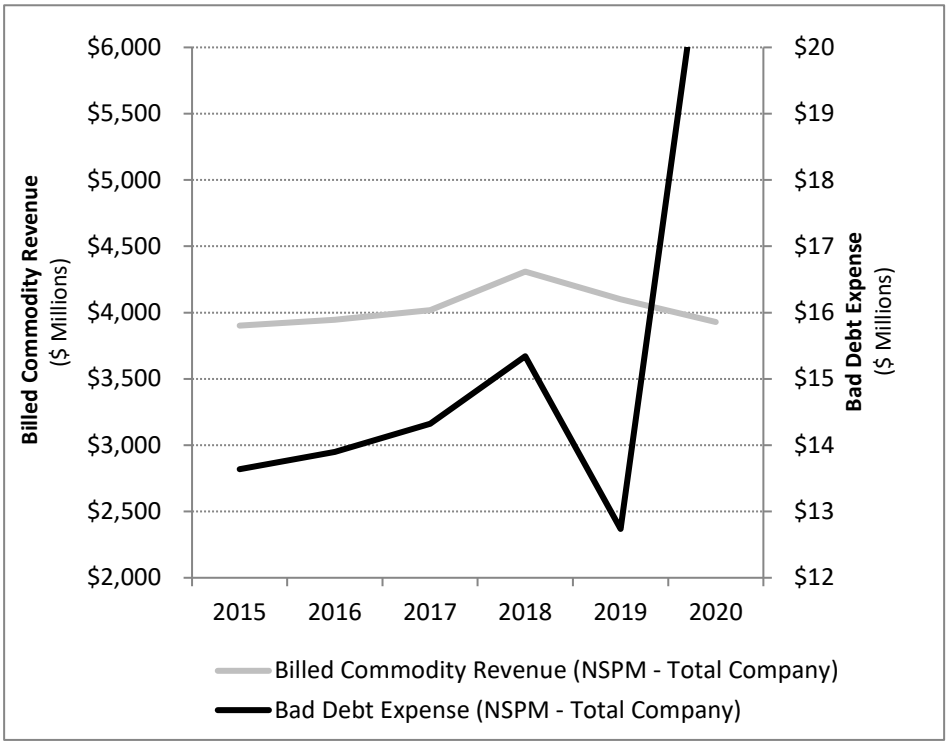
Q. CAN YOU ILLUSTRATE THE CORRELATION BETWEEN BILLED COMMODITY REVENUES AND THE RESERVE FOR BAD DEBT?

A. Yes. Figure 3 below illustrates the historical correlation between billed commodity revenues and the change in bad debt reserve. It is notable that while the correlation is evident in the 2018 to 2019 data, the result for 2019 is skewed due to one-time refunds posted to customer accounts that year associated with the Tax Cut and Jobs Act (TCJA). Additionally, in 2020, there were multiple pandemic related impacts to performance. These include $540,000 of incremental COVID-19 adjustment on billed commodity revenue and $164,000 of incremental residential reserve attributed to improved credit and collections performance by the Company. This was further compounded as the Company reserved higher bad debt provision as a result of increases in aged debt influenced by the ongoing COVID-19 pandemic.

Figure 3

Billed Commodity Revenues and

Bad Debt Expense NSPM Total Company



Q. DOES THE GAS FORECAST IMPACT COMMODITY BAD DEBT EXPENSE?

A. Yes. The revenue forecast is a primary input to the bad debt expense forecast, and the gas cost forecast is used in developing the revenue forecast. Therefore, the relationship of gas cost increases and decreases are directly correlated to changes in revenues, and ultimately bad debt expense budgets and forecasts. Once the revenue forecast is complete, the bad debt expense model uses that forecast as an input so that the bad debt expense forecast directly reflects forecasted changes in revenue.

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

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

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

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

Q. IS THE IMPACT OF INCOME QUALIFIED PROGRAMS REFLECTED IN THE COMPANY'S 2022 TEST YEAR BAD DEBT EXPENSE?

A. Generally, yes. Income qualified programs (*i.e.* Low-Income Home Energy Assistance Program (LIHEAP), our Electric Low-Income Discount Rider, and/or our Gas Affordability Program) help low-income customers pay amounts due for energy services, thereby reducing outstanding receivables. To the extent the remaining balance of these customer accounts are later written

off per current Company policy (Exhibit___(CCC-1), Schedule 4, Northern States Power Write-Off Policy, low-income payment programs help reduce the amount of the write-off, and thus bad debt expense. We work closely with our customers and agencies to try to maximize customers' participation in energy assistance funding and programs. While we believe state funding appears relatively consistent for the test year, federal funding is reviewed annually and subject to change. Table 6 below, shows historical customer participation in LIHEAP and other energy assistance programs from 2017 through 2019. It is important to note that the apparent decrease in Energy Assistance participation for the FY 2020 is seen as an aberration caused by the ongoing COVID-19 pandemic and associated moratorium on credit and collections activities. In the current federal fiscal year the Company has seen participation levels increase.

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

Year	NSPM LIHEAP Households	NSPM GAP Program Participants	NSPM Gas Affordabilty Program Disbursement	Total Energy Assistance (LIHEAP, County Assistance, Fuel Funds)	Total*
2017	23,126	10,114	$1,624,853.68	$ 25,392,447.67	$27,017,301.35
2018	21,094	11,284	$2,244,152.17	$ 30,140,172.03	$32,384,324.20
2019	19,963	9,675	$2,815,092.69	$ 25,272,836.56	$28,087,929.25
2020	18,280	7,683	$1,810,322.56	$ 26,300,591.61	$28,110,914.17

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. The first year of disbursements for the MN Xcel Energy Medical Program was 2018.

** 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, including combination gas and electric customers, 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. While designed primarily as an electric customer offering, the Payment Plan Credit Program is available to combination electric and gas customers of the Company and benefits of the program are therefore available to gas customers as discussed below.

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

A. The $17.5 million value of the Payment Plan Credit Program on outstanding customer receivables translates to an approximately $400,000 dollar reduction to bad debt expense for gas operations. This reduction is reflected in the Company's 2020 actual bad debt expense as detailed in Exhibit___(CCC-1), Schedule 5.

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

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

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

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

- Proactively contacting delinquent residential customers through targeted contacts, including emails and outbound calls.
- Close monitoring of commercial accounts and industry trends, and work to keep these customers as current as possible to minimize potential bankruptcy impacts.
- Focused management of collection agency practices to help improve collections from customers whose debt had previously been written off.
- Developing advanced analytical methods to ensure the most efficient and 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 in an effort 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 has 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 it included anticipated $244,000 in bad debt savings. This cost was then proportionately allocated to the Company based on the actual bad debt experienced in 2020.

Q. IS THE COMMODITY BAD DEBT RATIOS THE COMPANY PROPOSES FOR THE 2022 TEST YEAR REASONABLE?

A. Yes. As shown in Table 7 below, our bad debt ratio for 2020 can be seen as an aberration when compared to 2018 and 2019 levels. The bad ratio in 2021 has already begun to show evidence of improvement when compared to 2020. Also, the ratio proposed for 2022 closely aligns with our actual bad debt expense ratios experienced in the recovery after the 2008 Great Recession and are adjusted to reflect savings from improved credit and collections performance. Our commodity bad debt ratio for 2019 was lower due to one-time refunds posted to customer accounts in 2019 associated with the

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

Table 7
Commodity Bad Debt Ratio –
NSPM Total Company

Actuals			Forecast	Test Year
2018	**2019**	**2020**	**2021**	**2022**
0.36%	0.31%	0.59%	0.45%	0.40%

Note: 2019 shows a lower ratio because it includes the impact of one-time TCJA customer refunds.

2. Bad Debt Expense and Trend

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

A. We propose a commodity bad debt expense of $2.3 million for NSPM Total Gas Company, which translates to a 2022 test year commodity bad debt expense

of $2.1 million for the State of Minnesota Gas Jurisdiction. We provide detailed calculations supporting the 2022 test year commodity bad debt expense as Exhibit___(CCC-1), Schedule 5.

Q. HOW WAS THE TEST YEAR BAD DEBT EXPENSE CALCULATED?

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

Q. HOW DO 2022 BAD DEBT EXPENSE LEVELS COMPARE TO HISTORICAL BAD DEBT EXPENSE LEVELS?

A. Table 8 below presents the trend of the Company's commodity bad debt expense since 2018. Commodity bad debt expense is expected to be elevated in 2022 due to increasing revenue and expected economic impacts of the global COVID-19 pandemic. Bad debt as a percent of revenue is expected to peak at 0.59 percent in 2020 then reduce to 2018- levels in 2022. This is consistent with performance experienced in 2018 through 2020 and the Company's recovery following the 2008 Great Recession. As stated earlier in my testimony, bad debt as a percent of revenue came in at 0.31 percent for 2019, which is lower than historical trending and future forecasts due to the one-time impact of TCJA customer refunds applied within the year.

Table 8
Commodity Bad Debt Expense Trend –
State of Minnesota Gas
($ millions)

Actuals			Forecast	Test Year
2018	**2019**	**2020**	**2021**	**2022**
$1.92	$ 1.45	$ 2.66	$ 2.12	$ 2.08

Q. PLEASE DISCUSS THE TREND IN THE COMPANY'S COMMODITY BAD DEBT EXPENSE.

A. Table 8 above shows the Company's bad debt expense has generally increased since 2018. The primary reason is the increase of approximately $209 million in NSPM Total Company billed commodity revenue from 2018 (approximately $4.3 billion) to 2022 (approximately $4.5 billion) as reflected in Exhibit___(CCC-1), Schedule 5. This increase in revenue has been compounded by the increase in bad debt as a percent of revenue attributed to the economic impacts of the ongoing global pandemic as discussed throughout my testimony.

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

A. The Company's bad debt expense compares favorably to other utilities as reflected in FERC account 904 expenses.[6] For the 2018-2020 period, which is the most current information available, the combination of the Company's total commodity and non-commodity bad debt expense has consistently been below

[6] FERC account 904 is "charged with amounts sufficient to provide for losses from uncollectible utility revenues."

the mean expense level of other utilities. We provide a summary of this expense level comparison in Table 9 below.

Table 9

Customer Records and Uncollectible Expense per Retail Customer Comparison

	2018	2019	2020
NSPM Total Company	$9.28	$7.83	$13.23
Competitor Group (mean)	$11.74	$11.14	$17.49

Source: S&P Global Intelligence Platform

D. Allocation Methodology

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

A. We allocate bad debt expense to our natural gas and electric operations consistent with the process by which debt is written off. Total bad debt expense is assigned at a total Operating Company level because customer payments and 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 customers who pay for utility service on an integrated basis, the bad debt expense is also integrated at a customer account level.

To differentiate bad debt expense between gas and electric service, we use an allocation to reasonably approximate the proportions of electric and gas utilities' bad debt expense. After applying the bad debt ratio to total NSPM commodity revenue, the resulting amount is allocated to the Minnesota jurisdiction and between the electric and gas utilities by using a rolling four-year total of revenues

to utility and jurisdiction. The allocator in the 2022 test year is developed based on the four previous calendar years' actual operating revenues from the corporate income statement, which we update every April.

Using this methodology, the amount of bad debt expense allocated to the State of Minnesota Gas Jurisdiction utility operations for 2022 in this case is 11.5 percent of the total bad debt expense for the Company. Essentially, this reflects the fact that Minnesota gas commodity revenues equaled 11.5 percent of NSPM commodity revenues during the January 2017 through December 2020 period.

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

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

IV. NON-COMMODITY BAD DEBT EXPENSE

Q. WHAT IS NON-COMMODITY BAD DEBT EXPENSE?

A. Non-commodity bad debt expense is billed revenue that is considered uncollectible for everything other than electric and natural gas service. The non-commodity bad debt budget categories align with functional business areas and include the miscellaneous charges such as returned checks and connection-related fees.

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

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

Q. HOW DO THESE AMOUNTS COMPARE TO PAST YEARS?

A. Table 10 below provides actual non-commodity bad debt expense amounts for the 2018-2020 period, the 2021 forecast, and the 2022 test year.

Table 10
Non-Commodity Bad Debt Expense
State of Minnesota Gas Jurisdiction
($ millions)

	Actual Expense			Forecast	Test Year
	2018	**2019**	**2020**	**2021**	**2022**
Customer Care	$0.02	$0.02	$0.02	$0.02	$0.02

Q. HOW DID THE COMPANY DEVELOP THE 2022 NON-COMMODITY BAD DEBT EXPENSE LEVELS?

A. The non-commodity bad debt for 2022 Test Year is calculated by using the average of actual non-commodity bad debt from 2017 to 2020.

V. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Customer Care organization continues to achieve strong customer satisfaction results and effectively manage its O&M expense levels. It continues to perform favorably to other gas utilities in managing bad debt expense and the cost to perform overall Customer Care functions. Therefore, the Customer Care organization's overall O&M expenses, including commodity and non-commodity bad debt expense, are reasonable and should be approved. Finally, Customer Care has continued to perform essential business functions and support customers while managing through the unique and unprecedented impacts of a global pandemic.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Résumé

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

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)

Total NSP Gas	Historic Actuals				
Cost Element	2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year
Labor	2,781,335	2,820,492	2,609,469	2,811,143	3,088,246
Contract Labor	10,070	23,631	14,183	12,941	13,705
Outside Services	5,199,599	5,221,454	5,239,236	5,161,208	4,231,636
Employee Expenses	80,823	85,129	51,330	41,068	68,325
O&M Credits	(247,797)	(244,544)	(294,691)	(310,725)	
Postage	980,125	946,317	875,327	866,349	937,904
Net Other*	133,889	187,919	143,710	170,163	126,619
Grand Total	8,938,044	9,040,398	8,638,564	8,752,146	8,466,435

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

Total MN Gas Jurisdiction	Historic Actuals				
Cost Element	2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year
Labor	2,469,025	2,496,931	2,317,297	2,490,208	2,735,001
Contract Labor	3,877	8,283	2,887	2,315	3,233
Outside Services	4,962,915	4,930,219	4,945,820	4,868,226	3,836,207
Employee Expenses	72,624	76,315	46,067	37,360	61,931
O&M Credits	(247,797)	(244,544)	(294,691)	(310,725)	
Postage	869,411	839,402	777,128	767,904	831,224
Net Other*	119,059	176,139	131,577	153,733	111,005
Grand Total	8,249,114	8,282,745	7,926,085	8,009,020	7,578,601

Customer Care O&M Expense Levels
($s)

		Total NSP Gas					Total MN Gas Jurisdiction				
Sum of YE Amt		Historic Actuals					Historic Actuals				
Director	Cost Element	2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year	2018 Actuals	2019 Actual	2020 Actual	2021 July Forecast	2022 Test Year
Billing Services	Labor	506,030	480,956	478,892	479,473	558,473	448,868	426,627	425,178	425,052	495,085
	Contract Labor	2,098	9,118	2,613	2,331	3,085	1,861	8,088	2,320	2,066	2,735
	Outside Services	361,470	359,638	353,118	277,183	283,681	320,638	319,013	313,512	245,722	251,483
	Employee Expenses	5,437	6,583	1,931	1,233	4,867	4,822	5,840	1,714	1,093	4,314
	Postage	978,021	944,674	873,997	864,067	935,934	867,542	837,962	775,968	765,993	829,703
	Net Other*	(9,194)	(4,942)	(10,164)	16,478	14,804	(8,156)	(4,384)	(9,024)	14,608	13,124
Billing Services Total		1,843,862	1,796,028	1,700,387	1,640,767	1,800,844	1,635,575	1,593,145	1,509,668	1,454,535	1,596,443
Contact Center	Labor	979,344	1,024,723	953,162	994,574	997,040	868,716	908,968	846,253	881,687	883,873
	Outside Services	8,326	6,566	13,011	10,791	7,704	7,385	5,824	11,552	9,567	6,829
	Employee Expenses	14,104	19,136	16,565	6,854	11,733	12,511	16,975	14,707	6,076	10,401
	Postage	925	826	663	893	1,064	820	733	588	792	943
	Net Other*	2,858	39,091	3,216	6,071	11,155	2,535	39,352	2,855	5,382	9,889
Contact Center Total		1,005,558	1,090,342	986,617	1,019,183	1,028,696	891,968	971,852	875,956	903,503	911,936
Credit & Collections	Labor	384,432	384,757	381,797	453,132	508,647	341,006	341,294	338,974	401,700	450,914
	Contract Labor		220	248				195	221		
	Outside Services	168,060	119,275	112,083	121,470	123,780	149,076	105,801	99,512	107,683	109,731
	Employee Expenses	12,071	13,243	4,896	3,582	6,424	10,707	11,747	4,346	3,175	5,695
	Postage	634	354	349	993	370	562	314	310	880	328
	Net Other*	9,658	11,239	6,935	6,236	8,035	8,567	9,969	6,157	5,528	7,123
Credit & Collections Total		574,855	529,087	506,309	585,413	647,256	509,918	469,321	449,520	518,967	573,791
Cust Care, Measurement & Analytics	Labor	239,002	241,113	232,100	279,163	267,939	212,004	213,876	206,068	247,477	237,527
	Contract Labor	-		17			-		15		
	Outside Services	23,939	26,915	26,162	41,480	65,565	21,234	23,874	23,228	36,772	58,124
	Employee Expenses	7,329	10,314	5,476	4,777	6,668	6,501	9,149	4,862	4,235	5,911
	Postage	8	108	46	78	76	7	96	41	69	68
	Net Other*	2,427	11,298	1,010	26,095	28,187	2,153	10,022	897	23,133	24,988
Cust Care, Measurement & Analytics Total		272,705	289,747	264,812	351,593	368,435	241,900	257,017	235,110	311,686	326,617
Customer Policy and Assistance	Labor	111,367	106,429	115,895	120,722	135,533	98,787	94,406	102,896	107,020	120,149
	Contract Labor				51	102				45	90
	Outside Services	10,856	10,769	10,786	11,498	11,733	9,629	9,552	9,577	10,193	10,401
	Employee Expenses	1,514	1,382	543	1,011	2,574	1,343	1,226	482	896	2,282
	Postage	10	2	2	13	21	9	1	1	12	18
	Net Other*	15,198	14,742	13,742	15,596	16,062	13,481	13,077	12,201	13,825	14,239
Customer Policy and Assistance Total		138,944	133,323	140,969	148,890	166,025	123,249	118,263	125,158	131,990	147,180
Meter Reading	Labor	561,159	582,515	447,622	484,078	620,614	499,645	511,760	397,928	427,272	547,453
	Contract Labor	7,972	14,293	11,305	10,559	10,518	2,016	-	331	204	408
	Outside Services	4,626,949	4,698,292	4,724,074	4,698,786	3,739,172	4,454,952	4,466,154	4,488,440	4,458,290	3,399,639
	Employee Expenses	40,369	34,470	21,919	23,612	36,059	36,740	31,379	19,955	21,885	33,327
	O&M Credits	(247,797)	(244,544)	(294,691)	(310,725)		(247,797)	(244,544)	(294,691)	(310,725)	
	Postage	527	354	270	305	439	470	297	219	158	164
	Net Other*	112,941	116,491	128,971	99,687	48,376	100,478	108,103	118,491	91,256	41,643
Meter Reading Total		5,102,121	5,201,871	5,039,470	5,006,301	4,455,178	4,846,504	4,873,149	4,730,673	4,688,339	4,022,634
Grand Total		8,938,044	9,040,398	8,638,564	8,752,146	8,466,435	8,249,114	8,282,745	7,926,085	8,009,020	7,578,601

* 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

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

J.D. Power Study	Indicators	2014	2015	2016	2017	2018	2019	2020	2021 Q2 YTD
Residential Customers[1]	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

[1] This study includes electric customers and electric/gas combination customers.

Northern States Power Write-Off Policy

Once an account is finaled 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.

Commodity Bad Debt Expense

Actual Bad Debt Gross Write-offs	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	$ 17,040,397	$ 18,394,133	$ 17,480,088		
Total Company NSP MN Gas(MN, ND & SD)	$ 2,388,879	$ 2,414,343	$ 2,221,219		
MN Jurisdiction Gas (MN only)	$ 12,780,038	$ 14,139,739	$ 13,402,660		

Gross Recoveries of Bad Debt & Other	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	$ (3,811,319)	$ (4,986,303)	$ (4,451,210)		
Total Company NSP MN Gas(MN, ND & SD)	$ (534,305)	$ (654,483)	$ (565,621)		
MN Jurisdiction Gas (MN only)	$ (2,858,431)	$ (3,833,017)	$ (3,412,915)		

Reserve for Bad Debt	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	$ 2,110,341	$ (671,385)	$ 10,068,859		
Total Company NSP MN Gas(MN, ND & SD)	$ 295,847	$ (88,123)	$ 1,279,464		
MN Jurisdiction Gas (MN only)	$ 1,582,723	$ (516,100)	$ 7,720,183		

Total Bad Debt Expense	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	$ 15,339,419	$ 12,736,445	$ 23,097,736	$ 18,401,937	$ 18,031,514
Total Company NSP MN Gas(MN, ND & SD)	$ 2,150,420	$ 1,671,736	$ 2,935,061	$ 2,360,469	$ 2,323,252
MN Jurisdiction Gas (MN only)	$ 1,915,979	$ 1,451,142	$ 2,662,903	$ 2,121,532	$ 2,078,826

Billed Commodity Revenue	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	$ 4,309,029,202	$4,101,533,243	$3,928,093,615	$ 4,123,716,652	$ 4,518,090,604

Bad Debt Expense / Commodity Revenue	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
Total Company NSP MN (MN, ND & SD)	0.36%	0.31%	0.59%	0.45%	0.40%

NSP MN Commodity Bad Debt Jurisdictional Allocators	2018 Actual	2019 Actual	2020 Actual	2021 YE July Forecast	2022 Plan Year
North Dakota Electric	5.5%	5.0%	5.0%	5.0%	5.0%
North Dakota Gas	1.5%	1.5%	1.6%	1.6%	1.6%
Minnesota Electric	75.0%	76.9%	76.7%	76.7%	76.7%
Minnesota Gas	12.5%	11.4%	11.5%	11.5%	11.5%
South Dakota Electric	5.5%	5.2%	5.2%	5.2%	5.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2018 Actual		2019 Actual		2020 Actual		2021 July Forecast		2022 Test Year	
	Total Gas	Mn Jurisdiction	Total Gas	Mn Jurisdiction	Total Gas	Mn Jurisdiction	Total Gas	Mn Jurisdiction	Total Gas	Mn Jurisdiction
Customer Care Non-Commodity (1)	22,442	19,965	18,992	16,896	18,026	16,004	20,973	18,592	20,977	18,596
Distribution Operations (2)	101,577	101,577	64,302	61,561	160,700	142,676	181,744	161,115	166,514	147,614
	124,019	121,542	83,294	78,457	178,726	158,680	202,716	179,707	187,491	166,210

(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

(904) Uncollectible Accounts per Retail Customer		
	Mean	NSPM
2008	$ 14.50	$ 13.95
2009	$ 13.66	$ 10.52
2010	$ 12.98	$ 8.49
2011	$ 12.24	$ 9.04
2012	$ 11.44	$ 6.33
2013	$ 12.36	$ 7.96
2014	$ 13.35	$ 9.97
2015	$ 12.90	$ 8.33
2016	$ 12.70	$ 8.61
2017	$ 10.11	$ 8.87
2018	$ 11.74	$ 9.28
2019	$ 11.14	$ 7.83
2020	$ 17.49	$ 13.23

(901-905 less 904) Customer Care Accts Exp per Retail Customer		
	Mean	NSPM
2008	$ 38.33	$ 34.11
2009	$ 38.62	$ 34.09
2010	$ 39.08	$ 34.58
2011	$ 39.34	$ 33.29
2012	$ 38.26	$ 31.82
2013	$ 37.75	$ 31.02
2014	$ 38.06	$ 30.64
2015	$ 38.86	$ 30.06
2016	$ 37.92	$ 29.90
2017	$ 38.07	$ 28.91
2018	$ 37.35	$ 28.45
2019	$ 37.35	$ 30.36
2020	$ 36.24	$ 44.72

(902) Meter Reading Exp per Retail Customer		
	Mean	NSPM
2008	$ 8.16	$ 15.15
2009	$ 8.36	$ 14.90
2010	$ 8.14	$ 15.41
2011	$ 7.93	$ 14.18
2012	$ 7.37	$ 12.95
2013	$ 6.83	$ 12.96
2014	$ 6.51	$ 13.00
2015	$ 6.66	$ 13.23
2016	$ 6.35	$ 13.42
2017	$ 6.11	$ 13.48
2018	$ 5.84	$ 14.36
2019	$ 5.64	$ 14.64
2020	$ 5.53	$ 19.06

(903) Customer Records & Collection Exp per Retail Customer		
	Mean	NSPM
2008	$ 26.98	$ 18.68
2009	$ 27.05	$ 18.94
2010	$ 28.12	$ 19.00
2011	$ 28.26	$ 18.97
2012	$ 27.80	$ 18.73
2013	$ 27.68	$ 17.93
2014	$ 28.31	$ 17.54
2015	$ 28.95	$ 16.75
2016	$ 28.57	$ 16.39
2017	$ 28.74	$ 15.35
2018	$ 28.69	$ 14.04
2019	$ 28.82	$ 15.64
2020	$ 27.94	$ 13.85

(901 - 905) Total Customer Accounts Expense per Retail Customer		
	Mean	NSPM
2008	$ 52.82	$ 48.06
2009	$ 52.39	$ 44.61
2010	$ 52.22	$ 43.07
2011	$ 51.57	$ 42.33
2012	$ 49.70	$ 38.15
2013	$ 50.11	$ 38.98
2014	$ 51.41	$ 40.61
2015	$ 51.76	$ 38.39
2016	$ 50.62	$ 38.50
2017	$ 48.18	$ 37.78
2018	$ 49.08	$ 37.73
2019	$ 51.68	$ 38.20
2020	$ 52.50	$ 57.95

* 2019 data was not impacted by the pandemic