

**BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
600 North Robert Street
St. Paul, Minnesota 55101**

**FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East
Suite 350
St. Paul, Minnesota 55101-2147**

**MPUC Docket No. E-002/CI-13-754
OAH Docket No. 48-2500-31139**

**In the Matter of a Commission Investigation
into Xcel Energy's Monticello Life Cycle
Management/Extended Power Uprate
Project and Request for Recovery of
Cost Overruns**

**REBUTTAL TESTIMONY AND SCHEDULES OF MINNESOTA OFFICE OF THE
ATTORNEY GENERAL - ANTITRUST AND UTILITIES DIVISION WITNESS**

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August 26, 2014

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2

3 **Q. Please state your name and business address.**

4 A. My name is John Lindell. My business address is Suite 1400, Bremer Tower, 445
5 Minnesota Street, St. Paul, Minnesota 55101

6 **Q. By whom are you employed and what are your qualifications?**

7 A. I am a Financial Analyst representing the Minnesota Office of the Attorney General in
8 the Antitrust and Utilities Division (“OAG”). Attached as Schedule JLL-1 is a summary
9 of my qualifications and work experience.

10 **Q. Have you testified before?**

11 A. Yes. I have provided testimony on behalf of the OAG in many Minnesota rate cases
12 including the most recent rate case filed by Northern States Power Company d/b/a Xcel
13 Energy (“NSP, Xcel or the Company”). I have also provided testimony, comments and
14 recommendations in Minnesota utility investigations addressing financial, accounting and
15 cost recovery issues.

16 **A. What is the purpose of your testimony?**

17 Q. The purpose of this docket, as directed by the Commission, is to evaluate the prudence,
18 reasonableness, and recoverability of the cost overruns for the Monticello nuclear plant
19 Life Cycle Management and Extended Power Uprate (“LCM/EPU” or “Monticello
20 project”). The purpose of my testimony is to respond to the testimony filed by the
21 Department of Commerce (“DOC”) in this matter and the testimony of the consultants
22 hired to evaluate the prudence and reasonableness of the cost overruns. I will first
23 summarize the issues that have surrounded the Monticello project and the procedural
24 steps that led to the creation of this docket. Second, I will address the DOC’s

1 recommendation because I believe it is important to demonstrate that the method the
2 DOC used was not a review of the prudence and reasonableness of the cost overruns as
3 directed by the Commission. I will also highlight why I believe the DOC's method is
4 unfair to ratepayers, will create undesirable incentives for other utility companies, and
5 establish bad precedent for future cases. Finally, I will analyze the testimony provided by
6 NSP and the consultants in this case and demonstrate that a significant portion of the
7 Monticello cost overruns were caused by NSP's poor management. The Monticello cost
8 overruns were unreasonable and imprudent, and it would be unfair to require ratepayers
9 to bear the burden of NSP's inability to properly manage its costs or the scope of its
10 project.

11
12 **II. MONTICELLO COST OVERRUN INVESTIGATION**
13

14 **Q. Please describe the Monticello Nuclear Plant Project known as the Life Cycle**
15 **Management and Extended Power Uprate ("LCM/EPU").**

16 A. On February 14, 2008, NSP submitted a Certificate of Need ("CON") petition for an EPU
17 to increase the generating power of the Monticello plant by 71 megawatts. The
18 Commission granted the CON on January 8, 2009.¹ At the same time, NSP was in the
19 process of getting regulatory approval to extend the useful life of the Monticello plant by
20 pursuing a LCM project. NSP initially estimated that the combined LCM/EPU project
21 would cost \$320 million,² with the EPU portion of the project comprising approximately

¹ Docket No. E-002/CN-08-185.

² Order Approving Investigation and Notice and Order for Hearing, Docket No. E-002/CI-13-754, at 2 (Dec. 18, 2013).

1 \$133 million of the total. Since the Commission granted the CON there have been
2 significant cost overruns and NSP has exceeded its initial estimate by an enormous
3 margin. Based on DOC analyst Nancy Campbell's testimony, the final costs of the
4 LCM/EPU project are \$748.1 million.³ The total cost of the project has more than
5 doubled the original estimate, and includes \$428.1 million in cost overruns.

6 **Q. Please describe the Commission's initial response to the cost overruns.**

7 A. When NSP filed its 2012 rate case, it estimated that the LCM/EPU project would cost
8 \$586.7 million, an increase of 83%. The Commission concluded that the record made in
9 the rate case was insufficient to determine cost recovery issues, and opened an
10 investigation into the cost overruns to take place in a separate docket.⁴

11 **Q. Briefly describe the testimony provided by other parties in this case.**

12 A. NSP filed initial testimony in this case in October 2013 claiming that the project was
13 conducted prudently and the cost overruns were necessary and reasonable. The DOC
14 hired two consultants to evaluate the prudence and reasonableness of the cost overruns
15 for the LCM/EPU. Mr. Mark Crisp, P.E. provided testimony, based on his independent
16 investigation into the cost overruns, and concluded that project management issues
17 caused cost overruns for the project.⁵ Dr. William Jacobs provided testimony on the
18 overall cost of the LCM/EPU project and the separation of the costs between the LCM
19 and the EPU. Dr. Jacobs found that the EPU project was responsible for much more of
20 the cost overruns than the Company had claimed. The DOC also provided testimony
21 sponsored by Mr. Christopher Shaw, who provided analysis of the cost-effectiveness of

³ Campbell Direct, at 35.

⁴ Docket No. 12-961.

⁵ Crisp Direct, at 28.

1 the EPU portion of project,⁶ and Ms. Nancy Campbell who examined the accounting and
2 financial aspects of the EPU project.

3
4 **III. THE ANALYSIS CONDUCTED BY THE DOC DOES NOT RESEMBLE A**
5 **PRUDENCE REVIEW, AND USING THE DOC'S ANALYSIS WOULD SET BAD**
6 **PRECEDENT.**
7

8 **Q. What did the Commission order in this investigation?**

9 A. In its Findings of Fact, Conclusions, and Order in NSP's 2012 rate case, the Commission
10 ordered that an investigation be opened and directed the DOC and Commission staff to
11 issue a Request for Proposal ("RFP") to retain expert consultants.⁷ The RFP described
12 the scope of this investigation using the following language:

13 This investigation is designed to investigate whether Xcel Energy's
14 handling of the Monticello Life Cycle Management/Extended
15 Power Uprate Project ("LCM/EPU") was prudent and whether the
16 Company's request for recovery of Monticello LCM/EPU project
17 cost overruns is reasonable.

18
19 This investigation should evaluate the prudence, reasonableness,
20 and rate recoverability of the Monticello LCM/EPU project with
21 particular attention given to the cause and reason for the cost
22 overruns that have occurred since the project was first approved.
23 The consulting engineer selected for this engagement will be
24 required to evaluate the four principal engineering modifications as
25 well as other smaller changes referred to in this RFP to determine:

- 26
27 1. whether the modifications were necessary because of NRC
28 requirements, the Fukushima incident, or other related
29 factors,
30
31 2. whether the cost levels for these modifications were
32 reasonable, and
33

⁶ The EPU project was the subject of a CON proceeding beginning in 2008.

⁷ Docket No. 12-961.

- 1 3. how these costs should be allocated between the Life Cycle
2 Management and Extended Power Uprate parts of the
3 Monticello project.⁸
4

5 The order opening this investigation docket indicated that the issues to be
6 addressed in the investigation were:

- 7 • whether Xcel Energy’s handling of the LCM/EPU was prudent;
8
9 • whether the Company’s request for recovery of Monticello LCM/EPU
10 project cost overruns is reasonable; and,
11
12 • which cost increases are due to (1) solely the EPU, (2) solely the LCM,
13 and (3) both projects.⁹
14

15 Based on these instructions, I believe that the primary objectives of this investigation
16 were to determine whether the Monticello cost overruns were prudent and reasonable,
17 and to determine the separation of costs between the LCM and the EPU.

18 **Q. Do you believe that the DOC’s investigation is consistent with the Commission’s**
19 **directive?**

20 A. No. I believe that the DOC has addressed some of the Commission’s directive, but not
21 all. After reviewing the DOC’s submissions, I conclude that the DOC has addressed how
22 costs should be allocated between the LCM and the EPU. The DOC’s expert consultants
23 also addressed whether modifications were necessary because of the NRC and
24 Fukushima.

25 However, I conclude that the DOC’s recommendation for cost disallowance was
26 not based on whether costs were prudent or reasonable, but on a comparative cost
27 allocation analysis, which is a very different type of analysis. While the DOC did

⁸ The DOC published the final RFP in the State Register on November 25, 2013. 38 Minn. Reg. 740. It is available at <http://mn.gov/commerce/topics/request-for-proposals>.

⁹ Order Approving Investigation and Notice and Order for Hearing, Docket No. E-002/CI-13-754 (Dec. 18, 2013).

1 investigate whether the initial CON decision would have been reasonable based on
2 updated cost figures, the DOC did not conduct any analysis or investigation on whether
3 the cost overruns were prudent or reasonable. Instead of conducting the prudence review
4 that was ordered by the Commission, the DOC performed its cost analysis to determine
5 whether the Monticello cost overruns were appropriate based on the analysis in the CON
6 proceeding which compared the EPU project to other generation alternatives. While the
7 DOC's method provides interesting and helpful analysis, it is not a substitute for a
8 prudence review because it does not provide any analysis as to whether NSP has met its
9 statutory burden of proof to show that identifiable costs within the project were
10 reasonable.

11 **Q. Describe the DOC's analysis.**

12 A. The DOC's primary analysis was presented by DOC witness Mr. Chris Shaw. Using a
13 Strategist model, Mr. Shaw updated the projected cost of the LCM/EPU project with
14 current costs discounted to 2008 dollars. Using this method, Mr. Shaw concluded that
15 the Monticello LCM/EPU was still more cost effective than the alternative (or avoided
16 cost) of decommissioning the Monticello plant and replacing it with new generation.¹⁰

17 Mr. Shaw then analyzed whether the incremental cost of the 71 MW from the
18 EPU was cost effective compared to alternatives that were available in 2008. Mr. Shaw
19 conducted cost allocation analysis between the EPU and LCM to determine a break-even
20 point at which the EPU alone was not cost effective. According to his cost allocation
21 analysis, the EPU was not cost effective when 73% of the total costs of the project were
22 allocated to the EPU rather than the LCM. Given that Dr. Jacobs testified that 85.7% of

¹⁰ Shaw Direct, at 29.

1 the costs were caused by the EPU, Mr. Shaw concluded that the difference between 73%
2 and 85.7% were those costs that were not cost effective and should be denied recovery.¹¹

3 DOC witness Ms. Campbell described Mr. Shaw's analysis as "an adjustment
4 based on the amount of the cost overrun that made the EPU not cost-effective, compared
5 to other alternatives that were available in 2008."¹²

6 **Q. Do you believe that the DOC's method is a reasonable way to evaluate the prudence**
7 **of the Monticello cost overruns?**

8 A. No. I have several problems with the analysis. First, DOC's method is simply not a
9 prudence review. A prudence review differs greatly from the DOC's cost allocation
10 analysis. A prudence review is an analysis to determine whether NSP's decisions were
11 reasonable based on the circumstances that existed at the time they were made. A proper
12 prudence review should review each decision NSP made to incur costs and determine
13 whether it was reasonable, rather than limiting the analysis to only the decisions that were
14 made at the time of the CON in 2008. The DOC's analysis did not review the individual
15 costs of the project and did not make any recommendations regarding the specific costs
16 incurred by NSP. The DOC's expert consultants submitted testimony demonstrating that
17 a significant portion of the cost overruns were the result of NSP's mismanagement which
18 the DOC did not address.

19 Second, using the DOC's method limits the ability of consumers to enjoy the
20 benefits of the best option selected from a CON. Mr. Shaw's analysis determines the
21 point at which the 71 MW Monticello EPU was cost-effective compared to other
22 generation alternatives that were available in 2008, and recommends disallowing costs

¹¹ *Id.* at 30–31.

¹² Campbell Direct, at 27–28.

1 that are greater than the alternative generation. But this method implicitly surrenders the
2 benefits that ratepayers would have received from the most cost effective option in a
3 CON process. A generation project selected in a CON proceeding gives ratepayers more
4 benefits than the alternatives that were not selected in the CON. Allowing a utility to
5 recover cost overruns up to the level of the alternatives that were not selected eliminates
6 the additional benefits that should have been gained from the most cost-effective option
7 as compared to the alternatives. If the DOC's method is approved, some of the benefits
8 that should have been realized by ratepayers will be eliminated due to NSP's inefficiency
9 and mismanagement, while other benefits will be transferred from ratepayers to NSP's
10 shareholders through higher returns and recovery.

11 Furthermore, the DOC's analysis of whether the Monticello overruns were more
12 effective than the alternatives available in 2008 fails to recognize that the best alternative
13 to the Monticello cost overruns was a Monticello LCM/EPU where NSP established a
14 proper scope, managed the project reasonably, and avoided cost overruns. The DOC's
15 expert consultants testified that a significant portion of the cost overruns were the result
16 of NSP's poor management. Therefore, the costs of the project could have been reduced
17 if NSP had managed the project properly. The ratepayers should have received the
18 benefit of a properly managed Monticello project, regardless of how it compares to
19 alternatives. If the Monticello project could have been completed for less with proper
20 management, then allowing NSP to earn a return on the costs is an unjust transfer of
21 wealth from ratepayers to shareholders.

22 The DOC's analysis should have attempted to determine the prudence of NSP's
23 decisions on the Monticello project. Instead, DOC permits NSP to recover excessive

1 costs regardless of whether those costs were reasonable. Not only is the DOC's analysis
2 not a replacement for a prudence review, but applying it would result in significant public
3 policy concerns.

4 **Q. Please describe the public policy concerns with the DOC's analysis.**

5 A. There are also public policy concerns with the DOC's analysis. The purpose of a CON
6 proceeding is to determine the most cost-effective option amongst various alternatives.
7 The DOC's method could create an incentive for a utility to exceed its cost estimates,
8 because it would set a precedent allowing utilities to recover cost overruns as long as they
9 are more cost-effective than alternatives. This would also reduce incentives that utilities
10 have to provide accurate information at the time of a CON proceeding and throughout
11 the construction phase of the project.

12 Additionally, the DOC's method did not determine whether NSP's costs were
13 reasonable. Any method of analysis that leads to ratepayers paying for costs that are not
14 proven as reasonable is bad public policy.

15 **Q. Does the DOC's method follow its regular practice for cost overruns?**

16 A. No. In her Direct Testimony, DOC witness Ms. Campbell identified many other cost
17 overrun situations in which the DOC recommended that recovery of the overruns be
18 denied.¹³ Ms. Campbell also described cases where the Commission denied a return on
19 cost overruns.¹⁴ For example, in NSP's 2012 rate case, the DOC argued that costs for the
20 Nobles Wind farm should be limited to the amount of the competitive bid, and that any

¹³ *Id.* at 22–27.

¹⁴ *Id.* at 24.

1 cost overruns above that bid should be denied.¹⁵ The DOC's proposal in this case
2 deviates significantly from the methods that the DOC has used in previous cases.

3 **Q. Did the DOC provide an acceptable reason for deviating from its regular method of**
4 **prudence review?**

5 A. No. In explaining why she did not recommend no recovery or no return on cost overruns
6 above the initial estimates for the LCM/EPU, Ms. Campbell stated, "While such a high
7 cost overrun seems to suggest that it would make sense not to allow the Company to earn
8 a return on any costs above the CN-approved levels, I would have a concern about
9 whether Xcel could continue to operate the plant safely with such a significant
10 disallowance."¹⁶

11 **Q. Do you believe Ms. Campbell's explanation is reasonable?**

12 A. No, I do not. Ms. Campbell is an accountant with many years of experience in utility
13 accounting matters. But Ms. Campbell is not a nuclear engineer. Ms. Campbell has
14 never worked in a nuclear power plant, has no training in nuclear operations, and has no
15 experience working in the nuclear industry. Ms. Campbell is not qualified to express an
16 opinion about the safety of operating the Monticello plant. Several witnesses with
17 experience in nuclear engineering testified in this matter, but no qualified witness from
18 either the DOC or NSP raised any concerns that NSP's recovery of cost overruns could
19 have an effect on the safety of the plant. Raising the issue serves only to distract from the
20 purpose of this investigation: to determine whether the cost overruns were prudent and
21 reasonable.

¹⁵ Findings of Fact, Conclusions, and Order, Docket No. E-002/GR-12-961, at 24 (Sept. 3, 2013).

¹⁶ Campbell Direct, at 27.

1 Furthermore, as an accountant Ms. Campbell would know that NSP does not fund
2 operations at Monticello only from returns it generates from the Monticello plant itself.
3 Ms. Campbell did not provide any evidence describing a link between recovery of the
4 cost overruns at the plant and the safety of the plant, and to make such a suggestion
5 without evidence is unreasonable.¹⁷

6 To the extent that Ms. Campbell is suggesting that NSP will not have the
7 incentive to operate the plant safely if it is not awarded a return on the cost overruns, the
8 statement may be even more concerning. NSP has the obligation to operate the plant
9 safely, and the plant's safe operation should not, under any circumstance, be tied to
10 whether NSP gets a return on the Monticello cost overruns or any other investment.

11 **Q. Please summarize your conclusion about the DOC's analysis.**

12 A. The DOC's analysis is not a substitute for the prudence review ordered by the
13 Commission. While the DOC's expert consultants did provide information about some
14 costs of the project and concluded that much of the cost overrun was caused by
15 mismanagement, the DOC did not analyze the prudence of the cost overruns or express
16 an opinion as to whether they are reasonable. For that reason, I conclude that the DOC's
17 analysis is not consistent with the Commission's order and that its method should not be
18 used to determine the prudence of the Monticello cost overruns.

19 Furthermore, I believe that the DOC's method should not be used in this case
20 because it creates undesirable incentives for utilities in the future. Permitting a utility to
21 recover cost overruns base on a comparison to other options will reduce the utility's
22 incentive to control costs, because the cost overruns will result in unnecessary increases

¹⁷ Additionally, it is worth pointing out that the regulatory body that oversees the safety and operation of nuclear facilities is the NRC.

1 in rate base and greater returns for the utility in the future. It will also limit ratepayers'
2 ability to benefit from selecting the most cost efficient option in a CON proceeding and,
3 specifically in this case, require ratepayers to bear hundreds of millions of dollars in cost
4 overruns that the DOC's consultant witnesses determined were caused at least in part by
5 NSP's mismanagement. Instead of relying on the DOC's analysis, the Commission
6 should review all of the evidence in the record and determine whether the specific
7 identifiable costs were prudent and reasonable, as I describe below.

8
9 **IV. THE TESTIMONY OF DOC AND CONSULTANT WITNESSES**
10 **DEMONSTRATES THAT NSP MISMANAGED THE PROJECT AND**
11 **INCURRED UNREASONABLE COSTS.**
12

13 **Q. Does the testimony filed in this case provide evidence about the reasonableness of**
14 **the Monticello cost overruns?**

15 A. Yes. After reviewing the testimony filed in this case, I believe that the issues raised by
16 expert witnesses Mr. Crisp and Dr. Jacobs, as well as issues raised by DOC witness Ms.
17 Campbell, indicate that many of the costs incurred by NSP were unreasonable and should
18 not be recovered. NSP is entitled only to recover those costs that were just, reasonable,
19 and prudent,¹⁸ and the testimony provided by these experts clearly establishes that a
20 significant portion of the cost overruns for the Monticello project were the direct result of
21 NSP's mismanagement. Any costs which resulted from NSP's mismanagement are
22 imprudent and unreasonable.

¹⁸ Minnesota Statutes section 216B.16, subdivision 4 indicates that the utility has the burden to prove that its costs are just and reasonable. In addition, the Commission's order opening this docket indicated that one purpose of the investigation was to determine the cost overruns were prudent. Order Approving Investigation and Notice and Order for Hearing, Docket No. E-002/CI-13-754 (Dec. 18, 2013).

1 **Q. Did Mr. Crisp make any conclusions about NSP’s project scoping?**

2 A. Yes. Mr. Crisp indicated that NSP did a poor job in its initial scoping. He noted that
3 NSP should have anticipated many of the costs that were later included in an ad-hoc
4 fashion, and that NSP did not have basic information at the time it performed its initial
5 scoping calculations. Mr. Crisp concluded, “Not having the basic information at the
6 initial estimates indicates that Xcel wasn’t thinking through the process adequately to
7 ensure that the design and scope were reasonably worked out at that time.”²²

8 In addition, NSP witness Mr. O’Connor acknowledges that design changes
9 created difficulties in implementing the project, which contributed to the cost overruns
10 and delays.²³ Mr. O’Connor also acknowledges that NSP’s original cost estimate was
11 based on a high level conceptual design and did not consider more detailed design cost
12 analysis.

13 **Q. Is the estimated cost for a project important for a CON proceeding?**

14 A. Yes. A CON proceeding requires accurate estimates of costs so that the evaluation of
15 alternatives can properly be compared to the initial proposal. If the initial proposal in a
16 CON proceeding is not properly estimated, it is not possible to make informed decisions
17 about whether the proposal is superior to other alternatives. Furthermore, as discussed by
18 DOC’s witness Ms. Campbell, the Commission relies on the cost estimates for a project
19 and has limited cost recovery to the amount estimated and used in a CON.²⁴ The
20 importance of properly estimating and managing the costs for a project as large as the
21 LCM/EPU cannot be overstated.

²² *Id.* at 11.

²³ O’Connor Direct, at 31.

²⁴ Campbell Direct, at 25-26.

1 **Q. Are there specific examples that Mr. Crisp identified that contributed to the delays**
2 **and cost overruns?**

3 A. Yes. Mr. Crisp provided the example of the need to upgrade the distribution system to
4 accommodate the higher output that would be produced by the plant.²⁵ Initially NSP did
5 not plan for the distribution upgrade. NSP spent over \$233 million for additional
6 modifications to the LCM/EPU project that were not in the original scoping plans.²⁶ Mr.
7 Crisp stated that NSP should have anticipated that the distribution system would be
8 required, and included it in their initial estimate.²⁷

9 **Q. Did Mr. Crisp respond to NSP’s comments about the complexity of the project?**

10 A. Yes. Mr. Crisp indicated that the complexity of the project should not have contributed
11 significantly to cost overruns because the Company and its contractors had control over
12 the project, and “advanced planning and information should have negated this area as a
13 cause of cost overruns.”²⁸

14 Specifically, Mr. Crisp concluded that NSP should have anticipated the problems
15 that could be caused by the “small footprint” of the Monticello plant. For example, NSP
16 intended to install a larger feedwater heater as part of the project, but determined in the
17 course of construction that the feedwater heater would not fit into the room it was
18 intended to be located in.²⁹ As a result, NSP had to modify the size of the concrete room
19 in order to install the heater. NSP original estimated that the cost of the feedwater heater

²⁵ Crisp Direct, at 11.

²⁶ O’Connor Direct, at 37.

²⁷ Crisp Direct, at 11.

²⁸ *Id.* at 16.

²⁹ NSP encountered similar problems with its cable tray. *Id.* at 19.

1 would be \$37 million, but the final cost was \$114.9 million, more than three times the
2 original estimate.³⁰

3 According to Mr. Crisp, there was no reason that these “complexity” difficulties
4 should have caused cost overruns.³¹ GE was the original contractor that built the
5 Monticello plant, and NSP had been operating the Monticello plant for 40 years.³² Both
6 GE and NSP should have had full information about the plant’s design and what changes
7 would be necessary to complete the EPU project.³³ Mr. Crisp noted that, “It is simply
8 unclear where the breakdown occurred that ultimately lead to the cost increases and
9 increased constructability costs; ‘complexity issues’ should not have been the cause of
10 such high cost overruns of installation.”³⁴

11 **Q. Did Mr. Crisp identify any concerns with NSP’s management of contractors?**

12 A. Yes.

13 According to Mr. Crisp.

14 The project suffered from a number of “starts and stops,” changes
15 in company management, changes in design and construction team,
16 and an overall disjointed process.

- 17 • **2006** GE is engaged as the engineering, procurement and
18 licensing team responsible for the Monticello LCM/EPU
19 project.
- 20
- 21 • **2007** Xcel chooses the Team of Day Zimmerman/Sargent
22 Lundy instead of GE to complete the project.
- 23
- 24 • **2010** Poor performance on the part of Day
25 Zimmerman/Sargent Lundy led to transfer of some project

³⁰ O’Conner Direct, at 5.

³¹ Crisp Direct, at 19.

³² *Id.* at 17, 19.

³³ *Id.* at 17.

³⁴ *Id.* at 19.

1 scope to Northern States Power (NSP), Xcel, and then on to
2 other contractors.

- 3
4 • **2011** Xcel retains Bechtel Corporation to take over and
5 complete the LCM/EPU project.

6 Each of these course corrections occurred at a time that significant
7 cost increases were experienced; however, as discussed further
8 below, there were additional cost increases not associated with a
9 change in contractors.³⁵

10
11 Mr. Crisp indicated that changing contractors can result in significant additional costs
12 because it can result in a duplication of effort due to liability and risk-management
13 concerns.³⁶

14 **Q. Did Mr. Crisp provide any analysis of when NSP became aware of the cost**
15 **overruns?**

16 A. Yes. Mr. Crisp noted that NSP may have known of cost overruns as early as 2006, *before*
17 *the 2008 Certificate of Need petition was ever filed*. Specifically, in 2006, the Monticello
18 Site Project Group recommended a budget of \$362.5 million with a schedule to be
19 completed in 2013, but the Xcel Board of Directors approved a budget of only \$273
20 million with a completion date in 2011.³⁷ According to Mr. Crisp, “[I]t is clear that there
21 were significant issues with escalating costs and scheduling issues as early as 2006.”³⁸

22 In addition, Mr. Crisp noted that the expedited schedule ordered by the Board of
23 Directors “caused delays and budget increases that could have been avoided with proper
24 pre-planning, project management and proper design sequencing.”³⁹

25

³⁵ *Id.* at 20.

³⁶ *Id.* at 21–22.

³⁷ *Id.* at 23.

³⁸ *Id.* at 24–25.

³⁹ *Id.* at 29.

1 **Q. What was Mr. Crisp’s ultimate conclusion about NSP’s management of the project?**

2 A. Mr. Crisp stated, “[W]ithout a doubt, the inability to properly manage the scoping, the
3 general contractor, GE and its subcontractors, staffing issues and the various complexity
4 issues which should have been identified prior to any engineering design caused the
5 project to experience increased costs.”⁴⁰

6 **Q. Was Mr. Crisp able to determine the costs that were the result of NSP’s poor
7 management?**

8 A. No. Mr. Crisp indicated that, “Due to Xcel’s poor method of tracking costs, it is not
9 possible to separate the costs attributed to poor project management and execution from
10 the costs associated with the specific engineering design and construction costs without
11 (at least) exhaustive forensic accounting analysis.”⁴¹

12 Based on Mr. Crisp’s testimony, I believe that a forensic accounting analysis
13 performed by an auditor may be necessary in this case if the Commission has reservations
14 about the evidence to disallow costs in this case. Mr. Crisp indicates that a significant
15 portion of the cost overruns were caused by NSP’s poor management of the project.
16 Costs that were caused by poor management are not reasonable, and ratepayers should
17 not be required to pay for costs that are not reasonable. If a forensic audit is required to
18 determine more specifically which costs are unreasonable, then I believe that the
19 Commission should order a forensic audit of the Monticello project.

20 **Q. What benefit would a forensic accounting analysis provide?**

21 A. A forensic accounting analysis would provide more information about when and how
22 many scope and engineering changes were made. The analysis could then provide

⁴⁰ *Id.* at 28.

⁴¹ *Id.*

1 additional information about how those changes affected the costs of the project. For
2 example, because NSP was conducting design and construction at the same time, it is
3 likely some construction and engineering work was duplicated or made unnecessary by
4 later changes in scope and design. A forensic accounting analysis would shed light on
5 these changes and allow the Commission to make a more informed decision.

6 **Q. Do you have a recommendation based on Mr. Crisp's conclusion?**

7 A. Yes. Mr. Crisp provided extensive testimony that indicates that NSP did a poor job with
8 initial scoping, project management, contractor selection, and, essentially, every aspect
9 that would contribute to proper management of the Monticello project. Mr. Crisp further
10 provided evidence that NSP had access to much of the information that could have been
11 used to avoid some of the overruns as early as 2006, before the CON, and described how
12 a reasonable company would manage a project to ensure that it did not suffer many of the
13 problems that NSP did. Mr. Crisp's testimony demonstrates that NSP did not act
14 reasonably in managing the Monticello project, and that many of the cost overruns were
15 the direct result of NSP's mismanagement. NSP has not met its burden to demonstrate
16 that its costs were just, reasonable, and incurred prudently, and for that reason, I
17 recommend that NSP not recover any cost overruns that resulted from poor management.
18 Because NSP's accounting has made it difficult to determine which cost overruns were
19 caused by poor management, I recommend that the Commission use a percentage based
20 approach, which I describe below, to determine which unspecified costs were caused by
21 NSP's poor management, and are therefore unreasonable and imprudent.

22 Additionally, Mr. Crisp specifically indicated that the cost overruns for the
23 feedwater heater were unreasonable. Mr. Crisp testified that NSP failed to take into

1 account basic facts such as the physical design of the plant, and that NSP's poor planning
2 meant that significant construction effort was required to install the new feedwater heater.
3 Based on Mr. Crisp's analysis, the cost overruns related to the feedwater heater were
4 unreasonable, and I recommend that they be disallowed.

5 **B. DR. JACOBS' TESTIMONY IDENTIFIES SEVERAL SPECIFIC COST OVERRUNS AS**
6 **UNREASONABLE.**

7 **Q. What are the concerns raised by Dr. Jacobs for the Monticello LCM/EPU project?**

8 A. Dr. Jacobs discusses the history behind NSP's request to initially seek the uprate from
9 600 MW to 671 MW. In particular, Dr. Jacobs investigated how to separate the costs of
10 the LCM from the costs of the EPU. He also provides a timeline for events beginning in
11 2004 which shows the ever escalating cost estimates for the EPU project.⁴² Of particular
12 note, Dr. Jacobs' analysis indicates that some of NSP's cost updates coincided with the
13 hiring of new contractors to continue or to replace the previous contractor providing
14 services for the project.⁴³

15 **Q. Is it relevant that NSP was hiring contractors to replace or to continue the work of**
16 **previous contractors?**

17 A. Yes. I asked NSP to explain why it was hiring replacement contractors at different stages
18 of the project and whether NSP had disputes with its replaced contractors. I have
19 attached Schedule JLL-2, the trade secret version of NSP's response to my inquiry on
20 replacement contractors (OAG IR-5). **[TRADE SECRET DATA BEGINS]**

⁴² Jacobs Direct, at 5-6.

⁴³ *Id.* at 7.

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[TRADE SECRET DATA ENDS] To the extent that NSP’s mismanagement of the project resulted in contractor disputes and increased the total cost to ratepayers, the costs were incurred unreasonably and should be disallowed.

Q. Are there other concerns that Mr. Jacobs raised in his testimony?

A. Yes. Dr. Jacobs highlights NSP’s failure to understand the project’s scope from the beginning, which resulted in NSP making significant scope modifications. Dr. Jacobs’ asserts that NSP failed to plan or manage its project properly, and as a result many of the costs that were incurred were unreasonable. Ratepayers should not be required to pay for costs that NSP incurred unreasonably as a result of mismanagement.

Q. Did Dr. Jacobs identify any specific costs that were unreasonable?

A. Yes. Dr. Jacobs highlighted that installation costs were unreasonable. NSP originally estimated that the installation of the project would cost \$27.5 million. Dr. Jacobs indicated, however, that NSP’s “lack of understanding of the scope of the LCM and EPU projects is clearly shown by comparing the original estimate of installation costs of \$27.5 million to the actual installation costs of \$288.6 million, an increase of more than ten times the original estimate.”⁴⁴ Dr. Jacobs identified that one reason the installation costs

⁴⁴ *Id.* at 16.

1 increased was the fact that the EPU required “extensive foundation modifications
2 requiring excavation to bedrock in some cases to install larger equipment for the
3 increased capacity of the plant due to the EPU.”⁴⁵ Based on Dr. Jacobs’ testimony, it
4 appears that NSP failed to reasonably estimate the installation costs of the project. Given
5 that the installation costs were incurred imprudently, I believe that it should not be
6 allowed recovery of the installation cost overruns.

7 Additionally, Dr. Jacobs addressed the cost for the 13.8 kV electric distribution
8 system. NSP’s initial estimate indicated that the system would cost \$20.9 million, and
9 Dr. Jacobs agreed that the original cost could be justified. Dr. Jacobs concluded, though,
10 that the Company’s attempt to justify the ultimate cost of \$119.5 million was “not
11 credible.”⁴⁶ Dr. Jacobs stated, “There is no reasonable basis for Xcel incurring a 5-fold
12 increase in costs of a distribution system in the Company’s own generation plant.”⁴⁷ Dr.
13 Jacobs is an expert in nuclear engineering, and his expert opinion is that the costs of the
14 13.8 kV distribution system were not incurred reasonably. Because the cost overruns for
15 the 13.8 kV system were not incurred reasonably, I believe that NSP should not be
16 permitted to recover the cost overruns for the distribution system in excess of the initial
17 estimate of \$20.9 million.⁴⁸

⁴⁵ *Id.* at 13.

⁴⁶ *Id.* at 16.

⁴⁷ *Id.*

⁴⁸ Some portion of the \$119.5 million for the 13.8 kV distribution system is also contained within the total installation costs mentioned above. NSP should address whether there are overlapping costs in surrebuttal.

1 **Q. Does Dr. Jacobs disagree with NSP’s argument that the cost overruns resulted from**
2 **evolving requirements by the Nuclear Regulatory Commission (“NRC”)?**

3 A. Yes. NSP attempts to portray the cost overruns as something that was not within its
4 control. NSP witness Mr. O’Connor states that the NRC approval process took four
5 times longer and was twice as costly as originally expected.⁴⁹ However, Dr. Jacobs
6 disputes this explanation. According to Dr. Jacobs, NRC requirements did increase the
7 costs somewhat, but were not the reason for the substantial cost increases or for
8 extending the schedule for the project.⁵⁰

9 **Q. Did Dr. Jacobs address NSP’s overall approach to concurrently design and**
10 **construct the LCM/EPU project?**

11 A. Yes. Dr. Jacobs explained that NSP’s approach was improper for this type of project. He
12 explained that the cost estimates would have been more accurate and lead to better
13 management of the project if NSP had completed the design work prior to construction.
14 Establishing the scope of the project before beginning the design and construction phases
15 of the project would have resulted in lower costs.⁵¹

16 **Q. What did Dr. Jacobs conclude about separating the costs of the LCM from the**
17 **EPU?**

18 A. Dr. Jacobs concluded that 85.7% of the project costs were the result of the EPU, and only
19 14.3% of the project costs were the result of the LCM.

20

⁴⁹ O’Connor Direct, at 6.

⁵⁰ Jacobs Direct, at 15

⁵¹ *Id.* at 17.

1 **Q. Does Dr. Jacobs’ conclusion about the relative cost of the projects raise any**
2 **additional concerns?**

3 A. Yes. I identified a further concern when reviewing Dr. Jacobs’ conclusion about the
4 allocation of costs between the LCM and EPU. I found it significant that Dr. Jacobs’
5 result is very different from NSP’s estimate in the 2012 rate case. In the 2012 rate case,
6 the Commission used NSP’s original split and moved 41.6% of the Monticello project
7 into CWIP, to reflect the fact that the EPU was not used and useful.⁵² Based on Dr.
8 Jacobs’ conclusion that, in fact, 85.7% of the costs were for the EPU, it appears that NSP
9 did not provide the Commission with accurate information at the time of the 2012 rate
10 case.

11 **C. MS. CAMPBELL DESCRIBES NSP’S FAILURE TO KEEP THE COMMISSION**
12 **INFORMED ABOUT THE COST OVERRUNS.**

13 **Q. Did Ms. Campbell’s testimony provide any evidence about the transparency of the**
14 **Monticello cost overruns?**

15 A. Yes. After reviewing Ms. Campbell’s testimony, I have some specific concerns related to
16 NSP’s failure to provide the Commission with accurate information in a timely manner,
17 and with NSP’s accounting practices for the LCM/EPU project.

18 **Q. Please discuss NSP’s communications with the Commission.**

19 A. Ms. Campbell noted that NSP was aware of “much higher cost levels in 2011,” but that
20 NSP did not inform the Commission until the 2012 rate case.⁵³ Ms. Campbell also noted
21 that NSP increased the reported costs during the 2010 rate case by filing supplemental
22 testimony after the evidentiary hearing, and then again during the second evidentiary

⁵² Findings of Fact, Conclusions, and Order, Docket No. E-002/GR-12-961, at 17 (Sept. 3, 2013).

⁵³ Campbell Direct, at 7–8.

1 hearing.⁵⁴ Finally, Ms. Campbell notes that NSP failed to indicate its current cost
2 projections when it filed a revision to its CON in November 2011.⁵⁵

3 Taken in combination with Mr. Crisp's statement that NSP may have been aware
4 of cost overruns as early as 2006, Ms. Campbell's testimony raises a concern that NSP
5 failed to take reasonable steps to ensure that information was provided in a timely
6 manner, or, even worse, that NSP was attempting to conceal the full impact of the cost
7 overruns from the Commission and other interested parties. The Commission should
8 consider this sequence of events when determining whether NSP has provided the
9 transparency required to justify cost recovery at this late stage of the project. I also
10 believe that NSP's failure to update the Commission and parties concerning the
11 continuing cost increases was also imprudent mismanagement for this project.

12 **Q. Do you have any additional concerns about NSP's communication about the cost**
13 **overruns?**

14 A. Yes. I am also concerned that NSP has not been forthright on cost overruns, and may
15 have filed testimony in October 2013 misrepresenting the total cost of the project. NSP's
16 witness Mr. James Alders discusses the CON process and continues to use the \$665
17 million dollar amount as the cost for the project on a total company basis.⁵⁶ Ms.
18 Campbell explains that the real cost including AFUDC is approximately \$748 million as
19 of March 2014.⁵⁷ It appears that NSP does not want to discuss the true cost of the
20 project, which is further evidence that NSP may have been attempting to conceal
21 information from the Commission.

⁵⁴ *Id.* at 10.

⁵⁵ *Id.* at 11.

⁵⁶ Alders Direct, at 5.

⁵⁷ Campbell Direct, at 14.

1 **Q. Please discuss NSP’s accounting for the LCM/EPU project.**

2 A. Ms. Campbell noted that NSP had treated the LCM and EPU separately for approval
3 purposes, and noted that it was not reasonable to then combine them as one cost for
4 accounting purposes.⁵⁸ I agree with Ms. Campbell that NSP’s accounting was
5 unreasonable.

6 Ms. Campbell noted that, if NSP had accounted for the projects in a reasonable
7 way, it may not have been necessary to hire Mr. Jacobs to determine how to split the
8 LCM and EPU project. Because the cost of hiring Mr. Jacobs is attributable to NSP’s
9 unreasonable accounting practices, I recommend that any expense related to Mr. Jacobs
10 testimony in this case not be collected from ratepayers.

11 **D. THE OAG RECOMMENDS THAT NSP BE GRANTED NO RETURN ON THE COST**
12 **OVERRUNS, THAT SPECIFIC UNREASONABLE COSTS IDENTIFIED BY DR. JACOBS**
13 **BE DISALLOWED, AND THAT COSTS CAUSED BY NSP’S POOR MANAGEMENT BE**
14 **DISALLOWED.**

15 **Q. Please summarize your primary concern with the Monticello LCM/EPU Project.**

16 A. The testimony of Mr. Crisp and Dr. Jacobs demonstrates that NSP has incurred
17 significant imprudent and unreasonable costs. Ratepayers should not be required to pay
18 for costs that are imprudent or unreasonable.

19 **Q. Do you have a recommendation for returns on the Monticello cost overruns?**

20 A. Yes. Mr. Crisp and Dr. Jacobs presented overwhelming evidence demonstrating that a
21 significant portion of the cost overruns were the direct result of NSP’s mismanagement of
22 the project. NSP had information even before the CON that the projections
23 underestimated the total cost of the project. Mr. Crisp also determined that NSP and its
24 contractors failed to consider how basic facts like the design of the Monticello plant

⁵⁸ *Id.* at 19.

1 would contribute to the cost of installation. Additionally, based on the testimony
2 provided by Ms. Campbell I believe that there is evidence that NSP failed to inform the
3 Commission and other interested parties in a timely fashion, and that NSP chose not to
4 provide full information about the cost overruns when it had the opportunity to do so
5 earlier in the process. Cost overruns that resulted from NSP's mismanagement were
6 unreasonable, and NSP compounded its mismanagement by failing to keep the
7 Commission informed.

8 My recommendation is that NSP not be allowed any return on the cost overruns
9 because there is significant evidence demonstrating that NSP's poor management
10 contributed to the cost overruns and that NSP failed to keep the Commission informed
11 about the true cost of the Monticello project. These costs were not prudent, and for that
12 reason, it would be unfair to ratepayers to grant NSP a return.

13 Additionally, public policy concerns support denying a return on the cost
14 overruns. If utilities can earn a return on significant cost overruns, especially when their
15 accounting methods make it difficult or impossible to track whether individual expenses
16 were reasonable, then utilities will have an incentive to incur additional cost overruns in
17 order to increase additions to rate base and recover greater returns. This is not
18 acceptable.

19 Granting a return on the cost overruns would also undercut the purpose of a CON
20 docket. If utilities are regularly granted returns on cost overruns they will have no
21 incentive to ensure that their estimates in CON proceedings are accurate and reasonable.
22 It is very important that the Commission is presented with accurate estimates in CON

1 docket because the Commission relies on the estimates to make important decisions to
2 incur costs for recovery from ratepayers.

3 **Q. Do you have a recommendation for cost recovery of the Monticello cost overruns?**

4 Yes. The record clearly demonstrates that certain specific cost overruns were
5 unreasonable and should be disallowed. Specifically, the testimony provided by Dr.
6 Jacobs demonstrates that NSP's installation costs were unreasonable. Dr. Jacobs noted
7 that NSP's "lack of understanding of the scope of the LCM and EPU projects is clearly
8 shown by comparing the original estimate of installation costs of \$27.5 million to the
9 actual installation costs of \$288.6 million, an increase of more than ten times the original
10 estimate."⁵⁹ The installation cost overruns were unreasonable, and the \$261.1 million in
11 installation cost overruns should be disallowed.

12 Additionally, Dr. Jacobs testified that the cost of the 13.8 kV electric distribution
13 system was unreasonable. He stated, "There is no reasonable basis for Xcel incurring a
14 5-fold increase in costs of a distribution system in the Company's own generation
15 plant."⁶⁰ This testimony clearly indicates that the 13.8 kV distribution system costs were
16 unreasonable, and the \$98.6 million in cost overruns should be denied.⁶¹

17 Mr. Crisp also specifically discussed that NSP should have known that the new
18 feedwater heater would not fit in its designated location, and that significant construction
19 would be required in order to complete the installation.⁶² The cost overrun for the
20 feedwater heater was unreasonable because NSP failed to anticipate the problems that
21 would be caused by the "small footprint" of the plant. Recovery of the \$77.9 million in

⁵⁹ Jacobs Direct, at 16.

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² Crisp Direct, at 19.

1 cost overruns for the feedwater heater should be denied because NSP acted imprudently
2 and unreasonably.

3 In addition to the items that were specifically identified, Mr. Crisp's testimony
4 clearly establishes that a significant portion of the additional cost overruns were the result
5 of NSP's mismanagement. Costs that were caused by NSP's poor project management
6 are unreasonable, and should be disallowed. Unfortunately, because of NSP's poor
7 accounting practices, the DOC's expert witnesses were unable to determine exactly what
8 costs were attributable to the mismanagement. For that reason, I recommend that the
9 Commission use a percentage based approach to determine which costs were related to
10 mismanagement. The cost overruns related to the items identified by Dr. Jacobs make up
11 at least \$261.1 million, which represents between 61% of the total cost overrun of \$428.1
12 million, plus any portions of the feedwater heater and 13.8 kV distribution system that are
13 not included with the installation costs. Incorporating the specifically-identified items
14 and those items that cannot be quantified, I believe it is reasonable to conclude, and the
15 record supports a conclusion, that at least 75% of the cost overruns, or \$321 million,
16 were caused by NSP's poor management, and were thus unreasonable and imprudent.

17 I believe that, based on the discussion provided by Ms. Campbell, the
18 Commission has the authority, and that the Commission's precedent would support,
19 denying recovery of all cost overruns.⁶³ I further believe that, at minimum, the
20 Commission should deny recovery of at least 75% of the cost overruns, as the record
21 demonstrates that they were the result of NSP's poor management and were imprudent

⁶³ Campbell Direct, at 22–27.

1 and unreasonable. As a result, I recommend that the Commission deny recovery of at
2 least 75% of the cost overruns, which is approximately \$321 million.⁶⁴

3 In the event that the Commission believes that more analysis is required to
4 determine which additional cost overruns were caused by NSP's poor management, I
5 recommend that the Commission order a forensic accounting analysis, as discussed by
6 Mr. Crisp,⁶⁵ in order to determine which costs were the result of NSP's poor
7 management. Because the forensic audit is necessary due to NSP's poor accounting, I
8 also recommend that NSP be required to bear the cost of any forensic auditor.

9 **Q. Do you have any additional recommendations?**

10 A. Yes. Based on Ms. Campbell's statement that Dr. Jacobs' testimony would not have
11 been necessary if NSP had used a reasonable accounting method, it would be
12 unreasonable for ratepayers to bear the cost of hiring Dr. Jacobs. I recommend that any
13 cost related to Dr. Jacobs' assistance should be specifically excluded from recovery.

14 **Q. Does this conclude your direct testimony in this case?**

15 A. Yes it does.

⁶⁴ The OAG also objects to any recovery of AFUDC on costs which were caused by NSP's poor management.

⁶⁵ Crisp Direct, at 28.

Statement of Qualifications and Experience

John J. Lindell

I have a Bachelor of Science in Business Administration - Accounting from the School of Business at the University of Minnesota. I also have a Masters of Business Administration with a concentration in Finance from the Carlson School of Business at the University of Minnesota. I have been employed by the Office of the Attorney General- Anti-trust and Utilities Division (OAG) since January 2008 as a Financial Analyst. My responsibilities with the OAG include analysis of financial and policy issues and providing testimony in Minnesota utility matters that come before the Minnesota Public Utilities Commission ("Commission").

Prior to my employment with the OAG, I was employed by the Commission as a Financial Analyst for over 20 years. In that capacity I summarized and explained for the Commission, the various parties' positions regarding financial issues for rate cases, purchases and mergers, cost allocations, investigations and other matters. In addition, I also provided policy and financial recommendations to the Commission to address various regulatory issues as they arose.

I have provided testimony and comments in Minnesota gas and electric utility cases on behalf of the OAG. The matters that I have addressed include the just and reasonableness of rates including the overall revenue requirement and the rate design of individual charges proposed by utilities and other parties.

**PUBLIC DOCUMENT: TRADE SECRET INFORMATION AND
NON-PUBLIC DATA EXCISED
- PUBLIC DATA -**

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

Xcel Energy

Docket No.: E002/CI-13-754

Response To: Office of Attorney General Information Request No. 5

Requestor: Ian Dobson

Date Received: July 11, 2014

Question:

Reference Direct Testimony of Consultant Jacobs, pg. 5. Testimony identifies a firm to conduct the LCM/EPU rather than GE in December 2007. Testimony also identifies a replacement of that firm in 2011 to complete the project. Provide the reasons for hiring the first replacement firm and the second replacement firm. Provide the amount paid to each of these three entities for the LCM/EPU project in each year of the project. Explain whether the initial firm and the first replacement firm had disputes with Xcel/NSP and what the status is of the disputes. Identify the dollars in dispute. Identify who was the final decision maker for Xcel/NSP to replace GE and the first firm hired for the project.

Response:

The Company did not “replace” GE with another firm but rather selected a different firm to provide implementation and construction services that were beyond the scope of our contracts with GE.

We executed two agreements with General Electric in the Fall of 2006. Those contracts did not include installation of the various components in, and modifications to, the plant. These services were to be provided by a third party. In addition, the contracts contemplated portions of the LCM/EPU Program that were to be completed by Xcel Energy.

In mid-2007, we issued a Request for Proposals to Bechtel Corporation, Areva NP, General Electric/Shaw, Sargent & Lundy, and Day Zimmerman to gauge their interest in performing the implementation scope of work.

**PUBLIC DOCUMENT: TRADE SECRET INFORMATION AND
NON-PUBLIC DATA EXCISED
- PUBLIC DATA -**

We received two responses to the Request for Proposals; one each from the consortiums of General Electric and Shaw and of Day Zimmerman and Sargent & Lundy. We performed a quantitative and qualitative assessment of both proposals and selected the joint bid of Day Zimmerman and Sargent & Lundy. We subsequently issued a release to Day Zimmerman in December 2007, for work planning and installation services.

One of our most important recognitions from review of the 2011 outage, was the final modifications scheduled for the 2013 outage would be the most challenging installations of the Project. In mid-2011 we elected to hire Bechtel Power Corporation ("Bechtel") to provide comprehensive project management to ensure successful completion of the final LCM/EPU modifications. Bechtel is a large and sophisticated multi-national company with expertise in the area of nuclear generation.

As described in Mr. O'Connor's Direct Testimony, the Company has had disputes with some of the vendors that worked on the LCM/EPU Project. The following Trade Secret material provides a status of those issues:

[BEGIN TRADE SECRET

**PUBLIC DOCUMENT: TRADE SECRET INFORMATION AND
NON-PUBLIC DATA EXCISED
- PUBLIC DATA -**

**PUBLIC DOCUMENT: TRADE SECRET INFORMATION AND
NON-PUBLIC DATA EXCISED
- PUBLIC DATA -**

END TRADE SECRET]

For amounts paid to the contractors by year see Schedule 3, Appendix A-6 to Mr. Weatherby's Direct Testimony.

Portions of this response have been designated as "Non-Public" as it contains information the Company considers to be trade secret data as defined by Minn. Stat. § 13.37(1)(b). The information contains confidential vendor pricing and sensitive competitive bidding information that derives an independent economic value from not being generally known or readily ascertainable by others who could obtain a financial advantage from their use. Thus Xcel Energy maintains this information as a trade secret pursuant to Minn. Rule 7829.0500

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NON-PUBLIC DATA EXCISED
- PUBLIC DATA -**

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Date: July 23, 2014