March 21, 2018

Senator Andrew Mathews
Minnesota Senate Building, Room 3409
95 University Avenue W.
St. Paul, MN 55155

Representative Marion O'Neill
549 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

RE: HF 3708/SF 3504

Dear Senator Mathews and Representative O'Neill:

Thank you for the opportunity to comment on HF 3708/SF 3504, a bill dealing with the costs of future investments in Xcel Energy's nuclear facilities. The undersigned are advocates for Minnesota's residential and small business utility consumers, older Minnesotans, and low-income households. We respectfully ask that, at this time, you reject advancing this proposal.

This bill lacks cost controls and consumer protections. From the perspective of a Minnesotan who relies on Xcel for their electricity, there are significant problems with this bill, including:

- **There is no cap on spending.** Nuclear upgrades will certainly run into the billions of dollars. Xcel recently told the Star Tribune it expects a minimum of $1.42 billion in additional spending, but nuclear projects around the country consistently come in over budget. As discussed further below, Xcel's last nuclear upgrade cost more than twice the original budget. This bill anticipates the likelihood that Xcel will exceed its initial project budget, and allows the company, at its sole discretion, to return for additional cost recovery. The bill does not limit the number or amount of budget updates.
- **There is no limit to the amount that nuclear upgrades could increase electric rates.** The bill greatly limits the ability of the Public Utilities' Commission (PUC) to consider rate impacts on consumers, and would make it more difficult to achieve the state's goal of setting retail electric rates at least five percent below the national average (M.S. § 216C.05, Subd. 2).
- **The bill prohibits a review of how Xcel spends ratepayer funds.** After the initial budget is approved, the bill explicitly bypasses a crucial step for protecting ratepayers – the prudency review. Approval of Xcel's budget would grant an advanced determination of prudency, providing no possibility of reclaiming that money, even if Xcel were to spend ratepayer funds in a wholly inappropriate manner.
- **Xcel alone would set its nuclear upgrade budgets.** The bill provides no option to modify budgets based on information learned through the review process.
- **There would be no consideration of how much Xcel's electricity generation needs, or whether other sources could more cost-effectively meet that need**. Because the bill removes the consideration of nuclear facility investments from the integrated resource planning process, there is no standard the PUC could apply to deny Xcel's proposal.
- **There is no commitment for Xcel to continue operating the nuclear facilities** after investing billions of customers' dollars.
- **There is no time limit to this process,** after which proposed nuclear investments would again be considered under the usual resource planning process.

Xcel has publicly expressed concern about a repeat of the experience of its 2009-2013 upgrades to the Monticello plant. In that instance, largely due to poor management, costs ballooned from the original approved budget of $320 million to $748 million. The PUC allowed Xcel to recover all of its costs and to earn a rate of return for shareholders on the amount initially budgeted. Xcel was not allowed to earn a profit on the cost overruns. We believe this decision was generous to the utility. Customers paid for all of the costs to the company, even though this was more than double the initial budget, and shareholders earned the anticipated profit.

This bill deals with an extremely complicated issue. Other states have spent at least 18 months creating special processes for cost recovery of nuclear facilities in ways that do not harm electric customers. Minnesota has time to consider this issue. Xcel's next integrated resource plan, which will outline its plans for electric generation and related investments for the coming 15 years, is due in February 2019, and will be under consideration throughout 2019.

Thank you for considering our views about HF 3708/SF 3504.

Sincerely,

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Cc: Governor Mark Dayton
Senator David Osmek, Chair, Energy and Utilities Finance and Policy Committee
Representative Pat Garofalo, Chair, Job Growth and Energy Afford. Policy and Finance Committee
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