



414 Nicollet Mall  
Minneapolis, MN 55401

**PUBLIC DOCUMENT  
TRADE SECRET DATA EXCISED**

February 11, 2015

**—Via Electronic Filing—**

Mr. Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: ADDITIONAL REPLY COMMENTS  
2012-2013 ANNUAL AUTOMATIC ADJUSTMENT OF CHARGES REPORT  
DOCKET NO. E999/AA-13-599

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits these Additional Reply Comments to the Response Comments filed on December 31, 2014 by the Minnesota Department of Commerce - Division of Energy Resources and on December 30, 2014 by the Office of the Attorney General – Residential Utilities and Antitrust Division regarding our Annual Automatic Adjustment of Charges (AAA) Report for 2012-2013 (FYE13).

Portions of this Reply contain information marked as trade secret pursuant to Minnesota Statute § 13.37, subd. 1(b). In particular, the information designated as Trade Secret derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at [paul.lehman@xcelenergy.com](mailto:paul.lehman@xcelenergy.com) or (612) 330-7529 if you have any questions regarding this filing.

Sincerely,

/s/

PAUL J LEHMAN  
MANAGER, REGULATORY COMPLIANCE AND FILINGS

Enclosures  
c: Service List

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF NORTHERN STATES  
POWER COMPANY, REVIEW OF 2012-2013  
ANNUAL AUTOMATIC ADJUSTMENT  
REPORT FOR ITS ELECTRIC OPERATION

DOCKET No. E999/AA-13-599

**ADDITIONAL REPLY COMMENTS**

**OVERVIEW**

Northern States Power Company, doing business as Xcel Energy, submits this Additional Reply to the Response Comments filed on December 31, 2014 by the Minnesota Department of Commerce - Division of Energy Resources and on December 30, 2014 by the Office of the Attorney General – Residential Utilities and Antitrust Division regarding our Annual Automatic Adjustment of Charges (AAA) Report for 2012-2013 (FYE13).

Many of the topics raised during the additional comment period set by the Commission were addressed through our initial Reply Comments of November 10, 2014. We specifically respond to the Department’s December 31, 2014 recommendations regarding:

- Forced outage replacement power costs;
- Sharing best practices about plant operations via a database;
- Contractor accountability;
- Business Interruption Insurance; and
- Other AAA reporting.

In addition, we respond to both the Department’s and the OAG’s comments on the treatment of Sherco 3 replacement power costs.

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

**REPLY**

**A. Forced Outage Replacement Power Costs**

Understandably, power plant forced outages are the subject of much review—both by utilities who want to resolve the issue as quickly as possible to restore normal operation and by regulators who want to be sure the utility is acting prudently in the maintenance, operation and management of power plants. The Department continues to be dissatisfied with the information utilities are providing in the fuel clause annual reports regarding efforts to manage costs and reduce occurrences of forced outages. We are willing to provide the information that the Department believes is useful and necessary in order to fully evaluate utilities' forced outage costs; however, we believe it would be helpful if these reporting requirements could be streamlined and clarified.

Since 2012, utilities have been providing an increased level of information about forced outage costs in annual fuel clause reports.<sup>1</sup> The Department requested in its June 5, 2013 Review of Utilities' FYE12 AAA Reports (Docket No. E999/AA-12-757), that utilities present the following details for each forced outage using Minnesota Power's Attachment A outage report as a model:

- a description of the equipment that resulted in the forced outage;
- a description of the equipment failure;
- the change in energy costs resulting from the outage;
- the failure history during the reporting period; and
- the steps taken to alleviate reoccurrence of the outage.

The Company provided these details for FYE12 in its August 26, 2013 Reply Comments and has continued to provide these details in our initial AAA Reports for both FYE13 and FYE14. However, the Department has now recommended in its recent Response Comments that utilities seeking to recover replacement power costs due to a forced outage must provide:

- a. Information showing the causes of forced outages;

---

<sup>1</sup> Order Point 22 of the Commission's April 6, 2012 ORDER ACTING ON ELECTRIC UTILITIES' ANNUAL REPORTS AND REQUIRING ADDITIONAL FILINGS in Docket Nos. E999/AA-09-961 and E999/AA-10-884, the FYE09 and FYE10 AAA report dockets, states, in part:

*The companies shall provide in supplemental filings to their fiscal-year 2011 AAA reports, in Docket No. E999/AA-11-792, and in future AAA reports, a simple annual identification of forced outages and a short discussion of how such outages could have been avoided or alleviated.*

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

- b. Efforts the utility took to prevent the forced outage;
- c. Efforts the utility took to minimize the length of the forced outage;
- d. Efforts the utility took to protect ratepayers from having to pay for the costs of the forced outage;
- e. Efforts the utility took to recover replacement power costs from all potential sources; and
- f. The amount by which the replacement power costs exceed the power costs the utility would otherwise have charged ratepayers.

These newly suggested reporting requirements appear to overlap with reporting requirements already in place. If current reporting requirements are not providing the Department with the information needed, the Company suggests parties work to clarify the existing report format instead of simply adding yet more reporting requirements. Past reporting requirements and newly suggested reporting requirements should be considered together and clarified to form a new, concise outage report that provides clear information needed by the Department to evaluate outages.

In clarifying the outage report information we would also request to clarify reporting frequency. Xcel Energy provides a brief outage report containing high level outage information in its monthly FCA filings, but provides the expanded detail in its annual AAA reports. The Department's recommendation does not specify whether the reporting requirements should be added to monthly or annual reports. We would recommend an annual report may be more useful in order to have a wider perspective for outages that often cross over into the next month.

Given that this is an issue important to all utilities, we would suggest that the IOUs work together with the Department to assess possible formatting for future outage reporting.

**B. Sharing Best Practices**

The Department continues to support the development of a searchable database applicable to non-nuclear facilities that shares the attributes of the Significant Event Evaluation and Information Network (SEE-IN) Program for nuclear facilities which Xcel Energy described in our original Reply Comments. The stated purpose would be so that utilities can share best practices across utilities in a timely manner to ensure that as many generation plants as possible maximize the days of operation and minimize the number of forced outages.

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

However, the development of a new database system for non-nuclear facilities is not necessary for several reasons. First, the SEE-IN Program the Department cites as a model is effective for sharing information amongst nuclear facilities because there is a centralized organization to maintain such a system, the Institute of Nuclear Power Operations (INPO). There is no such centralized organization to create and maintain this type of a database for Minnesota utilities. Creating a new database system to force comparison among power plants that may not have similar technology and design provides no concrete benefit to minimize the number of forced outages that can't be achieved through the other ways utilities already share information. Each utility has its own internal systems and networks for tracking and sharing information across our own and similar plants. Unless a new database system seamlessly interacts with systems already in place, the maintenance of an additional tracking system is unduly burdensome, potentially costly, and duplicative of activity already occurring within the industry.

Second, we believe the dialog and periodic visits between the Minnesota investor-owned utilities which are already occurring are the best and most effective ways to exchange information without adding additional costs. As we described in our original Reply in this docket,

*we have conducted on-going networking with Great River Energies (GRE) regarding best practices with burning RDF as it relates to the Elk River RDF station. In 2012, Xcel Energy personnel toured the plant and discussed best practices. Xcel Energy personnel also visited GRE's Coal Creek station in 2008 to learn more about non-destructive techniques for sizing thermal fatigue cracking in water walls. We have plans to reconnect with this plant's staff during the 2015 Energy conference to conduct best practice boiler benchmarking.*

*We have also networked with plant personnel at Minnesota Power (MP). We visited their Tac Harbor station and Boswell station regarding their Pratt Whitney Shock Wave cleaning system in 2006. In 2010 and 2011, we visited their Boswell station twice regarding their combustion optimization work. Furthermore, engineers from MP visited Xcel Energy's Sherco plant in 2009-2010 to benchmark best practices. MP engineers also participated in our Company-wide Xcel Energy Boiler conference in Denver in July 2013, and they presented a power point on their combustion optimization work. This month we have plans to visit Boswell station again to discuss best boiler combustion practices.*

*In addition, we met with Otter Tail Power (OTP) staff at the July 2014 Boiler conference regarding best cyclone boiler practices. Also this year, we met with OTP consultants regarding details of the company's 2015 outage work at the Big Stone plant. Last month we conducted a site visit scheduled at Big Stone to discuss best boiler outage/reliability/combustion practices.*

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

*The Company takes advantage of many opportunities to network with our neighboring Minnesota utilities where appropriate, and we also network at a national level among utilities with similar fleets when that approach makes more sense. We believe that we utilize these opportunities where available.*

Lastly, we believe we are already effectively maximizing the days of operation and minimizing the number of forced outages at all of our plants. As a result of our thorough generation maintenance program, our power plants have been well-managed and maintained, and they provide adequate service for our customers. However, despite our proactive maintenance efforts, outages will occur in mechanical, electronic and electrical equipment and are not completely avoidable.

If the Commission believes such a database is needed to share information in addition to the many ways we have already described, an existing system such as FOMIS would be a preferable way to systematically exchange information as it has already been developed and is being maintained by an outside organization.

**C. Contractor Accountability**

The Department recommends that utilities should add language to the “Supplier Warranties” section of contracts with outside plant maintenance vendors to indicate that contractors may be liable for a limited amount of replacement power costs. Specifically, the Department believes that “By limiting the potential for contractor liability for replacement power costs only to when a contractor fails to comply with the contract, and limiting the amount of replacement power costs to a specific amount or formula, this provision should be acceptable to contractors.” However, the Company’s General Conditions for Major Supply Agreement (General Conditions Agreement 9386) already contain widely used and industry-accepted clauses regarding damages and indemnity, which provide standard contractual protections for the Company (and indirectly ratepayers).

We disagree with the Department’s suggestion to require additional contract language as it would impede our ability to individually negotiate contracts and could inflate contractor costs if such clauses are added. We have worked hard to make improvements in our vendor contracting practices, as described in our original Reply and as held up as a model by the Department in its Response, and we do hold contractors more accountable than in the past. However, we must still be able to arrange and manage outside vendor contracts using our extensive utility business experience with this type of work. We are concerned that we would not be successful in contracting with high quality vendors if we are required to add language to our

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

contracts specifically placing liability for replacement power costs on the vendors. We believe it is likely that many reputable vendors would not be willing to take on such risk.

We believe that all utilities are working hard to maintain their plants in the most cost-efficient ways possible. Xcel Energy in particular has seen contractor performance generally improve over the past several years, and we have made reasonable efforts to recoup replacement power costs from contractors when appropriate to the situation. We continually monitor contractor performance in order to ensure the highest level of quality and value. Maintaining quality relationships with our vendors and monitoring their performance as described in our original Reply are the best ways to ensure high quality contractor performance. We do not agree that additional contract restrictions are the best solution to keeping our plants running cost-effectively for our customers.

**D. Business Interruption Insurance**

The Department discussed the issue of Business Interruption Insurance (BII) in its Response Comments and acknowledged that Xcel Energy provided a BII cost estimate in our Reply, but noted the estimate was not supported by quotes from any insurance company. Attachment A to these Reply Comments is our response to Information Request No. OAG-6 in this docket which provides the supporting term sheet for our estimate. As we stated in the discovery response, a firm bid for business interruption insurance is only issued if there is a commitment to purchase the insurance. To date we have not found this type of insurance to be practical or cost-effective, so we have not made such a commitment and solicited firm bidding prices.

As stated in our response to OAG-6, we periodically solicit these term sheets to assess whether BII is cost-effective and therefore in the best interest of our customers. At this time, BII is not cost-effective, and we believe continuing to obtain information through term sheets is the right approach to gain knowledge of current conditions and to protect our customers from unnecessary costs.

In addition, the Department's discussion of BII referenced its proposed incentive mechanism that it believes would balance risk and responsibility between ratepayers and shareholders, which was presented in Docket No. E999/AA-12-757. Please see our second set of Reply Comments in this docket, filed on February 11, 2015, for our response to the Department's discussion of an incentive mechanism.

**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

**E. Other Reporting**

We thank the Department for accepting the additional explanation regarding the MISO Day 2 reports and the our Ancillary Services Market (ASM) reports provided in our November 10, 2014 Reply Comments and for recommending approval of these as well as the other reporting requirements included in our initial filing. We respectfully request that the Commission accept our FYE13 AAA Report.

**F. Sherco 3**

The Department continues to recommend that the Commission find the prudence of costs related to the Sherco 3 outage remain subject to review by the Commission if additional facts develop during the legal process that contradict the record to date. As we stated in our November 10<sup>th</sup> Reply Comments, the Commission has the information necessary to review and can make a determination on the prudence of replacement power costs at this time. We agree that it may be necessary to reconsider the issue if additional information emerges through the litigation and appreciate the Department's support that no additional action related to Sherco 3 outage costs is necessary at this time.

The OAG, however, continues to recommend that the Commission defer action on the issue of replacement power costs related to Sherco 3 while the Company's claims for those costs against third-parties are adjudicated or, alternatively, to commence its own investigation and process. Further procedural steps are not necessary. The Company is on record as fully understanding and accepting the Commission's authority for full review and approval of the Sherco costs, but we continue to disagree that any deferral or delay is warranted.

We commit to provide information relating to the Sherco 3 event and insurance recovery in the rate case and AAA dockets as any additional information emerges through the litigation procedure. If there are further developments in the context of the litigation, the Commission can authorize that such amounts can be dealt with at that time.

**CONCLUSION**

Xcel Energy appreciates this opportunity to submit its Additional Reply to the Department's and the OAG's Response Comments. We respectfully request the Commission approve our FYE13 AAA Report as supplemented through our comments in this proceeding. Additionally there would be significant benefit for all involved if there were clarification of the types of information and format needed by



**PUBLIC DOCUMENT:  
TRADE SECRET DATA EXCISED**

the Department to fully examine forced outages and replacement power costs. However, the Company does not support the Department's recommendations to require utilities to create a new database nor to add specific contract language to vendor contracts. Finally, we support the Commission adopting the Department's recommendations regarding the Sherco 3 outage event and replacement power costs and do not agree with the OAG for deferral or action or initiation of a separate Commission investigation.

Dated: February 11, 2015

Northern States Power Company

Non Public Document – Contains Trade Secret Data  
 Public Document – Trade Secret Data Excised  
 Public Document

Xcel Energy

Docket No.: E999/AA-13-599

Response To: Office of Attorney General Information Request No. 6

Requestor: Ian Dobson

Date Received: December 11, 2014

---

Question:

Reference: Reply Comments at 10

Xcel claims that business interruption insurance would be **[TRADE SECRET BEGINS TRADE SECRET ENDS]** for non-nuclear generators. Please provide the insurance estimates or other information that supports this claim. Include in your response, but do not limit it to, a list of assumptions that were used to create the estimate and if Xcel has priced individual generators separately or aggregated all generators in this estimate.

Response:

Please see Attachment A to this response, which is a copy of an indicative term sheet issued in September 2013, and Attachment B, which shows how this term sheet has been applied to seven key units on the NSP system to support the cited estimate for purchasing business interruption insurance for non-nuclear generators. We note that we do not have a firm bid for business interruption insurance because a firm bid is only issued if there is a commitment to purchase the insurance. The Company has never found this type of insurance to be practical or cost-effective, so we have not solicited firm bidding prices, only periodic indicative term sheets to confirm this business practice remains sound.

We note that this type of insurance would not be available for purchase for a single plant, but would need to be purchased for a group of plants. If we were to obtain replacement power coverage, we would likely choose to insure only our 20 largest and most critical units. The above-noted cost estimate includes our 20 largest units across the entire Xcel Energy service territory, not just generators in the NSP System. The cost share for NSPM would likely be at the lower end of the noted range.

---

Preparer: Robert Miller

Title: Manager

Department: Hazard Insurance

Telephone: 612-215-5371

Date: December 23, 2014

**PUBLIC DOCUMENT**  
**TRADE SECRET DATA EXCISED**

Docket No. E999/AA-13-599  
Additional Reply Comments  
Attachment A  
Docket No E999/AA-13-599 Page 2 of 3  
Information Request No. OAG-006  
Attachment A  
Page 1 of 1

**Attachment A**

This attachment is Trade Secret in its entirety.

**PUBLIC DOCUMENT**  
**TRADE SECRET DATA EXCISED**

Docket No. E999/AA-13-599  
 Information Request No. OAG-006  
 Attachment B  
 Page 1 of 1

Northern States Power Company  
 Electric Operations - State of Minnesota

**Estimated Premium of Business Interruption Insurance**

[TRADE SECRET BEGINS]

Unit Name	Insured Capacity (MW)	Estimated Price * (\$/MW)	Estimated Annual Business Interruption Fee Base

Range of Annual Business Interruption Insurance Premium Estimate		
Fee Rate	Fee Base	Estimated Premium
High Estimate		
Low Estimate		

TRADE SECRET ENDS]

## CERTIFICATE OF SERVICE

I, Tiffany Hughes, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

**DOCKET NO. E999/AA-13-599**

Dated this 11<sup>th</sup> day of February 2015

/s/

---

Tiffany Hughes

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-599_13-599
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022191	Electronic Service	No	OFF_SL_13-599_13-599
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_13-599_13-599
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-599_13-599
Bruce	Gerhardson	bgerhardson@otpc.com	Otter Tail Power Company	PO Box 496 215 S Cascade St Fergus Falls, MN 565380496	Electronic Service	No	OFF_SL_13-599_13-599
Michael	Greiveldinger	michaelgreiveldinger@alliantenergy.com	Interstate Power and Light Company	4902 N. Biltmore Lane  Madison, WI 53718	Electronic Service	No	OFF_SL_13-599_13-599
Tiffany	Hughes	Regulatory.Records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_13-599_13-599
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_13-599_13-599
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_13-599_13-599
Leann	Oehlerking Boes	lboes@mnpower.com	Minnesota Power	30 W Superior St  Duluth, MN 55802	Electronic Service	No	OFF_SL_13-599_13-599
Stuart	Tommerdahl	stommerdahl@otpc.com	Otter Tail Power Company	215 S Cascade St PO Box 496 Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_13-599_13-599

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW Rochester, MN 55901	Electronic Service	No	OFF_SL_13-599_13-599
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_13-599_13-599
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-599_13-599