**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

Direct Testimony and Schedules
Robert L. Miller

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-19-564
Exhibit___(RLM-1)

**Insurance**

November 1, 2019

## TABLE OF CONTENTS

## SCHEDULES

## I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.

A. My name is Robert L. Miller. I am the Director of Hazard Insurance for Xcel Energy Services Inc. (XES). My business address is: 414 Nicollet Mall, 401-4, Minneapolis, Minnesota 55401.

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I have been practicing risk management since 1985. I have served in a risk management role with Xcel Energy Inc. since 2004. Since 2015 I have served as Director of Hazard Insurance for Xcel Energy Inc. I oversee the Company's property and casualty insurance operations as well as our loss control services.

While at Xcel Energy Inc., I have been actively involved with various utility associations, industry mutual insurers and the Risk and Insurance Management Society (RIMS). My resume is included as Exhibit___(RLM-1), Schedule 1.

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

A. I support the request of Northern States Power Company – Minnesota (NSPM) to recover in electric rates the 2020 test year and 2021-2022 plan year costs associated with its Insurance Program. Consistent with past Commission Orders, my testimony presents the Commission with detailed information about the Company's Risk Management and Insurance Programs, including a description of the Company's coverage, the benefits provided by the coverage, an explanation of insurance costs, and the Company's cost mitigation efforts. It also provides updated information concerning aspects of these Programs since the 2016 test year rate case.

## II. EXECUTIVE SUMMARY

Q. PLEASE PROVIDE AN EXECUTIVE SUMMARY OF YOUR TESTIMONY.

A. Our Risk Management and Insurance Programs are methodical, appropriate and prudent. We have a best-in-class Loss Control Program that seeks to proactively identify and reduce risk at our generation plants, which helps us mitigate premiums for our property insurance. However, since avoiding all risk is impossible, we have a robust Insurance Program to address those potential liabilities the Company has determined are appropriate to cover when balancing cost and potential liabilities.

We have several different types of insurance, as one would expect with a large utility company with electric and gas operations that serve millions of customers and extend over a large geographic area. The majority of these policies include coverage for catastrophic losses. However, we also maintain a program that covers our smaller yet still unpredictable losses, such as workers compensation claims, to help stabilize our costs.

Though we do have a unique risk profile as a utility, we have various risk mitigation mechanisms in place to reduce our risk. These tools include membership in industry mutual insurance pools, centralizing our insurance risk management at Xcel Energy Inc., and layering our coverages.
The Company also has a variety of processes in place to ensure that we not only have the appropriate levels and types of insurance, but that we are also

paying reasonable rates. These procurement steps include extensive negotiation and policy renewal processes that can start six months before renewal is due, engagement of expert insurance brokers with industry wide experience, and maintaining ongoing relationships with our underwriters throughout the year to keep them informed of updates at the Company, allow them to understand our current risk profile, and offer them comfort in insuring our risk. In addition, we also have several programs and review processes in place internally to mitigate our costs and reduce our claims. These vary with each policy but some initiatives include monitoring industry losses and ensuring we have measures in place to prevent similar events at Xcel Energy; implementing a particular focus on safety performance and training programs; and executing corporate procedures and policies that help reduce the potential for claims.

It is for all these reasons that our Insurance Program is not only prudent and beneficial but a necessary cost of doing business. Therefore, I recommend the Commission approve the Company's request to recover the 2020-2022 test and plan years' costs of the Insurance Program in its electric rates.

## III. OVERVIEW OF INSURANCE PROGRAM

### A. Program and Benefits

Q. WHAT IS THE PURPOSE OF THE COMPANY'S RISK MANAGEMENT PROGRAM?

A. The primary purpose of our risk management program is to identify, assess, prioritize, and reduce risk to protect the Company. We do this through our Loss Control Program and cost-effective risk transfer utilizing commercial insurance and industry mutual insurance products.

Q. PLEASE DESCRIBE THE COMPANY'S LOSS CONTROL PROGRAM.

A. Our Loss Control Program is a structured process to identify, assess and minimize risks at our power plants. We have five engineers in our Risk Management department whose full-time job is to look for opportunities to decrease risks at our power plants. Our engineers make site visits to the plants to identify potential risks; they then prepare reports to share with our plant directors and underwriters who evaluate our risk accordingly. Our insurers trust our internal engineers and their reports, and rely on them. In fact, our insurers periodically audit our internal processes and confirm our methods and reports continue to meet their standards.

Q. IS THE COMPANY'S LOSS CONTROL PROGRAM A UNIQUE APPROACH TO IDENTIFYING RISK?

A. Yes. It is my understanding that most companies in our industry rely on the insurance companies or other external third parties to evaluate their risk. Our practice is a best-in-class approach and our prices reflect this as we have one of the lowest rates for comparable utilities for our Master Property Insurance, as discussed below.

Q. HOW DOES THE COMPANY'S LOSS CONTROL PROGRAM COMPLEMENT THE COMPANY'S INSURANCE PROGRAM?

A. Although our first priority is to avoid as much risk as possible, there will always remain some level of risk in a company such as ours. Once the known risks have been identified, the next step is to ask whether we want to accept that risk or we want to transfer that risk to an insurance company. The Loss Control Program helps to identify and prioritize the known risk.

Q. WHAT WOULD CAUSE THE COMPANY TO ACCEPT A RISK AND NOT INSURE AGAINST IT?

A. First, not all risks are foreseeable such that we may insure against them. Also, some risks are sufficiently remote that we must utilize prudent business judgment to determine if the long-term costs of insuring against such a risk makes sense for the Company and our customers. Last, some forms of insurance are so expensive as to lead us to the decision to carry the risk instead of insuring against it.

For example, we do not have insurance covering our wires, lines, pipes and poles. This decision is based mostly on the volatility and cost of the insurance and the relatively low risk that a large percentage of the assets will meet with a catastrophic event at any one time. It is more cost effective for the Company to repair and replace these assets as necessary than it is to buy insurance. Our reasons for doing so are primarily related to the difficulty of procuring such insurance at remotely reasonable costs, as well as the imposition of risk profiles of utilities more prone to natural disasters such as hurricanes on our risk coverage.

Q. WHY DOES THE COMPANY NEED INSURANCE?

A. The Company could not provide safe, reliable and cost-effective electric service to ratepayers without insuring the risks associated with delivering that service. The Company takes steps on a continuing basis to ensure that our Insurance Program provides us with proper risk protection necessary to deliver safe, reliable and cost-effective service. By insuring potential liabilities rather than the Company itself taking on the risk of liabilities, the associated costs are level, largely predictable and capped. In the long term, this results in lower and more consistent rates.

Q. WHAT IS THE GOAL OF THE COMPANY'S INSURANCE PROGRAM?

A. Our Insurance Program is intended to insure against reasonable risks at cost-effective prices over the long term. Our business is capital intensive and many of the investments we make to serve our customers are expected to be in-service for many years. Consequently, we must make insurance decisions utilizing a long-term cost and benefit analysis and not simply pursue the cheapest cost option in any given year. By doing so, we ultimately seek to minimize the cost of our risk over time.

Q. HOW ARE THE COMPANY'S INSURANCE PROGRAMS STRUCTURED?

A. The holding company, Xcel Energy Inc., is the holder of all of the non-nuclear insurance policies. The operating companies, including the Company, are all named insureds, so that there is coverage for each entity as needed as claims arise. The policies do not designate a "beneficiary"—that term is unique to life and health insurance and is not utilized for property and casualty insurance coverage.

Q. WHAT TYPES OF INSURANCE DOES THE COMPANY CARRY?

A. The Company has six main categories of insurance policies:

1) Master property insurance (non-nuclear assets);
2) Excess liability insurance;
3) Directors' and officers' (D&O) liability insurance;
4) Fiduciary liability insurance;
5) Nuclear plant insurance, both property and liabilibty, and

6) Primary casualty (general, auto, and workers' compensation).

In addition to these main policies, the Company also carries other necessary insurance policies, including: professional liability (for our engineers and attorneys); fidelity insurance; cyber risk insurance; terrorism insurance; aviation insurance; unmanned aircraft systems insurance; foreign liability insurance; builders risk insurance; and railroad protective insurance (covers certain requirements imposed by railroads impacted by operations).

Exhibit___(RLM-1), Schedule 2 identifies the different types of policies we carry, the premiums we pay for these policies, and the insurers.

Q. DO THESE POLICIES GENERALLY COVER DIFFERENT LEVELS OF RISK?

A. Yes. The first five categories of insurance policies listed above (Master Property, Excess, D&O, Fiduciary, and Nuclear) are where our greatest risks lie, and therefore the potential for the highest claims. These claims fall in the low frequency, high severity category where damages could climb into the tens, if not hundreds of millions of dollars.

The last category, the Primary Casualty, is where our claims are generally smaller in nature and fall in the high frequency, low severity category. Due to the higher frequency, these claims are more predictable, and more consistently modeled by our actuaries. Occasionally we do have a larger claim in this area and if the damages exceed **[PROTECTED DATA BEGINS PROTECTED DATA END]**, it then moves into our Excess Liablity policy.

Q. IN GENERAL, HOW DOES THE COMPANY DETERMINE WHICH RISKS IT INSURES?

A. The composition of the Company's Insurance Program is informed by several considerations:

- Statutory requirements such as workers compensation requirements or professional liability requirements;
- Obligations to protect assets that are financed by third parties under our mortgage indenture and other covenants;
- Benchmarking against our utility industry peers;
- Analytics done by third parties that look at frequency and severity of loss to optimize our risk financing costs; and
- Balancing long-term costs of the program against the risks we are insuring, to assure our insurance costs and insured risks are reasonably level over the long term.

**B. Selection, Procurement and Availability**

Q. PLEASE EXPLAIN THE OVERALL PROCESS FOR SELECTING INSURANCE PRODUCTS AND ADMINISTERING THE INSURANCE PROGRAM.

A. Protecting the wide array of Xcel Energy Inc. operations and assets requires input from and coordination with many business units and departments as well as outside experts. We have generally had the same insurance framework in place for the past twenty years. However, our insurance policies are on one-year terms and thus need to be renegotiated on an annual basis. Prior to each renewal, we perform a fresh evaluation of risks and alternatives to ensure that our insurance program continues to appropriately balance costs and benefits. We also evaluate the state of the insurance market for each different type of risk we insure to inform ourselves of what may occur to premiums as part of the renewal. We determine our insurance needs by:

- Reviewing current insurance programs through analytics to determine if they still match our risk profile and are cost effective, or if any additional coverage or levels might be appropriate to obtain given current market conditions;
- Conferring with experts to identify trends or potential issues and benchmark our costs to industry norms; and
- Working with experienced insurance brokers who handle similar clients and bring additional risk management experience to the decision.

Our insurance needs are divided into various lines of business. Working with the Company's chief financial officer, treasurer, and other operating units and subsidiaries, we measure property replacement values, potential risks and prudence of retaining risk. We then analyze whether to treat the risk through loss control or through risk transfer with contracts or agreements. For some of our operations, such as our nuclear insurance, coverage types and limits are driven by federal regulation, and there are limited markets available to insure this unique risk. For other operations, we have determined that the cost of carrying certain forms of insurance outweigh the benefits in the long-term.

Q. ONCE YOU HAVE IDENTIFIED THE NEED FOR AN INSURANCE PRODUCT, HOW DO YOU GO ABOUT PROCURING IT?

A. We have several different types of insurance and we procure each type in a slightly different way. However, overall, we have an extensive and rigorous procurement process in place that helps ensure we are paying reasonable insurance premiums. Below are some of the procurement and review efforts we engage in:

- We use specialized and expert insurance brokers to assist us with matching qualified insurers with our needs and to help inform us as to if we are obtaining reasonable pricing. We often start this process six months before the renewal date. Our brokers have extensive experience working with similar companies and have deep industry knowledge about available products and reasonable premiums.
- We actively participate in various insurance markets around the world, including the US commercial market, European markets (including Lloyd's of London), Bermuda markets, and through our industry mutual insurance companies.
- To ensure we are receiving appropriate coverage and are paying appropriate premiums, we meet with each underwriter in each insurance market to explain the Company's risk profile, the types of claims that have been made historically and what we are forecasting from a risk perspective.
- We ensure that our potential underwriters are creditworthy and work with them to develop the policy terms. Our general policy and premium negotiations are extensive and involve many meetings with our underwriters individually. In fact, we typically have at least twenty meetings for our property insurance negotiations alone. Our senior management, as well as our relevant business unit representatives, are actively involved in these negotiations to ensure that our underwriters have a full and complete understanding of our risks and operational excellence. Through these meetings and negotiations, we are able to differentiate ourselves from our utility peers. This, combined with our unique risk mitigation efforts, ultimately results in premiums lower than those of our peers.

- We work to develop long term relationships with our key insurers to develop confidence and trust. To that end, we meet several times each year with our underwriters to discuss current issues in an effort to allow our underwriters to understand our risk profile better and feel more comfortable insuring our risk. For example, we meet at least two times annually with our property insurance panel to keep them abreast of developments within the Company and for them to provide feedback and information with respect to industry trends. I understand this to be a unique relationship strengthening effort, which is not generally done by our peer utilities.

Q. WHY IS YOUR PROCUREMENT PROCESS NOTABLE?

A. Because our unique and thorough insurance procurement process strengthens our partnerships with our underwriters, enlists the help of expert brokers, and involves extensive negotiations, it helps us mitigate costs and ensure we are paying reasonable insurance premiums.

Q. WHAT ARE SOME FACTORS THAT IMPACT THE AVAILABILITY OF INSURANCE PRODUCTS TO THE COMPANY?

A. The main factors that limit our insurance options are availability and cost. A large utility such as Xcel Energy Inc. has a different risk profile than other types of businesses. Consequently, for many of our operations we require more specialized types of insurance products that more closely match our risk profile than are generally available in established insurance markets. Insuring our nuclear operations is a good example of this. Another example is the significant exposure to large liability claims that are prevalent in our industry due to the wildfire risk. Given the unique risk profile of a utility, oftentimes certain insurance products may be cost prohibitive or unavailable. In addition, certain macro-economic factors can have significant effects on the cost and availability of insurance. These include large, wide-spread catastrophic property losses, such as hurricanes, as well as fluctuating investment markets.

Q. WHY DO UTILITIES HAVE A UNIQUE RISK PROFILE?

A. Unlike most business, even heavy industries, a utility, by its very nature, has operations spread over a large geographic area and, because those operations generate and transport electricity and gas, they are inherently more dangerous, and therefore riskier, than other types of infrastructure.

Q. WHAT CAN THE COMPANY DO TO MITIGATE THIS?

A. The Company utilizes various insurance mechanisms to mitigate the unique risk profile we carry. For instance, we layer our coverage, we belong to mutual insurance pools and we leverage our company size to help mitigate insurance availability and cost.

Q. WHAT DO YOU MEAN WHEN YOU SAY YOU LAYER YOUR COVERAGE?

A. We layer our insurance coverage both across the entire Insurance Program and also within some of the individual components as well. This is part of our effort to spread risk across various markets to ensure the stability of our Insurance Program. This is particularly important to mitigate counterparty credit risk, and it also utilizes competition to help mitigate premium costs.

The layered structure is an industry convention for the placement of our insurance, whereby different underwriters undertake a certain portion of our total insured risk for any particular program. This structure has many advantages: it provides credit exposure protections to the Company; it provides additional risk protection to our underwriters; which decreases the level of risk they are insuring thereby driving down our premiums; and it mitigates each underwriter's overall financial exposure to us.

Q. PLEASE EXPLAIN THE COMPANY'S UTILIZATION OF INDUSTRY MUTUAL INSURANCE POOLS FURTHER.

A. Although a utility presents a different risk profile than other businesses, the utility industry is large and has many different entities participating in it. As a result, many utilities, including us, belong to mutual insurance pools to provide their insurance. Examples of these pools are Associated Electric & Gas Insurance Services (AEGIS), Energy Insurance Mutual (EIM), and for nuclear property insurance we use Nuclear Electric Insurance Limited (NEIL) and European Mutual Association for Nuclear Insurance (EMANI).

For many of our risks, AEGIS, EIM, NEIL, and EMANI are the only insurers available to cost-effectively insure these types of utility risk because, given the nature of our business, there is a relatively high likelihood that we will make certain types of claims. Although commercial insurance may be available, we have found it to be provided on narrow, unfavorable terms at significantly higher pricing.

In years prior to the establishment of AEGIS, EIM, NEIL, and EMANI, we had extensive experience with the commercial insurance market. During this time, the cost fluctuations for the insurance coverage now provided through pools were extreme, and coverage terms were not reliable. Also, we have found that a majority of the companies that provided this insurance coverage in the past are now insolvent. Industry mutual insurance pools were formed to meet our insurance needs instead of requiring utilities to rely on the volatile market.

A good example of the type of risk that we place with industry mutual pools is wildfire. With the recent large industry losses, many commercial markets have cut back on the amount of insurance they will provide. The industry mutuals have recognized this reduction in limits and have put up additional limits to help utilities meet their needs for excess liability coverage.

Q. HOW DOES THE COMPANY USE ITS SIZE TO MITIGATE COSTS?

A. Xcel Energy Inc. uses a sophisticated approach to handling risks. With operations in eight states and over 11,000 employees, Xcel Energy Inc. centralizes the insurance risk management function. This allows for greater economies of scale, the smoothing of risk over time, and a concentration of effort in managing risk. Our size makes us a significant participant in utility insurance markets, which makes us a more attractive client to our underwriters and therefore helps us to drive premium discounts.

However, we also work to ensure that the costs of insurance are appropriately allocated to the individual operating companies with proper recognition of the respective differences in risk characteristics due to the differing sizes, activities, and loss experience of each operating company.

Q. ARE THERE ANY OTHER WAYS THE COMPANY MITIGATES RISK?

A. Yes. Due to our size, we are also able to use an insurance structure known as captive insurance, through which a separate insurance company was formed that provides insurance coverage for Xcel Energy Inc. and its operating companies. Under this structure, we are able to evaluate our own risks apart from industry trends and risks caused by unrelated entities, and we are able to set coverage amounts and premiums accordingly. Said differently, the captive structure allows us to insure risks particular to Xcel Energy Inc. and mitigates our exposure to the risks associated with other entities. Premiums are then set based on an acturarial analysis of our specific loss history rather than the loss history of a broader group of entities. We use the captive structure to insure our primary layer of losses, where we have the most claims but the claim severity is capped.

Q. WHAT ARE THE BENEFITS OF UTILIZING A CAPTIVE INSURANCE STRUCTURE?

A. The primary benefits of captive insurance are cost, coverage and claims. More specifically, this allows us to get better pricing on our primary layer of property and casualty insurance by isolating and pricing our specific risk profile. In addition to saving us money on these insurance layers, this allows us to be better analyze and forecast our risk, implement loss control programs to mitigate insurance costs, and better manage our claims. Last, utilizing this structure provides us with an enhanced negotiating position when insuring the higher layers of risk above our captive amounts.

**C. Premiums**

Q. ARE THE COMPANY'S PREMIUMS REASONABLE?

A. Yes. As discussed above, we take extensive cost-mitigating efforts during our annual policy renewal process and negotiations. Although each component of our Insurance Program has different cost drivers, insurance costs are generally driven by the Company's risk profile and claims history, as well as industry-wide trends that affect particular risks. Given this, we believe we utilize appropriate mechanisms to ensure reasonable insurance costs.

First, by utilizing the captive structure for our primary layer of our Primary Casualty and Master Property Insurance Programs, we can price this coverage in accordance with our unique risk and claims history, and insulate ourselves from general industry trends for these often used insurance types. To determine this specific risk, we take into account our claims history and we retain independent actuarial firms to perform an actuarial analysis of our risk profile. Based on this information, we set an appropriate premium for our captive layers to reflect the expected claims as well as certain fixed costs that we also expect to incur.

Second, by utilizing AEGIS, EIM, NEIL, and EMANI, we are able to obtain insurance for difficult to place risks. These industry mutual pools are, in many ways, the only reasonably available insurers for these types of risks. As industry mutual pools, these entities seek to set their pricing based on concepts of mutuality and fairness. Consequently, we believe that the premiums we pay to these industry mutual insurance pools are reasonable.

Third, by utilizing specialized insurance brokers to place our risk and provide industry wide intelligence, we can be reasonably confident that we have obtained an appropriate amount of coverage at a reasonable price. Our insurance brokers are a valuable resource for our procurement efforts. The primary function of our insurance brokers is to have knowledge of the market and the insurance underwriters that are qualified to take on our risk; in fact in some insurance markets, such as London and Bermuda, we are required to utilize brokers. In addition, as key market players, our brokers help provide us with key counterparty information to ensure that our underwriters are and will continue to be creditworthy. They also have extensive experience working with similar companies and can therefore provide us with industry and market intelligence that would be difficult to obtain otherwise. Consequently, engaging and utilizing high quality brokers allows us to develop a cost-effective and reliable Insurance Program.

In addition to our procurement efforts, we undertake extensive risk and safety programs to help proactively lower our inherent risk profile. These activities include employee safety programs to help reduce workers compensation claims; driver safety programs to help reduce automobile liability claims; public safety programs to help reduce third-party liability claims; and the Loss Control Program I mentioned earlier, which helps reduce property claims. We also work closely with contractors and other members of the public to instill better practices when they operate in the vicinity of our pipes, lines and poles.

Q. WHAT IS THE 2020-2022 TEST AND PLAN YEARS' BUDGET FOR INSURANCE PROGRAM COSTS, THE NSPM PORTION OF THESE COSTS, AND THE AMOUNT ALLOCATED TO THE STATE OF MINNESOTA ELECTRIC JURISDICTION?

A. The 2020-2022 test and plan years' insurance premium costs for Xcel Energy are $45.3 million for 2020, $47.2 million for 2021, and $48.9 million for 2022. The State of Minnesota Electric jurisdiction allocation is $15.1 million for 2020, $16.1 million for 2021, and $17 million for 2022. I note that these amounts are net of our expected distributions from our mutual insurance and captive insurance providers. I also note that these amounts do not include the costs associated with our workers compensation coverage, which is addressed by Company witness Mr. Richard R. Schrubbe in his Direct Testimony. Exhibit___(RLM-1), Schedule 3 contains additional details supporting these calculations.

Q. YOU MENTIONED EARLIER THAT THE COMPANY PROCURES ITS INSURANCE POLICIES ANNUALLY. PLEASE EXPLAIN HOW YOU DEVELOPED THE BUDGET FOR THE TEST YEAR AND PLAN YEARS.

A. In general, the Company's insurance coverage is issued in policies that cover a twelve-month period; the twelve-month period generally does not correspond to the calendar year. Thus, for example, the 2020 test year premium costs identified above are partly for policies issued in the prior year and partly for policies issued in that given year.

Our insurance costs are impacted by the insurance market conditions as well as our exposure metrics that are evaluated annually. We develop our out-year budgets by consulting with our insurance brokers to anticipate if the general insurance markets will be trending up, trending down, or staying relatively flat. In addition to that, we need to understand how our exposure metrics such as number of employees, miles of pipes and wires or insurable value of our assets will be changing for the upcoming budget cycles. With this information, we then estimate the impact of insurance costs going forward. Generally, our test year budget is based on insurance premiums we have negotiated starting in 2019. For the plan years, we then analyzed these general trends and adjusted the budgets accordingly. I discuss these budgets for our different lines of coverage in further detail, below.

Q. YOU MENTIONED THAT THE TEST YEAR AND PLAN YEAR BUDGETS ARE NET OF DISTRIBUTIONS, PLEASE EXPLAIN WHAT THESE DISTRIBUTIONS ARE.

A. Like cooperatives, participants in mutual insurance pools and captive insurance have ownership interest in these insurance companies in addition to being customers. When these insurers experience lower claims than anticipated or higher returns from surplus investing, these insurers distribute their gains back to the members. We credit these distributions against our premiums. Consequently, we budget for expected distributions to help ensure that rates are set consistent with our forecasted actual costs.

Q. ARE THESE DISTRIBUTIONS REGULAR?

A. No. Distributions are generally determined the year before, or in the year, they are made. As shown in Schedule 3 to my Direct Tesitmony, distributions can fluctuate from year to year. However, our experience with our mutual pools and captive insurance allow us to reasonably forecast the distributions. Consequently, our test year and plan year budgets are reasonable forecasts of the Company's actual insurance costs.

Q. PLEASE DISCUSS THE COMPANY'S ACCOUNTING PROCESS TO TRACK THE COSTS AND INSURANCE PROCEEDS ASSOCIATED WITH AN INSURANCE CLAIM?

A. The costs are initially charged to O&M or capital accounts. At the end of each month, these amounts are transferred to an "insurance holding account." As the Company receives insurance proceeds, they are applied to the insurance holding account. If costs are later determined to be non-reimbursable by insurance, they are transferred from the insurance holding account to a separate capital work order where all non-reimbursable costs are accumulated. If the costs are known to be upgrades clearly not eligible for insurance recovery, they are placed against the capital account upon initial entry.

Q. HOW DOES THE COMPANY HELP ENSURE THAT PROJECT COSTS THAT WILL BE REIMBURSED BY INSURANCE ARE NOT ALSO RECOVERED FROM CUSTOMERS?

A. The accounting process described above ensures that all project costs that are expected to be reimbursed by insurance are appropriately removed from the capital and O&M expenses of the Company, and are recorded to an insurance holding account to be offset by insurance proceeds as received. Any balance in this insurance holding account is due to differences in the timing of costs incurred and insurance proceeds received and is therefore appropriately excluded from recovery in a rate case.

Q. WHAT ARE THE TRENDS FOR THE COMPANY'S INSURANCE PREMIUMS?

A. Schedule 3 provides our actual and forecasted premiums for the years 2017-2022. As demonstrated in Schedule 3, our actual premiums generally have been steady from year to year with fluctuations occurring due to distributions. However, our forecasted insurance premiums are generally trending up, due to a variety of factors, which we discuss in detail below.

The main drivers for our insurance costs are our exposure metrics including the insurable value of our property, claims history and industry trends. We try to insulate ourselves from industry trends, where possible by, for example, negotiating specialized coverages, layering our insurance, and utilizing the captive structure. Further, as described elsewhere in this testimony, we undertake mitigation measures to attempt to reduce the amount of claims we make on our policies.

## IV. MAJOR INSURANCE PROGRAMS

### A. Master Property Insurance

Q. WHAT RISKS DO THE COMPANY'S MASTER PROPERTY INSURANCE PROGRAM COVER?

A. Our Master Property Insurance program is intended to insure the Company, and its affiliates, against all risk of direct physical loss of or damage to its non-nuclear generating fleet and other property except for transmission and distribution lines beyond 1,000 feet of insured locations. We carry up to **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** in coverage per occurrence.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. The Company operates a non-nuclear fleet valued at approximately $29 billion. Further, we operate over $17 billion of non-generation assets that we believe would be prudent to insure and which are paid for by our customers. Further, our debt covenants require us to maintain minimum levels of insurance to protect our collateral. Our Master Property Insurance Program acts much like homeowners insurance, which any prudent homeowner would carry to protect their house and comply with their mortgage.

Q. HOW IS THE MASTER PROPERTY INSURANCE PROGRAM STRUCTURED AND WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

A. Our Master Property Insurance Program utilizes a quota share structure. Exhibit___(RLM-1), Schedule 4 identifies the structure of this insurance program.

Q. HOW DID THE COMPANY DETERMINE THAT **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** PER OCCURRENCE WAS AN APPROPRIATE AMOUNT OF COVERAGE FOR ITS MASTER PROPERTY INSURANCE PROGRAM?

A. Xcel Energy Inc. is responsible for providing insurance to protect property with total replacement cost valuation of about **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Although a number of sites have estimated replacement costs exceeding **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**, we have chosen insurance with a per occurrence limit of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** based on a number of factors, including:

- The largest loss in our industry, world-wide, of about **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**;
- Engineering evaluation of maximum foreseeable loss, at our largest site, less than **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**; and
- Review of peer group practices.

Q. PLEASE DESCRIBE THE SUBLIMITS OF THE MASTER PROPERTY INSURANCE PROGRAM AND WHY THEY EXIST.

A. There are several sublimits on the Master Property Insurance Program. Exhibit___(RLM-1), Schedule 5 identifies these sub-limits and amounts.

Q. WHY ARE THESE SUBLIMITS APPROPRIATE?

A. We compare these sublimits to estimated exposures in these areas and explore increased limits where considered necessary. In many cases there is not additional coverage available on the conventional market and, if available, additional increases in sublimits would come at a substantial cost increase. This increased cost is not justified to protect against the remote chance of catastrophic failures that could jeopardize the coverage cap.

Q. WHY DOESN'T THE MASTER PROPERTY INSURANCE PROGRAM PROVIDE REPLACEMENT POWER COVERAGE?

A. It is more cost effective to procure replacement power from the market or other suppliers given the historical frequency of such events and their typical duration. Additionally, our ability to utilize other power generation assets has created operational flexibility to respond to these outages. We do, however, review the availability and pricing of such coverage from time to time. Such reviews have indicated that replacement coverage could be available under very limited circumstances, utilizing very narrow policy terms at what we consider to be high prices. I note that what coverage is available has a waiting period of at least one hundred twenty days of an outage before a claim can be made; that waiting period acts as the deductible.

If we were to obtain replacement power coverage, we would likely choose to insure only our 20 largest and most critical units. We received a rough estimate from our broker and assuming insurance coverage for our 20 largest units, we estimate that replacement power interruption insurance costs could be **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per year for a **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** limit in replacement power. We do not believe these costs are justified in light of the limited practical application for this type of insurance. In fact, aside from the Sherco 3 event, the last time we would have experienced an event that would have triggered this insurance coverage (an event that lasted more than one hundred twenty days) was the extended outage at our Black Dog facility in 2000.

I am not aware of any other regulated utility that carries replacement power insurance for their conventional fleet, likely due to the limiting terms as well as the cost. Given that, we continue to believe that carrying this type of insurance does not make economic sense, however, we will continue to periodically review the option.

Q. ARE THE PREMIUMS FOR THE MASTER PROPERTY INSURANCE PROGRAM REASONABLE?

A. Yes. Through our annual review process, we probe the market to ensure we are paying reasonable premiums where possible. We also rely on our broker to advise us with respect to premiums and procurement as they have excellent visibility into the insurance market. This work indicates that our coverage amounts are within industry norms.

Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY'S MASTER PROPERTY INSURANCE PROGRAM?

A. The main cost drivers are the Company's risk profile including insurable value and claims history as well as the overall industry claims history.

Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF CLAIMS?

A. Our internal loss control group is continuously evaluating our risk profile and making recommendations for risk improvements where necessary. We quickly learn from industry losses and ensure measures are in place to prevent similar events at our facilities.

Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS MASTER PROPERTY INSURANCE PROGRAM PREMIUMS?

A. The cost of this insurance trended downward for 2017 and 2018 by 2 percent to 5 percent due to favorable claims experience and market competition. In 2019 we saw a 3 percent increase due primarily to increased values. We expect this annual growth to increase to 10 percent in 2020 due to increased insurable values from our significant investment in carbon-free energy, decreased market competition and increased industry losses. We then expect to return to 3 percent annual increases due to insureable value growth through 2022.

Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE MASTER PROPERTY INSURANCE PROGRAM.

A. The Company has undertaken several initiatives to minimize the potential for increases in insurance costs. We met with several new insurers to increase our options for program structure changes if necessary. We also started our renewal planning process six months in advance of the renewal date to allow for program structure changes if necessary.

Importantly, we include our senior Energy Supply managers in meetings with underwriters. We believe that their participation helps our underwriters better understand our operations and how we manage our plants to help mitigate risk. Our broker informs us that this goes beyond what many utilities do to provide information to their underwriters.

**B. Excess Liability Insurance**

Q. WHAT RISKS DO THE COMPANY'S EXCESS LIABILITY INSURANCE PROGRAM COVER?

A. Our Excess Liability Insurance Program is intended to insure the Company against liability to third parties for coverage limits over and above those provided by our Primary Casualty Insurance Program, discussed later in my Testimony. We carry Excess Liability coverage up to **[PROTECTED DATA BEGINS PROTECTED DATA ENDS].** Exhibit___(RLM-1), Schedule 6 illustrates the structure of our Excess Liability Insurance Program.

Q. CAN YOU PROVIDE SOME EXAMPLES OF THE TYPES OF RISKS COVERED BY EXCESS LIABILITY INSURANCE?

A. The claims that we have made under this program have been the few claims that have been large enough to exceed the limits of our Primary Casualty Insurance Program. Thus, the risks covered by the Excess Liability Insurance Program are large liability claims exceeding **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** Examples include serious injuries or death to members of the public caused by the Company's employees or the Company's equipment or facilities, for example power line contact or a gas explosion, as well as claims alleging damage to the environment.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. The Company must have a sound financial response to claims in excess of the Primary Casualty Insurance Program limits. The excess liability risk is an ideal example of a risk that should be transferred to an insurance company instead of being borne by our customers as an outcome of the risks we incur in providing service.

Q. HOW DID THE COMPANY DETERMINE THAT THE TOTAL AMOUNT OF AGGREGATE EXCESS LIABILITY COVERAGE IS APPROPRIATE?

A. While our Primary Casualty Insurance Program covers more common types of claims, our Excess Liability insurance is intended to cover larger but less frequent claims as well as protect the Company from catastrophic damage. To arrive at the **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** in Excess Liability coverage, we identified the major catastrophic risks that could occur, and also conferred with our broker and examined industry surveys to determine the appropriate amount of total coverage.

Q. PLEASE EXPLAIN HOW THE LAYERED COVERAGE IN THE EXCESS LIABILITY INSURANCE PROGRAM OPERATES.

A. As indicated in Exhibit___(RLM-1), Schedules 2 and 6, we utilize different underwriters to obtain our total coverage of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Each underwriter provides coverage of a specific layer of our risk. For example, AIG provides us with coverage of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**; however, we can only make a claim on our policy with AIG if our overall claim is more than **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. The same is true for our coverage with Chubb, who provides us with **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** in coverage after our overall claim is more than **[PROTECTED DATA BEGINS**

**PROTECTED DATA ENDS]**. Please also note that for those layers with multiple underwriters, each underwriter has taken on a share of that tranche of risk. Our premiums and policy terms for each layer reflect this.

Q. ARE THE EXCESS LIABILITY INSURANCE PROGRAM PREMIUMS REASONABLE?

A. Yes. The first two layers of our Excess Liability Insurance Program are provided by our industry mutual insurers, AEGIS and EIM. Though we do negotiate with them, the market price is essentially set. Utilization of AEGIS and EIM for this layer of insurance is industry standard and we are obtaining a reasonable price for this coverage. For the remaining layers of our Excess Liability Insurance Program, we utilize our broker to place this insurance at reasonable prices with creditworthy underwriters. Our industry intelligence informs us we are paying premiums for these layers consistent with industry practice adjusted for our unique risk profile.

Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY'S EXCESS LIABILITY INSURANCE PROGRAM?

A. The main cost drivers of the Excess Liability Insurance Program are the Company's inherent risk profile, its claims history, industry wide loss experience, as well as macro-economic factors which affect the investment markets. Our claims history has been favorable, but the industry has been hit hard with wildfire losses and the insurance market has been hardening.

Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF THESE CLAIMS?

A. The risk mitigation efforts described elsewhere in this testimony are directly applicable to our Excess Liability Insurance Program.

Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS EXCESS LIABILITY INSURANCE PROGRAM PREMIUMS?

A. The cost of this insurance saw a 4 percent to 5 percent increase in 2018 and 2019 due to hardened insurance markets resulting from large industry-wide losses such as wildfires. The next three years will depend on the severity of industry losses with focus especially on wildfires and gas explosions. Our budget has 2 percent to 5 percent premium growth projected. In addition to our claims mitigation efforts, we continue to review higher attachment points to determine if premium credits would be helpful in reducing overall costs.

### C. Directors' and Officers' Liability Insurance

Q. WHAT RISKS DO THE COMPANY'S DIRECTORS' & OFFICERS' LIABILITY INSURANCE PROGRAM COVER?

A. Like any corporation, the Company's bylaws indemnify directors and officers in the event they are personally sued -- often in addition to the company being sued -- by investors, employees, vendors, competitors, and customers, among other parties. The Directors' & Officers' (D&O) Liability Insurance Program insures this liability.

Q. CAN YOU PROVIDE SOME EXAMPLES OF THESE TYPES OF RISKS?

A. Directors and officers are responsible for, among other things (1) adopting a business strategy for the Company, (2) approving major policies and procedures for the Company, and (3) ensuring compliance with federal and state laws. Given these important responsibilities, courts have long held that directors and officers have a fiduciary relationship to their corporations, and owe them duties of care, loyalty and obedience.

Shareholders of corporations in all business segments file suits against directors and officers. These types of suits, called derivative actions, are filed against directors and officers for transactions involving undisclosed conflicts of interest, insider trading, authorization of loans of corporate funds on preferential terms, imprudent investment choices, mismanagement of the corporation, or decisions that might make that cause a diminution in the profits or value of a corporation. These types of cases are often without merit and are particularly common in difficult economic times.

I note that no D&O claim will be paid if a director or officer is found guilty of any criminal wrongdoing, which is an important limitation to this coverage.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. Beyond being a reasonable and prudent business practice, the Company has a legal obligation to indemnify its directors and officers under Minnesota law.[1] Furthermore, attracting qualified directors and officers requires indemnification, which creates a liability for the Company that it is prudent to insure. Individuals will not risk their personal assets to serve as a corporate director or officer without mitigating the risks associated with these positions, especially when all comparable positions at other companies will provide the necessary protection.

Q. HOW IS THE D&O LIABILITY INSURANCE PROGRAM STRUCTURED AND WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

A. Our D&O Insurance Program is composed of layers of policies from a panel of various underwriters, and is also divided into Side A and Side B coverage

---

[1] Minn. Stat. § 302A.521.

consistent with general industry practice. Side A is "executive indemnification," which insures our directors, officers, and employees for their defense costs, settlement fees, or judgments in the event that they are outside of the bylaw's indemnification provision or if the Company cannot cover them, such as if the Company has declared bankruptcy. Side B is "corporate reimbursement," which covers the Company for directors', officers', and employees' losses when it does indemnify them and also provides corporate coverage whenever the Company is sued along with the directors and officers. Most claims are made under Side B coverage. The Company maintains total D&O insurance limits of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** for Side A & B coverage, plus **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** Side A only coverage. Exhibit___(RLM-1), Schedule 7 illustrates the structure for our D&O Liability Insurance Program.

Q. HOW DID THE COMPANY DETERMINE THAT **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** SIDE A & B COVERAGE AND **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** SIDE A ONLY COVERAGE WAS AN APPROPRIATE AMOUNT OF D&O LIABILITY INSURANCE?

A. Our experience with this program has informed our decision to maintain our coverage at **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** and **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Further, our liability insurance broker and industry benchmarking also show that for a Company of our size these are appropriate amounts.

Q. PLEASE EXPLAIN WHY YOU BELIEVE THE D&O INSURANCE PREMIUMS ARE REASONABLE.

A. The first two layers of our D&O Liability Insurance Program are provided by our industry mutual insurers, AEGIS and EIM. Although we do negotiate with them, the market price is essentially set. Utilization of AEGIS and EIM for this layer of insurance is industry standard and we are obtaining a reasonable price for this coverage. We are unaware of other qualified providers that will insure this risk let alone at better pricing. For the remaining layers of our D&O Liability Insurance Program, we utilize our broker to place this insurance at reasonable prices with creditworthy underwriters. Our market intelligence, informed by consulting with our broker, informs us we are paying premiums for these layers consistent with industry practice adjusted for our unique risk profile.

Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY'S D&O LIABILITY INSURANCE PROGRAM?

A. Like any insurance coverage, the main cost drivers are the Company's inherent risk profile as well as its claims history. The most significant factor of the Company's risk profile is the stability of its financial results.

Further, D&O premiums are also affected by utility industry trends affecting D&O suits. In the past decade there have been a number of shareholder suits against utilities in excess of $100 million. Such suits can affect our underwriters' view of our inherent D&O risk, even though those suits have nothing to do with our actions.

Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF THESE CLAIMS?

A. We have not had any claims under this program for over fifteen years. And our directors and officers are encouraged to adhere to corporate procedures, thoroughly evaluate all disclosure decisions, articulate business rationales for their decisions, and avoid even the appearance of self-interest or self-dealing.

Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS D&O LIABILITY INSURANCE PROGRAM PREMIUMS?

A. Premium costs have been relatively flat for the past couple of years but are now begininning to trend upward. We expect to see an uptick in premium costs as industry claims activity is increasing and being tied to large general liability claims. Our test year and plan year budgets reflect normal inflationary pressures on these premiums.

Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE DIRECTOR D&O LIABILITY INSURANCE PROGRAM.

A. We utilize the same efforts to control cost under this program as those we use under our Excess Liability Insurance Program. Namely, we start planning very early, usually six months in advance of the renewal date; we prepare detailed submissions to underwriters; and we meet personally with the insurance company underwriters to explain the latest activities at the Company.

**D. Fiduciary Liability Insurance**

Q. WHAT RISKS DO THE COMPANY'S FIDUCIARY LIABILITY INSURANCE PROGRAM COVER?

A. Our Fiduciary Liability Insurance Program protects those serving as "fiduciaries" as defined by the Employee Retirement Income Security Act

(ERISA). Specifically, this coverage protects the Company's employees who design and administer employee pension and benefit plans, including the management of the assets and liabilities of the plans, and who are therefore liable for any breach of the fiduciary duties owed in doing such work.

Q. CAN YOU PROVIDE SOME EXAMPLES OF THESE TYPES OF RISKS?

A. ERISA activities that give rise to fiduciary duties, and therefore also carry the risk of claims for breach of those duties, include: selecting and monitoring plan investment vehicles; selecting and monitoring third party service providers; interpreting plan provisions; and exercising discretion in denying or approving benefit claims. Oftentimes, the insured fiduciary liability is implicated in a shareholder suit making claims upon our D&O insurance.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. Employee benefit and pension plans are a cost of providing electric service. These plans must be managed responsibly for all stakeholders. In order to attract quality and experienced plan administrators, the Company must minimize the personal risk associated with the positions.

Q. HOW IS THE FIDUCIARY LIABILITY INSURANCE PROGRAM STRUCTURED AND WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

A. The Company maintains limits of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** for this insurance. There is a **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** deductible per occurrence. Exhibit___(RLM-1), Schedule 8 illustrates the structure for our Fiduciary Liability Insurance Program.

Q. How did the Company determine that **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** was an appropriate amount of fiduciary liability insurance?

A. Our Fiduciary coverage is intended to cover the types of claims that a company of our size and in the utility industry is likely to have made against its fiduciaries. Our experience with these claims has informed our decision to maintain our coverage at **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Further, our insurance broker and industry benchmarking also show that for a company of our size this is an appropriate amount.

Q. Please explain why the Company's Fiduciary Liability Insurance Program premiums are reasonable.

A. Much the same as for D&O insurance, AEGIS underwrites this coverage and sets the terms and premiums for the first layer. We meet with our broker approximately six months prior to policy expiration for a renewal strategy meeting. At this time we discuss ways to enhance the expiring program, current insurance market conditions, and analyze which insurer is best suited to be the lead on this program.

Q. What are the main drivers of the costs of the Company's Fiduciary Liability Insurance Program?

A. Like any insurance coverage, the main cost drivers are the Company's inherent risk profile as well as its claims history. The Company's financial performance and the make-up of the Company's pension plans are important parts of the Company's risk profile for this type of insurance.

Q. WHAT IS THE TREND IN THE NUMBER OF THESE CLAIMS OVER THE LAST SEVERAL YEARS?

A. We have had no claims in the past several years.

Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF THESE CLAIMS?

A. The Company always seeks opportunities to minimize potential plan benefit fiduciary claims. For example, by focusing on good plan governance, we minimize the possibility for claims of inconsistency between plan terms and the administration of the terms. The Company also undertakes fiduciary audits to review fiduciary action.

Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS FIDUCIARY LIABILITY INSURANCE PROGRAM PREMIUMS?

A. The cost of this insurance has been trending down, but beginning to flatten out. Our test year and plan year budgets reflect normal inflationary pressures for these types of premiums.

Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE FIDUCIARY LIABILITY INSURANCE PROGRAM.

A. We have undertaken several actions to minimize the potential for cost increases for our Fiduciary Liability Insurance Program. We have had discussions with an increased number of underwriters potentially offering this coverage to increase the size of the potential market.

**E. Nuclear Insurance Program**

Q. WHAT RISKS DO THE COMPANY'S NUCLEAR INSURANCE PROGRAM COVER?

A. Our Nuclear Insurance Program is intended to insure the Company against property damage, site decontamination, business interruption and third-party liability that can arise from our nuclear generating facilities.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. We own and operate two nuclear power generation sites. Monticello is a one-unit site and Prairie Island is a two-unit site. We require insurance to cover the risks of ownership of these facilities and to comply with applicable law.

Q. HOW IS THE NUCLEAR INSURANCE PROGRAM STRUCTURED AND WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

A. Our Nuclear Insurance Program consists of three components: (1) nuclear property damage; (2) nuclear accidental outage; and (3) nuclear liability insurance. Our Nuclear property damage insurance is provided by Nuclear Electric Insurance Limited (NEIL) and European Mutual Association for Nuclear Insurance (EMANI), both industry owned mutual insurers. For each nuclear plant we maintain limits of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per loss for accidental property damage and any resulting costs to stabilize and decontaminate the site. The insurance is layered with each of our Monticello and Prairie Island plants having **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** in primary coverage. Our total nuclear operations also carry a **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** blanket excess policy as well as a **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** excess policy. These policies include a deductible of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per loss. Exhibit___(RLM-1), Schedule 9 illustrates the structure of this component of our Nuclear Property Insurance Program.

Our nuclear business interruption insurance, otherwise called accidental outage insurance, is also provided by NEIL. The maximum limits that could be paid under these policies are **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per reactor. This coverage is provided on the basis of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per week for **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**, subject to the above total limit and a waiting period (deductible) of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Exhibit___(RLM-1), Schedule 10 illustrates the structure of this component of our Nuclear Accidential Outage Insurance Program.

Our nuclear liability insurance is provided by American Nuclear Insurers (ANI), a joint underwriting association. These ANI "facility form" policies each provide limits of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per loss with no deductible provision. Since there is no deductible, ANI and its team of claims specialists are able to defend claims very soon after such claim is made.

In addition to the ANI facility form policies, the Company participates in the Secondary Financial Protection (SFP) program. The SFP is a Nuclear Regulatory Commission (NRC) administered program that provides for an additional **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** of financial protection under the Price-Anderson Act. Exhibit___(RLM-1), Schedule 11 illustrates the structure of this component of our Nuclear Liability Insurance Program. Unlike insurance, which requires a premium payment in advance, the SFP is administered as a "post-loss" funding vehicle. This means that following a very large nuclear event, participating companies would be assessed a fee to fund the coverage for that loss, subject to a cap of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per reactor per incident per year.

Q. ARE THESE THE APPROPRIATE COVERAGES?

A. The coverage limits for nuclear liability insurance are industry standard amounts and are the maximum reasonably available in the specialized context of nuclear generation.

Q. YOUR NUCLEAR INSURANCE PROGRAM APPEARS TO BE STRUCTURED SIGNIFICANTLY DIFFERENTLY FROM YOUR OTHER INSURANCE PROGRAMS. WHY?

A. The commercial markets generally exclude anything to do with the nuclear energy hazard. Nuclear plant operators therefore needed to create their own market. The nuclear liability program has evolved over time and is currently the only option for nuclear power generation owners is to place coverage with ANI and excess coverage with the SFP.

Q. PLEASE EXPLAIN WHY YOU BELIEVE THE NUCLEAR INSURANCE PREMIUMS ARE REASONABLE.

A. Fundamentally, given the very thin market for the products that comprise our Nuclear Insurance Program, the market price is set. As stated above the premiums are all driven by established formulas.

We rely on our broker to confirm that the premiums we pay to ANI are reasonable since we do not have visibility into the premiums other utilities are paying and because utilities generally have risk profiles unique to themselves. We rely on NEIL to exercise good faith and fairness as an industry mutual insurer. One of their primary missions is to be equitable regarding premium determination.

Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY'S NUCLEAR INSURANCE PROGRAM?

A. The Company's risk profile, as represented by its INPO rating, its operating statistics, and its claims history all significantly impact our costs. Further, because of the nature of our nuclear industry mutual, NEIL, industry claims also contribute to premium setting. Claims experience has been good in recent years and insurance premiums have flattened out. Our test year and plan year budgets reflect normal inflationary pressures for these types of premiums.

Q. HAVE THERE BEEN ANY UNUSUALLY LARGE CLAIMS IN THE LAST SEVERAL YEARS?

A. Ten years ago there were two very large claims that had a significant adverse effect on NEIL's financial position. Duke Power's Crystal River claim from

2009 cost over $800 million and AEP's D. C. Cook claim from 2008 cost in excess of $450 million. NEIL experienced a growing trend of large claims over a period of time, but in recent years, has had good loss experience.

Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS NUCLEAR INSURANCE PROGRAM PREMIUMS?

A. As I mentioned, the nuclear industry has experienced several very significant losses ten years ago and as a result, the costs for nuclear property insurance were trending up for several years. More recently, with good industry loss experience, the insurance costs have been flattening out and in some cases decreasing. The most recent renewal saw a decrease of about 16 percent. The cost for nuclear business interruption insurance has seen the same trend as the property insurance program. The cost for nuclear liability insurance has experienced gradual increases over the past three years. The Company has made no recent claims. Our test year and plan year budgets reflect normal inflationary pressures for these types of premiums.

Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE NUCLEAR INSURANCE PROGRAM.

A. There are two main factors that we can undertake to mitigate the costs of our Nuclear Insurance Program. The first is to maintain our INPO rating. Company witness Timothy J. O'Connor discusses our efforts to do so in his Direct Testimony. The second is we added European Mutual Association for Nuclear Insurance (EMANI) to diversify the program.

### F. Primary Casualty Insurance Program

Q. WHAT RISKS DO THE COMPANY'S PRIMARY CASUALTY INSURANCE PROGRAM COVER?

A. Our Primary Casualty Insurance Program is intended to insure the Company against liability to third parties and employees. Our Primary Casualty Insurance Program includes general liability coverage, automobile liability coverage, and workers compensation coverage.

Risks covered under the general liability and auto liability programs include claims that Xcel Energy Inc.'s equipment or personnel damaged third party property or caused third party injury. Claims for injury to an employee on the job are covered under our workers' compensation program.

Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

A. Xcel Energy Inc. serves 3.6 million electric customers and 2 million gas customers; we employ over 11,000 employees and we own and operate, among other things, 30 hydro-electric facilities, thousands of miles of gas transmission and distribution piping, and a fleet of over 7000 licensed vehicles – all of which are exposed to injury and damage claims from the public. Additionally, the Company is obligated to meet various legal and regulatory requirements with respect to automobile liability and workers' compensation insurance. Without this insurance, the Company would be forced to bear the costs of these claims which derive from our provision of service.

Q. HOW IS THE PRIMARY CASUALTY INSURANCE PROGRAM STRUCTURED AND WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

A. Our Primary Casualty Insurance Program is composed of three main components: (1) general liability insurance; (2) auto liability insurance; and (3) workers' compensation insurance. Each of these components is structured differently.

For our general liability insurance, the Company is protected with a total limit of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** per loss under policies issued by Old Republic Insurance Company and our captive insurance structure. This general liability insurance component is structured in a manner that is intended to minimize costs to Xcel Energy Inc. and provide for the first dollar coverage of each loss. Under this structure, we manage these third-party claims in-house. By insuring the first dollar of each loss, we ensure that each and every third-party claim is professionally managed so that we may identify trends and implement mitigations measure for common risks, as well as shift the overall cost burden to our Insurance Program thereby helping to stabilize the effects of extreme fluctuations in insurance costs and rates.

Similarly, the auto liability component consists of a policy with **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** coverage issued by Old Republic and a companion policy issued by our captive structure.

Our workers' compensation insurance is structured in a slightly different manner in order to meet certain legal requirements. Minnesota law requires that all excess insurance and all reinsurance for the workers' compensation risk be insured by the Workers' Compensation Reinsurance Association (WCRA). Our workers' compensation insurance is therefore divided between coverage for employees in Minnesota and coverage for employees in all other states. For the Minnesota portion, the Company maintains a deductible of **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** which is then insured by Old Republic through a deductible reimbursement policy. The WCRA provides coverage for all losses in excess of this **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]**. Exhibit___(RLM-1), Schedule 12 illustrates the structure for our Primary Casualty Insurance Program.

Q. HOW DID THE COMPANY DETERMINE THAT THE TOTAL AMOUNT OF PRIMARY CASUALTY COVERAGE IS APPROPRIATE?

A. Because the Primary Casualty coverage is a layer of coverage that sits below the Excess Liability coverage, the goal in determining the appropriate amount of Primary Casualty coverage is to strike the right balance between the two types of coverage so as to minimize premium costs and maximize flexibility. In 2014, we increased the coverage to **[PROTECTED DATA BEGINS PROTECTED DATA ENDS]** to reduce the amount of premiums we pay under our Excess Liability Insurance Program and bring that risk into coverage under our Primary Casualty Insurance Program. Our actuarial analysis shows this change to be budget neutral while providing us with increased flexibility with claims management.

Q. ARE THE PRIMARY CASUALTY INSURANCE PROGRAM PREMIUMS REASONABLE?

A. Yes. Our Primary Casualty Insurance Program is difficult to benchmark because even though utilities, generally, carry many of the same risks, each utility has a different risk profile and general liability insurance premiums are developed based on this unique risk profile. However, we do probe the market to ensure we are paying reasonable premiums where possible through our annual review process. Through this, we continue to find alternative insurance structures and providers to be more expensive than our current structure.

Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY'S PRIMARY CASUALTY INSURANCE PROGRAM?

A. The main driver is loss experience. In other words, much like any insurance, our premiums are a function of the amount and type of claims made on this policy.

Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF CLAIMS?

A. The Company has taken the following actions to mitigate the amount of general liability claims:

- Continued aggressive public safety programs;
- Coordinated with our insurers' loss control consultants;
- Investigated all claims thoroughly; and
- Defended claims rigorously.

Q. GIVEN THIS, WHAT TRENDS IS THE COMPANY SEEING IN ITS PRIMARY CASUALTY INSURANCE PROGRAM PREMIUMS?

A. The cost of this insurance has trended downward to flat over the past several years but did go up 44 percent in 2019 due to an assessment of losses from our third-party actuary, in part based on an adverse loss history for the past few years in the general liability area. Said differently, the industry as a whole is seeing an upward trend in claims and we are as well. Our test year and plan year budgets represent normal inflationary pressures on these types of premiums based on 2019 levels.

Q. PLEASE EXPLAIN THE DRIVERS OF THIS PREMIUM INCREASE.

A. As with other insurance premiums, our Primary Casualty premiums are driven by the need to match our expected claims to our premiums. To that end, actuaries examine claims history for the Company utilizing industry standard actuarial methodologies and determine the appropriate premium amounts to match our expected claims. Because our Primary Casualty insurance insures a wide array of small dollar but high volume claims, our claims history may fluctuate for a variety of reasons based on the potential claims we can experience. These types of claims include grass fires, electric contact, and gas explosions, and are common in the utility industry. I note that we have not had the types of catastrophic risks that some other utilities have faced, such as the gas explosion experienced by National Grid in Massachusetts or the wildfires experienced by Pacific Gas and Electric in California, but are rather seeing a larger amount of smaller claims as sometimes happen.

I also note that these types of premium changes are common in both the general insurance markets and more specifically the utility industry insurance markets as risk profiles evolve. That said, recognizing that Xcel Energy Inc.'s claims history generally has been very good in recent years, we have budgeted for expected distributions from our Primary Casualty insurer to offset some of these premium increases.

Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE PRIMARY CASUALTY INSURANCE PROGRAM.

A. We meet with our broker approximately six months prior to policy expiration for a renewal strategy meeting. At this time we discuss ways to enhance the expiring program, current insurance market conditions, and analyze which insurer is best suited to be the lead on this program. We also meet several times each year with our underwriter to explain issues unique to Xcel Energy Inc. to help them understand our risk profile and feel comfortable insuring our risk.

## V. OTHER INSURANCE PROGRAMS

Q. DOES THE COMPANY HAVE OTHER TYPES OF INSURANCE PROGRAMS?

A. Yes. As I mentioned above, we carry other coverages for unusual types of events or as may be required by our lenders and other stakeholders such as railroads and contractors. Exhibit___(RLM-1), Schedule 13 identifies these additional coverages and other pertinent information.

## VI. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

A. We have a best-in-class proactive Loss Control program that seeks to reduce risk at our generation plants. In addition, we have an Insurance Program that is intended to insure against reasonable risks at cost-effective prices over the long term.

Though we have a unique risk profile as a utility, we have various risk mitigation mechanisms in place to reduce our risk. In addition, we have a variety of procurement and mitigation processes to ensure that we not only have the appropriate levels and types of insurance, but that we are also paying reasonable rates.

The Company provides an Insurance Program that is reasonable, appropriate and comparable to that of our industry peers. The costs of our Insurance Program are reasonable, prudent and necessary to continue to insure the risks inherent in providing service to ratepayers. Therefore, I recommend the Commission approve the Company's request to recover the 2020-2022 test and plan years level costs of the Insurance Program in electric rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

## PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED

### Trade Secret Justification

The text of and Schedules provided with as part of the Direct Testimony and Schedules of Company Witness Robert L. Miller contains data classified as trade secret pursuant to Minn. Stat. §13.37, subd. 1(b). This information derives independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from its use and is marked as "Not Public" in its entirety. Pursuant to Minn. R. 7829.0500, subp. 3, the Company provides the following description of the excised material:

1. **Nature of the Material**: Direct Testimony and Schedules of Company Witness Robert L. Miller contains information relating to the insurance premiums paid by the Company; the amounts of coverage under the Company's Insurance Program; information relating to the setting of premiums; the layers, insuring parties, and various terms of the Company's purchased insurance products; and information related to distributions from certain of the Company's insurers.
2. **Authors:** The data was prepared by our Insurance department.
3. **Importance:** Xcel Energy procures insurance in competitive insurance markets around the globe. To maintain our competitiveness in these markets, we must maintain the confidentiality of certain information. Information with respect to our insurance premium amounts and what we pay for each unique layer of risk we insure is proprietary to both the Company and our insurers and if it was made publicly available would provide a competitive advantage to other participants in the markets by creating a known benchmark in the market. When such information is made available by insurance brokers or other market participants, it is made anonymous so that particular risk profiles of particular companies cannot be benchmarked against premium tables. Further, while the components of an overall insurance program (i.e. who our participating underwriters are) need not be confidential, who a particular underwriter is for a particular layer of risk can provide competitive advantages to third parties since identifying the risks particular underwriters are willing to take would take is generally kept confidential in the various insurance markets where we procure insurance. Similarly, our insurance structure and the amount of coverage in each layer can also provide competitive advantage to other participants in various insurance markets.
4. **Date the Information was Prepared**: The information was prepared October 22, 2019.

**Robert L. Miller, P.E.**

**Experience**

*Director, Hazard Insurance* Jan 2015 - Present
Xcel Energy Inc., Minneapolis, MN
- Direct $50 million property & casualty insurance program
- Lead insurance procurement and property loss control services
- Lead multi-line captive insurance program
- Lead negotiations on variety of multi-million dollar claims

*Manager, Hazard Insurance* Nov 2006 – Jan 2015
Xcel Energy Inc., Minneapolis, MN
- Established “best in class” property loss control program
- Managed staff of 5 insurance and loss control professionals

*Loss Control Consultant* Jul 2004 – Nov 2006
Xcel Energy Inc., Minneapolis, MN
- Advised corporation on Property and Mechanical exposures

*Loss Control Manager* May 2001 – Jul 2004
NRG Energy, Inc., Minneapolis, MN
- Advised corporation on Property and Mechanical exposures

*Environment, Health & Safety Eng* Apr 1997 – May 2001
Cargill, Inc., Minnetonka, MN
- Technical resource for property loss control and personnel safety

*Loss Control Engineer* Jun 1985 – Apr 1997
FM Global, Minneapolis, MN
- Provided loss control services for insureds

**Education**

*Master of Business Administration* May 2012
Emphasis – Finance
University of St. Thomas, St. Paul

*Bachelor of Science* May 1985
Major – Chemical Engineering
SDSM&T, Rapid City

| | | |
|---|---|---|
| **Professional** | Associate in Risk Management<br>Licensed Professional Engineer, State of Minnesota | |
| **Associations** | *Edison Electric Institute*<br>Risk Management Committee | 2006 - Present |
| | *Nuclear Electric Insurance Limited*<br>Insurance Advisory Committee | 2006 - Present |
| | *Risk & Insurance Management Society*<br>Minnesota Chapter | 2004 - Present |
| | *Associated Electric and Gas Insurance Services Risk Management Advisory Committee* | 2016 - Present |
| **Presentations** | Have given numerous presentations to industry conferences on topics including risk management, claims and insurance coverage | |

**[PROTECTED DATA BEGINS**

| | **Policy Limits** | **Deductible** | **Premium** | **Commissions** | **Fees** | **Total** |
|---|---|---|---|---|---|---|
| Master Property Captive | | | | | | |
| Master Property Commercial | | | | | | |
| Excess Liability | | | | | | |
| Terrorism | | | | | | |
| Directors & Officers Liability | | | | | | |
| Professional Liability | | | | | | |
| Fiduciary Liability | | | | | | |
| Primary Casualty Captive | | | | | | |
| Primary Casualty OR | | | | | | |
| Fidelity Insurance | | | | | | |
| Special Coverage | | | | | | |
| Aviation Insurance | | | | | | |
| Unmanned Aircraft Systems Insurance | | | | | | |
| Foreign Liability | | | | | | |
| Cyber Liability | | | | | | |
| Sub Total | | | | | | |
| | | | | | | |
| Nuclear Property | | | | | | |
| Nuclear Business Interruption | | | | | | |
| Nuclear Liability | | | | | | |
| Nuclear Subtotal | | | | | | |
| | | | | | | |
| Grand Total | | | | | | |

**….PROTECTED DATA ENDS]**

* Fidelity insirance , Special coverage, aviation insurance, foreign liability, cyber liability

# SCHEDULE OF INSURANCE

| COVERAGE DESCRIPTION | INSURANCE COMPANY | POLICY NUMBER | BROKER Marsh USA | POLICY LIMITS | Attachment | UNDERLYING Deductible | COVERAGE TERM FROM | TO | FINANCE PLAN | PREMIUM |
|---|---|---|---|---|---|---|---|---|---|---|
| | | [PROTECTED DATA BEGINS… | | | | | | | [PROTECTED DATA BEGINS… | |
| **MASTER PROPERTY** | | | | | | | | | | |
| Master Property Program | | | | | | | | | | |
| PRIMARY | EIS (1) | | | | | | 6/29/2019 | 6/29/2020 | | |
| FIRST EXCESS LAYER | Various (see below) | | | | | | 6/29/2019 | 6/29/2020 | | |
| SECOND EXCESS LAYER | Various (see below) | | | | | | 6/29/2019 | 6/29/2020 | | |
| Excess layers combined premium | | | | | | | | | | |
| **Total Raw Preimuim** | | | | | | | | | | |
| Total Fees | | | | | | | | | | |
| **Total Master Property** | | | | | | | | | | |
| **EXCESS LIABILITY** | | | | | | | | | | |
| LAYER 1 | AEGIS | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 2 | EIM | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 3 | OCIL | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 3 | SCOR | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 4 | Apollo | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 5 | AXAXL | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 6 | Argo | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 7 | Sompo/Endurance | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 8 | OCIL | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 9 | Chubb Bermuda | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 10 | AXAXL | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 11 | Arch | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 12 | Hiscox | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 13 | Argo | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 14 | Chubb Bermuda | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 15 | American Int Re(AIG Bermuda) | | | | | | 8/18/2019 | 8/18/2020 | | |
| **Total Raw Premium** | | | | | | | | | | |
| Total Fees | | | | | | | | | | |
| **Total Excess Liability** | | | | | | | | | | |
| **TERRORISM** | | | | | | | | | | |
| Excess Liability | Lloyd's (Stephens) | | | | | | 1/1/2019 | 1/1/2020 | | |
| Total Fees | | | | | | | | | | |
| **Total Terrorism** | | | | | | | | | | |
| **DIRECTORS & OFFICERS LIABILITY** | | | | | | | | | | |
| LAYER 1 | AEGIS (Primary) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 2 | EIM (1st XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 3 | U S Specialty/HCC(2nd XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 4 | RLI (3rd XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 5 | Chubb/ACE American Ins. Co. (4th XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 6 | AIG/ National Union Fire (5th XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 7 | Allied World Assur- (6th XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 8 Side "A" Only | Endurance/Sompo (7th XS) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 8 9 Side "A" Only | Chubb/ACE-Bermuda- **Primary Side A** | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 10 Side "A" Only | Argo Re- **(1st Excess Side A)** | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 101 Side "A" Only | Arch Re (Bermuda)- **(2nd Excess Side A)** | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 12 Side "A" Only | Allied World Assurance- **(3rd Excess Side A)** | | | | | | 8/18/2019 | 8/18/2020 | | |
| **Total Raw premium** | | | | | | | | | | |
| Total fees | | | | | | | | | | |
| **Total D&O Liability** | | | | | | | | | | |
| **PROFESSIONAL LIABILITY** | | | | | | | | | | |
| Engineers & Lawyers | AEGIS (2) | | | | | | 8/18/2019 | 8/18/2020 | | |
| **Total Raw premium** | | | | | | | | | | |
| Total Fees | | | | | | | | | | |
| **Total Professional Liability** | | | | | | | | | | |

# SCHEDULE OF INSURANCE

| COVERAGE DESCRIPTION | INSURANCE COMPANY | POLICY NUMBER | BROKER Marsh USA | POLICY LIMITS | Attachment | UNDERLYING Deductible | COVERAGE TERM FROM | TO | FINANCE PLAN | PREMIUM |
|---|---|---|---|---|---|---|---|---|---|---|
| **FIDUCIARY LIABILITY** | | | | | | | | | | |
| LAYER 1 | AEGIS (Primary) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 2 | U S Specialty/ HCC (1st) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 3 | Chubb/Ace | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 4 | EIM (3rd) | | | | | | 8/18/2019 | 8/18/2020 | | |
| LAYER 5 | National Union Fire/AIG (4th) | | | | | | 8/18/2019 | 8/18/2020 | | |
| **Total Raw Premium** | | | | | | | | | | |
| Total Fees | | | | | | | | | | |
| **TOTAL FIDUCIARY LIABILITY** | | | | | | | | | | |
| | | | | | | | | | | |
| **PRIMARY CASUALTY** | | | | | | | | | | |
| GENERAL LIABILITY | Old Republic Ins. Co. | | | | | | 11/1/2018 | 11/1/2019 | | |
| GENERAL LIABILITY | EIS (1) | | | | | | 11/1/2018 | 11/1/2019 | | |
| | | | | | | | | | | |
| AUTO LIABILITY | Old Republic Ins. Co. | | | | | | 11/1/2018 | 11/1/2019 | | |
| AUTO LIABILITY & APD | EIS (1) | | | | | | 11/1/2018 | 11/1/2019 | | |
| | | | | | | | | | | |
| WORKERS' COMP. - All States | Old Republic Ins. Co. | | | | | | 11/1/2018 | 11/1/2019 | | |
| WORKERS' COMP. LARGE Deductible | EIS (1) | | | | | | 11/1/2018 | 11/1/2019 | | |
| | | | | | | | | | | |
| RAILROAD PROTECTIVE - UP - Hayden | Old Republic Ins. Co. | | | | | | 11/1/2018 | 11/1/2019 | | |
| RAILROAD PROTECTIVE - UP - Hayden | EIS (1) | | | | | | 11/1/2018 | 11/1/2019 | | |
| | | | | | | | | | | |
| **Total Raw Premium** | | | | | | | | | | |
| | | | | | | | | | | |
| Brokerage Fees | | | | | | | | | | |
| | | | | | | | | | | |
| **Total Primary Casualty** | | | | | | | | | | |
| | | | | | | | | | | |
| **OTHER POLICIES** | | | | | | | | | | |
| FIDELITY INSURANCE | Great American Ins. Co. | | | | | | 3/1/2019 | 3/1/2020 | | |
| SPECIAL COVERAGE | Hiscox | | | | | | 6/1/2019 | 6/1/2022 | | |
| AVIATION INSURANCE | USAIG (5) | | | | | | 8/3/2019 | 8/3/2020 | | |
| UNMANNED AIRCRAFT SYSTEM INSUR | USAIG (5) | | | | | | 8/3/2019 | 8/3/2020 | | |
| FOREIGN LIABILITY | ACE Insurance Companies | | | | | | 11/1/2018 | 11/1/2019 | | |
| CYBER LIABILITY | Aegis/EIM | | | | | | 4/1/2019 | 4/1/2020 | | |
| **Total Raw Premium** | | | | | | | | | | |
| Total Fees | | | | | | | | | | |
| **Total Other Insurance** | | | | | | | | | | |

# SCHEDULE OF INSURANCE

| COVERAGE DESCRIPTION | INSURANCE COMPANY | POLICY NUMBER | BROKER Marsh USA | POLICY LIMITS | Attachment | UNDERLYING Deductible | COVERAGE TERM FROM | TO | FINANCE PLAN | PREMIUM |
|---|---|---|---|---|---|---|---|---|---|---|
| **NUCLEAR PROPERTY** | | | | | | | | | | |
| MONTICELLO | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| MONTICELLO NEIL TOTALS | | | | | | | | | | |
| PRAIRIE ISLAND | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| PRAIRIE ISLAND NEIL TOTALS | | | | | | | | | | |
| COMBINED COVER PRIMARY | EMANI | | | | | | 10/1/2019 | 10/1/2020 | | |
| COMBINED COVER EXCESS | EMANI | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Brokerage Fee | | | | | | | | | |
| **Total Nuclear Property** | | | | | | | | | | |
| **NUCLEAR BUSINESS INTERRUPTION** | | | | | | | | | | |
| MONTICELLO | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| MONTICELLO TOTALS | | | | | | | | | | |
| PRAIRIE ISLAND | NEIL (6) | | | | | | 10/1/2019 | 10/1/2020 | | |
| | Premium Discount (3%) | | | | | | | | | |
| | Delaware Rep Fees | | | | | | | | | |
| PRAIRIE ISLAND TOTALS | | | | | | | | | | |
| **Total Nuclear BI** | | | | | | | | | | |
| **NUCLEAR LIABILITY** | | | | | | | | | | |
| FACILITY FORM POLICIES | | | | | | | | | | |
| MONTICELLO | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| | Brokerage Fee | | | | | | | | | |
| MONTICELLO TOTALS | | | | | | | | | | |
| PRAIRIE ISLAND | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| | Brokerage Fee | | | | | | | | | |
| PRAIRIE ISLAND TOTALS | | | | | | | | | | |
| PATHFINDER | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| Total Facility Form | | | | | | | | | | |
| WORKERS POLICIES | | | | | | | | | | |
| MONTICELLO | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| PRAIRIE ISLAND | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| PATHFINDER | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| Total Workers Policies | | | | | | | | | | |
| SECONDARY FINANCIAL PROTECTION | | | | | | | | | | |
| MONTICELLO | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| PRAIRIE ISLAND | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| SFP Total | | | | | | | | | | |
| SUPPLIERS & TRANSPORTERS | ANI (7) | | | | | | 1/1/2019 | 1/1/2020 | | |
| Total Suppppliers and Transporters | | | | | | | | | | |
| **Total Nuclear Liability** | | | | | | | | | | |
| **Nuclear Insurance Total** | | | | | | | | | | |
| **GRAND TOTAL** | | | | | | | | | | |
| | | | | | | **…PROTECTED DATA ENDS]** | | | | **…PROTECTED DATA ENDS]** |

# SCHEDULE OF INSURANCE

| COVERAGE DESCRIPTION | INSURANCE COMPANY | POLICY NUMBER | BROKER Marsh USA | POLICY LIMITS | Attachment | UNDERLYING Deductible | COVERAGE TERM FROM | TO | FINANCE PLAN | PREMIUM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Master Property** | | | | | | | | | | |
| | **Underwriting Company** | **Policy** | **Percentage** | | | | | | | |
| **USD 250000 Primary** | | **[PROTECTED DATA BEGINS…** | | | | | | | | |
| | AEGIS (UK) | | | | | | | | | |
| **USD $1,000,000,000 Quata Share** | | | | | | | | | | |
| | Associated Electric and Gas Insurance Services Limited | | | | | | | | | |
| | Aspen Specialty Insurance Company | | | | | | | | | |
| | Energy Insurance Mutual | | | | | | | | | |
| | National Union Fire Insurance | | | | | | | | | |
| | American Alternative Insurance Corporation | | | | | | | | | |
| | General Security and Indemnity Company of Arizona | | | | | | | | | |
| | Lloyd's Syndicate 5000 (Travelers, Argenta) | | | | | | | | | |
| | Lloyd's Syndicate 5000 (USGen) | | | | | | | | | |
| **USD $750.000.000 Expcess of $250,000,000** | | | | | | | | | | |
| | Great Lakes Insurance SE (Munich Re) | | | | | | | | | |
| | | | **…PROTECTED DATA ENDS]** | | | | | | | |
| Notes: | | | | | | | | | | |
| (1) Energy Insurance Services | | E - Expense when paid | | | | | | | | |
| (2) Associated Electric & Gas Insurance Services | | M - Monthly allocation to subsidiaries | | | | | | | | |
| (3) Energy Insurance Mutual | | P - Pre-paid by subsidiaries | | | | | | | | |
| (5) United States Aviation Underwriters | | | | | | | | | | |
| (6) Nuclear Electric Insurance Limited | | * **This is the premium shown on the policy.** | | | | | | | | |
| (7) American Nuclear Insurers | | Amount actually paid may reflect a premium discount of 3%. | | | | | | | | |
| © = Commission | | | | | | | | | | |
| Aero - 15% | | | | | | | | | | |
| Lockton -15% | | | | | | | | | | |

PUBLIC DOCUMENT - NOT PUBLIC DATA HAS BEEN EXCISED



# Xcel Energy Inc.
## Insurance Premiums: 2017 to 2022

| | 2017 Actuals | | | 2018 Actuals | | | 2019 Actuals | | | 2020 MN Elec Rate Case July Forecast | | | 2021 Budget | | | 2022 Budget | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Xcel | NSPM Electric | MN Juris Electric | Total Xcel | NSPM Electric | MN Juris Electric | Total Xcel | NSPM Electric | MN Juris Electric | Total Xcel | NSPM Electric | MN Juris Electric | Total Xcel | NSPM Electric | MN Juris Electric | Total Xcel | NSPM Electric | MN Juris Electric |
| [PROTECTED DATA BEGINS… | | | | | | | | | | | | | | | | | | |
| Property Insurance | | | | | | | | | | | | | | | | | | |
| General Liability Insurance | | | | | | | | | | | | | | | | | | |
| Excess Liability Insurance | | | | | | | | | | | | | | | | | | |
| Auto Liab/Physical Damage | | | | | | | | | | | | | | | | | | |
| Directors and Officers Insurane | | | | | | | | | | | | | | | | | | |
| Fiduciary Insurance | | | | | | | | | | | | | | | | | | |
| Other Insurance | | | | | | | | | | | | | | | | | | |
| Cyber Insurance * | | | | | | | | | | | | | | | | | | |
| Nuclear Property Insurance | | | | | | | | | | | | | | | | | | |
| Nuclear Interupt Insurance | | | | | | | | | | | | | | | | | | |
| Nuclear Liability Insurance | | | | | | | | | | | | | | | | | | |
| Nuclear Liability ICRP ** | | | | | | | | | | | | | | | | | | |
| NEIL Surplus Insurance *** | | | | | | | | | | | | | | | | | | |
| Captive distribution (credits) *** | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | …PROTECTED DATA ENDS] |
| | $ 29,618,546 | $ 13,513,338 | $ 11,808,968 | $ 38,485,599 | $ 12,151,363 | $ 10,641,386 | $ 32,617,248 | $ 10,599,988 | $ 9,228,583 | $ 45,312,964 | $ 17,347,074 | $ 15,102,744 | $ 47,185,069 | $ 18,492,910 | $ 16,100,334 | $ 48,917,105 | $ 19,484,129 | $ 16,963,311 |

* Previously a part of "Other Insurance"
** This policy has an "Industry Credit Return Premium" program where each year we receive a portion of nuclear liability premiums back, ten years after they were paid.
*** Surplus distributions

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

**Xcel Energy Inc.**

## Master Property Insurance

**June 29, 2019 - June 29, 2020**

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

**Master Property Insurance**
**Sub-Limits Schedule**

| [PROTECTED DATA BEGINS… | |
|---|---|
| Amount ($ million) | Item |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | …PROTECTED DATA ENDS] |

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

**Xcel Energy Inc.**

**[PROTECTED DATA BEGINS...**

# Excess Liabilty Insurance

**August 18, 2019 - August 18, 2020**

**...PROTECTED DATA ENDS]**

## PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED

**Xcel Energy Inc.**

## Directors' & Officers' Liability Insurance

**August 18, 2019 - August 18, 2020**

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

## Xcel Energy Inc.

# Fiduciary Liability Insurance

### August 18, 2019 - August 18, 2020

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

## North States Power Minnesota

# Nuclear Property Insurance

## October 1, 2019 - October 1, 2020

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

## North States Power Minnesota

# Nuclear Accidental Outage Insurance

## October 1, 2019 - October 1, 2020

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENT – NOT PUBLIC DATA HAS BEEN EXCISED**

## North States Power Minnesota

# Nuclear Liability Insurance

## January 1, 2019 - January 1, 2020

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

**PUBLIC DOCUMENTS - NOT PUBLIC DATA HAS BEEN EXCISED**

**Xcel Energy Inc.**

# Primary Casualty Insurance

**November 1, 2018 - November 1, 2019**

**[PROTECTED DATA BEGINS...**

**...PROTECTED DATA ENDS]**

Northern States Power Company
Other Insurance Programs



# Other Insurance Coverages

**PUBLIC DOCUMENT - NOT PUBLIC DATA HAS BEEN EXCISED**

**[PROTECTED DATA BEGINS...**

| Coverage Type | Insurer | Limits | Deductible | Current Premium | Description of Benefits of Coverage | Policy Holder |
|---|---|---|---|---|---|---|
| Terrorism Insurance | Energy Insurance Services | | | | | Xcel Energy Inc. and all subsidiary companies |
| Professional Liability | AEGIS | | | | | Xcel Energy Inc. and all subsidiary companies |
| Fidelity (Crime) Insurance | Great American Ins. Co. | | | | | Xcel Energy Inc. and all subsidiary companies |
| Special Coverage | Lloyd's of London | | | | | Xcel Energy Inc. and all subsidiary companies |
| Aviation Insurance | USAIG | | | | | Xcel Energy Inc. and all subsidiary companies |
| Foreign Liability Insurance | ACE Insurance | | | | | Xcel Energy Inc. and all subsidiary companies |
| Cyber Risk | AEGIS | | | | | Xcel Energy Inc. and all subsidiary companies |
| Unmanned Aircraf Systems | USAIG | | | | | Xcel Energy Inc. and all subsidiary companies |

**...PROTECTED DATA ENDS]**