

Direct Testimony and Schedules  
Judy M. Poferl

Before the South Dakota Public Utilities Commission of  
The State of South Dakota

In the Matter of the Application of  
Northern States Power Company, a Minnesota Corporation

For Authority to Increase Rates for  
Electric Utility Service in South Dakota

Docket No. EL09-\_\_\_\_  
Exhibit\_\_\_\_(JMP-1)

**Policy Testimony**

June 30, 2009

## Table of Contents

I.	Introduction and Qualifications	1
II.	Overview	2
III.	Case Drivers	6
IV.	South Dakota Operations	10
	A. Reliability	10
	B. Safety	12
	C. Customer Satisfaction	12
	D. Involvement in Community	14
V.	New Initiatives	16
VI.	Presentation of Witnesses	19
VII.	Conclusion	20

## Schedules

Resume	Schedule 1
Filing Requirement Compliance Table	Schedule 2

1                                   **I. INTRODUCTION AND QUALIFICATIONS**

2  
3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is Judy M. Poferl. My business address is 414 Nicollet Mall,  
5 Minneapolis, Minnesota 55401.

6  
7 Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

8 A. I am Regional Vice President for Northern States Power Company (“Xcel  
9 Energy” or “the Company”), a Minnesota corporation operating in South  
10 Dakota.

11  
12 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

13 A. I have been involved in energy and regulation for the past 24 years. From  
14 1985 to 1995, I was employed by the Minnesota Department of Public Service  
15 (now the Office of Energy Security), working as a rate analyst and later  
16 managing the gas and electric advocacy staffs. In that capacity, I testified in a  
17 number of rate cases and other regulatory proceedings, and oversaw the  
18 development of regulatory cases before the Minnesota Public Utilities  
19 Commission (the “Minnesota Commission”). From 1995 to 1998, I worked  
20 for Minnegasco (now CenterPoint Energy) doing both state and federal  
21 regulatory work, including overseeing a certificate of need proceeding before  
22 the Minnesota Commission. Since 1998, I have been employed by the  
23 Company and subsequently Xcel Energy Services Inc. In my role as Managing  
24 Director, Government and Regulatory Affairs, I directed the development and  
25 presentation of cases to the Minnesota Commission and the Company’s  
26 advocacy before the Minnesota legislature.

1 Since September of 2008, I have been serving as Regional Vice President for  
2 the Company. In that capacity, I oversee regulatory and legislative activities in  
3 South Dakota and North Dakota. For example, I provide strategic leadership  
4 regarding our development and implementation of initiatives to most  
5 effectively serve our South Dakota customers' needs. In addition, I am  
6 responsible for our relationships with large customers and local communities,  
7 and development of our natural gas business. My resume is included as  
8 Exhibit\_\_\_\_(JMP-1), Schedule 1.

9  
10 Q. FOR WHOM ARE YOU TESTIFYING?

11 A. I am testifying on behalf of Xcel Energy.

12  
13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

14 A. I provide an overview of our Application, summarizing the need for a general  
15 electric rate increase and introducing the Company-sponsored witnesses. I  
16 also provide policy testimony regarding the Company's initiatives and plans, as  
17 well as an overview of our efforts to promote economic vitality and provide  
18 excellent customer service to our South Dakota customers. Finally, I sponsor  
19 Exhibit No.\_\_\_\_ (NSP-1), Statement Q, in Volume 1, which is a description of  
20 the Company's utility operations offered in compliance with SD Admin. R.  
21 20:10:13:101.

22  
23 **II. OVERVIEW**

24  
25 Q. PLEASE SUMMARIZE THE COMPANY'S REQUEST IN THIS PROCEEDING.

26 A. Xcel Energy seeks authority from the South Dakota Public Utilities  
27 Commission (the "Commission") to increase our electric retail revenue by

1 \$18.6 million, or 12.7 percent. We base this request on a historical 2008 test  
2 year, adjusted for known and measurable changes as allowed by the  
3 Commission's practices. Our request includes recovering through base rates  
4 approximately \$2.9 million of transmission and environmental costs that are  
5 currently being recovered through the Transmission Cost Recovery Rider and  
6 the Environmental Cost Recovery Rider. Because this transfer in rate  
7 recovery is revenue neutral to both the Company and our customers, the net  
8 impact of our proposed increase is \$15.7 million, or a 10.7 percent net  
9 increase.

10  
11 The proposed revenue requirement reflects an overall rate of return ("ROR")  
12 on investment of 9.02 percent, based on an equity ratio of 51.63 percent and a  
13 rate of return on equity ("ROE") of 11.25 percent. Under our proposal, a  
14 residential customer using 750 kWh per month would see a monthly bill  
15 increase of \$9.67 per month or 14 percent. After adjusting for riders, the net  
16 impact for this residential customer would be approximately \$8.55 per month  
17 or 12.4 percent.

18  
19 Q. WHAT IS CAUSING THE NEED FOR RATE RELIEF AT THIS TIME?

20 A. Since our last rate case in 1992, the Company has made very significant capital  
21 investments in our generation, transmission, and distribution assets to prolong  
22 their useful life and/or expand capacity to meet growing customer needs. We  
23 have also experienced sizable cost increases in several areas, such as nuclear  
24 fuel and operations, purchased capacity, and chemicals used for power  
25 generation. While strong growth in our South Dakota service territory and  
26 good cost management has allowed us to avoid a rate case for the past 17

1 years, we have reached the point where the size of the revenue deficiency  
2 requires this request for relief.

3  
4 Q. WHAT TEST YEAR DOES THE COMPANY PROPOSE IN THIS CASE?

5 A. The test year is 2008, adjusted to normalize the test year, properly reflect  
6 regulatory requirements, and account for appropriate known and measurable  
7 changes. Ms. Anne E. Heuer provides further discussion of our test year  
8 information in her Direct Testimony.

9  
10 Q. WHAT IS THE BASIS FOR THE COMPANY'S RECOMMENDED ROE OF 11.25  
11 PERCENT?

12 A. Company witness Mr. Robert B. Hevert provides a detailed analysis of the  
13 appropriate overall ROR and ROE for the Company and recommends an  
14 ROE in the range of 11 to 12 percent. For the purposes of establishing a  
15 revenue requirement for this proceeding, the Company proposes an ROE in  
16 the lower end of this range, specifically 11.25 percent. I believe our proposal  
17 helps to balance the goals of mitigating costs for our customers and ensuring  
18 that the Company can attract sufficient funds to meet our substantial capital  
19 investment requirements in very challenging capital market conditions. The  
20 significant scale of these capital investment requirements and the challenging  
21 current capital market conditions are discussed by Mr. Hevert in his Direct  
22 Testimony.

23  
24 Q. HOW DOES THE COMPANY'S PROPOSED ROE COMPARE TO THOSE GRANTED  
25 BY THE COMMISSION IN RECENT GENERAL RATE PROCEEDINGS?

26 A. To my knowledge, it is higher than the Commission has recently granted.  
27 However, I believe it is reasonable and necessary in light of the Company's

1 significant investments and additional capital requirements over the next  
2 several years. These investments in both existing and new infrastructure are  
3 needed to provide reliable electricity services to our customers. It is in the  
4 interests of both ratepayers and shareholders to enable the Company to attract  
5 the capital needed to meet these requirements. As explained by Mr. Hevert,  
6 an appropriate ROE is a key input in meeting these requirements, particularly  
7 when the Company will need to raise significant additional capital under the  
8 current challenging market conditions.

9  
10 Q. HAS THE COMPANY CONSIDERED THE IMPACT OF THIS PROPOSED INCREASE  
11 ON YOUR CUSTOMERS?

12 A. Yes. We recognize that our proposed increase will impact our customers,  
13 particularly in light of the current economic conditions. We have attempted  
14 to mitigate these impacts, while continuing to bring customer class revenue  
15 contributions closer to cost responsibility. Mr. Steven V. Huso discusses our  
16 proposal in greater detail in his direct testimony. As he explains, the impact is  
17 further mitigated by recent reductions in fuel and purchased power costs.  
18 Overall, including our proposed increase, prices to our customers will have  
19 increased at roughly the rate of inflation since our most recent rate case.  
20 While this does not minimize the potential impact on our customers, I believe  
21 it does provide a useful context when considering our Company's current  
22 request.

23  
24 Q. HOW HAVE YOU ORGANIZED THE REMAINDER OF YOUR TESTIMONY?

25 A. I will briefly describe the key drivers of our request for rate relief and highlight  
26 the information contained in the Application to support our request. I then  
27 provide information regarding our South Dakota operations and our efforts to

1 continually improve service quality and value for our customers. Finally, I  
2 introduce the other witnesses sponsored by the Company in this proceeding.

3  
4 Q. ARE THERE ANY OTHER COMPONENTS OF THE COMPANY'S FILING THAT YOU  
5 WOULD LIKE TO HIGHLIGHT?

6 A. Yes. We are filing comprehensive testimony, exhibits, and work papers in  
7 support of our request. In addition, we undertook a comprehensive review of  
8 all Commission Rules and Orders since our last electric rate case to ensure we  
9 have complied with all requirements. My Schedule 2, Exhibit\_\_\_ (JMP-1),  
10 lists the relevant Commission directives from the orders since the previous  
11 rate case, the action the Company has taken to address each order directive,  
12 and the location in our rate case application of the Company's response.

13  
14 **III. CASE DRIVERS**

15  
16 Q. YOU INDICATED THAT NEW INVESTMENT IN COMPANY ASSETS IS A KEY  
17 DRIVER OF THIS REQUESTED RATE INCREASE. PLEASE DESCRIBE THESE  
18 INVESTMENTS.

19 A. Since the time of our last rate case, we have invested over \$6.2 billion in new  
20 generation, transmission, and distribution assets, of which \$386 million is  
21 allocated or assigned to South Dakota. We have:

- 22 • *Required new generating units to supply increasing customer needs, such as a 383-*  
23 *MW expansion of the Angus C. Anson plant located east of Sioux Falls.*  
24 *In total, we have constructed more than 700 MW of new capacity since*  
25 *our last electric rate application.*  
26 • *Reinvested in existing generating plants to prolong life and expand capacity output.*  
27 *For example, we have obtained approval to extend the life of our*



1 Monticello nuclear generating plant for an additional 20 years, and are  
2 seeking the same for our Prairie Island nuclear generating units.  
3 Obtaining these approvals will ensure our customers receive the benefit  
4 of an additional 235 MW of emissions-free, baseload capacity and  
5 energy well into the future. Likewise, we have rehabilitated and  
6 installed state-of-the art emissions-control equipment on our Allen S.  
7 King coal plant and converted our High Bridge and Riverside plants to  
8 intermediate combined-cycle plants. This initiative preserved these  
9 strategic plant sites on our system, expanded capacity by 385 MW, and  
10 positioned our supply portfolio well for meeting future needs.

- 11 • *Constructed new transmission facilities to improve reliability and generation output*  
12 *capacity.* For example, in 2008, we finished construction of 24  
13 transmission projects in southwestern Minnesota and eastern South  
14 Dakota, at a cost of \$241 million, of which we are recovering the South  
15 Dakota portion through the Commission approved Transmission Cost  
16 Recovery Rider.
- 17 • *Continued to expand and upgrade our distribution infrastructure within our South*  
18 *Dakota service territory.* Specifically, since our last rate case, we have  
19 invested a total of \$111 million in South Dakota on distribution plant to  
20 ensure we can reliably serve the customer growth in the Sioux Falls  
21 area. We now serve 44 percent more South Dakota customers (a total  
22 of 81,000 customers located in 36 communities in eastern South  
23 Dakota) and provide nearly 80 percent more energy than at the time of  
24 our last general electric rate case.

25 The direct testimonies of Company witnesses Mr. James R. Alders and Mr.  
26 Walter T. Grivna provide more information regarding these investments.

27

1 Q. YOU MENTIONED INCREASES IN THE COSTS OF YOUR NUCLEAR FACILITIES AS  
2 BEING A DRIVER IN THIS RATE CASE. CAN YOU PROVIDE MORE INFORMATION  
3 ON THIS POINT?

4 A. Yes. I already noted our investments and plans to extend the lives and  
5 increase the capacity output of our two nuclear generating plants, Monticello  
6 and Prairie Island. In addition to those major capital investments, the cost of  
7 operating our nuclear fleet has increased substantially. For example, we have  
8 experienced significant cost increases in the areas of nuclear fuel, security,  
9 mandated nuclear fees, and other mandates that require increased staffing  
10 levels at our nuclear plants. In the past two years (2006-2008), the cost  
11 increase just to meet new mandates and fees have totaled over \$700,000 for  
12 the South Dakota jurisdiction. While these plants remain the workhorses of  
13 our system and provide the lowest cost, round-the-clock energy for our  
14 customers, we can no longer absorb these cost increases; thus we request rate  
15 relief.

16

17 Q. DO YOU EXPECT SIGNIFICANT LEVELS OF CAPITAL EXPENDITURES TO  
18 CONTINUE?

19 A. Yes. To meet the expanding needs of our customers, we continue to project  
20 the need for significant capital expenditures to reinvest in our existing  
21 infrastructure and invest in new generation, transmission, and distribution  
22 resources. Our capital expenditure projections indicate that, on average, we  
23 will invest about \$1.2 billion annually on system infrastructure in the next four  
24 years. These investments will include new wind generating resources and new  
25 transmission lines needed to improve system reliability and carry electricity  
26 from generating resources to major load centers. These growing capital  
27 requirements mean we will be accessing the marketplace with greater

1 frequency to attract the financing (either debt or equity, as appropriate)  
2 required to fund our ongoing investment program. Under these  
3 circumstances, it is critical that the Company be in a healthy financial position  
4 to attract this capital on reasonable terms.

5  
6 Q. HAS THE COMPANY TAKEN STEPS TO AVOID THE NEED FOR THIS ELECTRIC  
7 RATE CASE PROCEEDING?

8 A. Yes. Since the last electric rate case, we have undertaken many efforts to  
9 prudently manage our costs. For example, we realized significant  
10 administrative savings and greater purchasing power as a result of the merger  
11 of the former Northern States Power Company and New Century Energies  
12 Inc. in 2000. We also employ, where appropriate, new technologies to  
13 improve service, standardize processes, and reduce costs. As a result of these  
14 efforts, we have been able to keep operating costs low over the past 17 years.  
15 In fact, the South Dakota jurisdictional expenses for distribution, customer  
16 service, sales, and administrative and general functions requested for recovery  
17 in this case have only increased, on average, 0.7 percent annually since the last  
18 electric rate case. These efforts helped us avoid a general rate increase for 17  
19 years, even as we made significant investments in our system and absorbed  
20 other cost increases.

21

1 **IV. SOUTH DAKOTA OPERATIONS**

2  
3 Q. WHAT IS XCEL ENERGY’S CURRENT TRACK RECORD WITH RESPECT TO  
4 CUSTOMER SERVICE?

5 A. Our customer service levels are high, and I believe customers receive good  
6 value. I believe our performance in providing reliable, safe electricity service  
7 has led to high customer satisfaction. In addition, we are active in the  
8 community and support a number of significant initiatives that stimulate  
9 economic development and contribute to the vibrancy of the communities we  
10 serve.

11  
12 **A. Reliability**

13 Q. PLEASE DESCRIBE RELIABILITY LEVELS IN SOUTH DAKOTA.

14 A. Overall, our performance has been good and continues to improve. We  
15 measure our performance in providing reliable electricity service through  
16 industry standard indices, most importantly the System Average Interruption  
17 Duration Index (“SAIDI”). By measuring and analyzing the average duration  
18 of outages on our system, we can track our performance in responding to  
19 system events and develop initiatives to drive continuous performance  
20 improvements. Since 2005, our SAIDI results have continually improved,  
21 ending with just under 76 minutes in 2008, our lowest SAIDI in five years.  
22 Our customer satisfaction surveys indicate high satisfaction with the reliability  
23 of our service, with scores of over 95 percent satisfaction on service reliability.

24  
25 Q. WHAT STEPS HAS THE COMPANY TAKEN TO IMPROVE RELIABILITY?

26 A. We have implemented a feeder performance improvement plan through which  
27 we identify poor performing circuits, the outage causes, and any changes

1 needed to improve reliability. We also assess outage causes periodically and  
2 take action on those frequently reoccurring causes. For example, we invested  
3 in animal protective equipment and changed operations practices at the South  
4 Sioux Falls substation because we had experienced an unusual number of  
5 outages in that substation caused by animals, primarily squirrels. As a result of  
6 these efforts, we reduced the number of animal-related outages at that  
7 substation to zero in 2008.

8  
9 Q. DOES THE COMPANY HAVE PLANS TO FURTHER SUPPORT GROWTH AND  
10 IMPROVE SERVICE RELIABILITY?

11 A. Yes. For example, we are currently planning the installation of a new  
12 substation, Louise substation, which we expect to be in service by 2011. This  
13 planned substation will help us relieve load in the southwest part of Sioux Falls  
14 and should reduce voltage drops and line losses. In addition, we are currently  
15 adding a 35 kV feeder out of our Cherry Creek substation to reduce load on  
16 an existing feeder and we are adding a new overhead line and a new step-down  
17 transformer. These projects will be completed in 2009 and will help improve  
18 reliability and support continued growth within our service territory.

19  
20 Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING SERVICE RELIABILITY?

21 A. Yes. We recognize the importance of providing reliable service for our  
22 customers, particularly as customers rely on an increasing number of electric  
23 devices to run their homes and businesses. We believe our four-pronged  
24 approach of infrastructure investments, effective preventive maintenance  
25 practices, prompt restoration when outages do occur, and continuing analysis  
26 to identify additional improvements that we can make both on our system and

1 in our practices provides a comprehensive strategy for providing reliable  
2 service to our customers.

3  
4 **B. Safety**

5 Q. DOES THE COMPANY HAVE DATA RELATING TO ITS SAFETY RECORD?

6 A. Yes. The Company takes safety very seriously and we are very proud of our  
7 safety record. In the 17 years since the last rate case Xcel Energy has only had  
8 two lost workdays in South Dakota. Our Occupational Safety and Health  
9 Administration (“OSHA”) and Days Away, Restricted or Transferred  
10 (“DART”) rates – two other measures of safety performance, are consistently  
11 better than industry averages.

12  
13 Q. PLEASE DESCRIBE THE COMPANY’S EFFORTS TO MAINTAIN SAFE WORK  
14 PRACTICES.

15 A. We have implemented numerous safety measures through a comprehensive  
16 initiative implemented Company-wide to continue to improve our focus on  
17 safety. From daily “tailgate briefings” to field checks for safety practices and  
18 equipment, and from regular safety meetings to advisory groups and  
19 consulting assistance, we have worked to implement a culture of safety within  
20 our organization. We are proud that our efforts have resulted in our receiving  
21 the annual South Dakota Governor's Safety Awards spotlight every year since  
22 2005.

23  
24 **C. Customer Satisfaction**

25 Q. YOU STATED EARLIER THAT THE COMPANY’S PERFORMANCE IN PROVIDING  
26 SAFE, RELIABLE ELECTRICITY SERVICES HAS LED TO HIGH CUSTOMER

1 SATISFACTION LEVELS. WHAT EVIDENCE DO YOU HAVE TO SUPPORT THIS  
2 CONCLUSION?

3 A. We regularly survey all classes of customers to track satisfaction through our  
4 “Voice of the Customer” surveys. In addition, we subscribe to the JD Powers  
5 surveys of customer satisfaction, as well as other surveys. For the past five  
6 years the overall customer satisfaction reported in these surveys for South  
7 Dakota customers has been at or above 90 percent, giving South Dakota one  
8 of the highest customer satisfaction ratings of any of the jurisdictions that we  
9 serve. In addition, in 2008, our large customer satisfaction survey returned an  
10 overall satisfaction rating of 100 percent.

11  
12 Q. DO YOU HAVE ANY OTHER MEANS TO TRACK CUSTOMER SATISFACTION?

13 A. Yes. We track the number of Commission complaints initiated by our  
14 customers, and have had only two formal complaints in the past six years. In  
15 addition, we track any customer contact with the Commission that expresses  
16 dissatisfaction. Over the past ten years, our tracking averaged about 46  
17 customer complaints per year. In 2008 we experienced only 37 customer  
18 complaints, of which over 40 percent stemmed from credit and collections  
19 actions.

20 Q. DOES THE COMPANY HAVE ANY CURRENT INITIATIVES TO IMPROVE  
21 CUSTOMER SATISFACTION?

22 A. Yes. We regularly analyze our performance and initiate programs or process  
23 changes to help improve performance. For example, we have implemented  
24 process changes designed to improve customer satisfaction with our builders  
25 and developers by improving the accuracy and frequency of our contact with  
26 these customers. Likewise, we have improved our coordination with our call  
27 centers so that there is improved understanding about local issues and

1 complaints, thus allowing our representatives to provide better service to our  
2 South Dakota customers.

3  
4 Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING CUSTOMER SATISFACTION?

5 A. Yes. We are committed to customer satisfaction by continuously improving  
6 our operations. While we are proud of our current customer satisfaction levels,  
7 we will continue to look for ways to improve customer satisfaction and ensure  
8 we provide our customers the best service and value.

9  
10 **D. Involvement in Community**

11 Q. WHAT EFFORTS HAS THE COMPANY MADE TO STRENGTHEN THE SOUTH  
12 DAKOTA COMMUNITIES YOU SERVE?

13 A. We have a long tradition of community support through both financial  
14 commitments and involvement of our employees in local organizations and  
15 initiatives. We believe these organizations are important to the vitality of our  
16 service territory and the well being of our customers; and we take seriously our  
17 responsibility in supporting these initiatives.

18  
19 We have benefited from the Commission's support of such initiatives;  
20 specifically, in our last rate case, the Commission authorized \$100,000 per year  
21 toward economic development, with the cost to be shared equally between  
22 ratepayers and shareholders. We extended this commitment with an  
23 additional \$100,000 per year in shareholder funds for the Forward Sioux Falls  
24 program as part of our merger proceeding. These initiatives, combined with  
25 our annual charitable giving of just over \$110,000 and our active involvement  
26 in community projects and organizations, make us a strong partner in the  
27 communities we serve.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Q. YOU NOTED THE FORWARD SIOUX FALLS PROGRAM. CAN YOU PLEASE ELABORATE?

A. Yes. This is an economic development program that focuses on attracting new business, increasing job growth, and enhancing the overall quality of life in Sioux Falls. This program began in 1987 as a partnership between the Sioux Falls Area Chamber of Commerce and the Sioux Falls Development Foundation, and is run by a board of directors and investors.

Through this program, the Sioux Falls business community actively worked to achieve positive economic growth for South Dakota – growth that we have seen in our energy and demand use, which was instrumental in allowing us to delay this rate proceeding until this time. We believe our early and active involvement in the Forward Sioux Falls initiative was important in attracting other businesses to the effort and achieving these significant results. Our customer satisfaction studies indicate that we perform high in this area, with 92 percent of customers indicating their perception that we are a good corporate citizen.

Q. WHAT OTHER ACTIVITIES DOES THE COMPANY UNDERTAKE TO SUPPORT LOCAL COMMUNITIES?

A. We have a number of corporate initiatives, including:

- *The Xcel Energy Foundation.* The Foundation helps build stronger communities through grants in community development, education, the environment, and arts and culture. In addition, the Foundation will match employee contributions to community organizations up to a limit

1 of \$750 per year for charitable organizations and up to \$2,000 per year  
2 for higher education contributions.

3  
4 • *United Way Campaign.* We run an active United Way campaign, with  
5 over 75 percent of our South Dakota employees and retirees  
6 contributing in 2008, raising over \$14,000. Our Foundation matches  
7 employee and retiree contributions dollar-for-dollar, allowing us to raise  
8 approximately \$28,000 for United Way charities.

9  
10 • *Dollars for Doing.* This program encourages and supports individual  
11 employee volunteerism by making donations for each hour our  
12 employees volunteer at qualifying nonprofit organizations. The program  
13 matches up to 100 hours per employee annually at a rate of \$5 per hour,  
14 for a total of \$500 per year.

15  
16 By using these programs and encouraging our employees to be active in the  
17 community, we believe we provide excellent support to the South Dakota  
18 communities we serve.

19  
20 **V. NEW INITIATIVES**

21  
22 Q. LOOKING FORWARD, WHAT ISSUES DO YOU SEE FOR THE COMPANY?

23 A. I see continued evolution of our supply portfolio that will increase fuel type  
24 diversity and help minimize the risks of future costs to customers. I also  
25 would like to ensure that we are able to offer a variety of programs and  
26 services to our South Dakota customers, similar to those we offer in other

1 jurisdictions. I believe both of these initiatives will benefit our South Dakota  
2 customers.

3  
4 Q. PLEASE EXPLAIN YOUR FIRST POINT REGARDING XCEL ENERGY'S SUPPLY  
5 PORTFOLIO.

6 A. We have complied with the goal of meeting 10 percent of our customer's  
7 energy needs with renewable energy sources, as established by the South  
8 Dakota Legislature. Our most recent compliance report on the Renewable  
9 Energy Objective indicates that approximately 11 percent of our energy is  
10 supplied by renewables. For example, the Company has a purchase agreement  
11 for 54 MW of wind power in Brookings County in South Dakota.

12  
13 We expect to continue to add renewable energy even above the 10 percent  
14 objective, due to its reasonable costs and low environmental impacts – both of  
15 which will minimize risk of future cost increases due to volatile fuel prices or  
16 increased environmental regulation. Additional renewables will also be  
17 required to meet higher standards in other jurisdictions. To ensure South  
18 Dakota customers benefit from such investments, we will be proposing a  
19 strategy for allocating renewable energy credits among our jurisdictions and  
20 will subsequently file a plan for how jurisdictions can monetize or use  
21 Renewable Energy Credits above those required for the benefit of ratepayers.  
22 We expect to file this plan by the end of the year.

23  
24 Q. PLEASE DISCUSS YOUR SECOND POINT REGARDING PRODUCTS AND SERVICES.

25 A. We believe that our South Dakota customers are interested in and would  
26 benefit from additional choices and assistance in managing their energy costs  
27 and use.

28

1 For these reasons, we have proposed to significantly expand our current  
2 Demand-Side Management (“DSM”) program approved by the Commission  
3 in our most recent rate case. That program has served our customers well; we  
4 currently have over 100 industrial customers under contract for interruptible  
5 rate offerings and over 15,000 customers on our Saver’s Switch program,  
6 which allows us to cycle air-conditioners during peak periods in exchange for a  
7 rate discount. These programs allow us to control over 50 MW of load on  
8 peak days.

9  
10 In 2007, we proposed an expanded set of electric DSM programs to help  
11 customers manage their energy costs. In that petition, we seek Commission  
12 approval of an approximately \$800,000 DSM budget that would cost-  
13 effectively serve over 73,000 participants and achieve an estimated demand  
14 and energy savings of 5.8 MW and 4,500,000 kilowatt-hours. Because we filed  
15 this DSM proposal in a separate proceeding, no DSM costs have been  
16 included in the test year for this case. Instead, the DSM filing currently before  
17 the Commission proposes a stand-alone program cost recovery and financial  
18 incentive mechanism. We are currently working with Staff on this issue and  
19 look forward to getting the matter before the Commission so that we can  
20 offer these valuable programs and services to our customers. We believe these  
21 programs are a valuable component of economic development and  
22 community support, as we can help customers manage costs during these  
23 challenging economic times.

24  
25 Q. IS THE COMPANY PROPOSING TO ADD ANY NEW SERVICES IN THIS RATE  
26 PROCEEDING?

1 A. Yes. We propose to offer our Windsource program to provide customers the  
2 opportunity to purchase some or all of their electrical energy from renewable  
3 resources. This service offering provides a choice to customers who may  
4 choose to have such service, and will not impose any costs on any non-  
5 participants. Mr. Steven V. Huso sponsors this service and provides  
6 additional detail in his direct testimony.

7  
8 **VI. PRESENTATION OF WITNESSES**

9  
10 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

11 A. In addition to my Policy Testimony, the Company sponsors the following  
12 witnesses:

- 13 • *Anne E. Heuer*, who sponsors the overall revenue requirement for the rate  
14 case. Ms. Heuer sponsors the schedules supporting our income statement,  
15 rate base, revenue deficiency, and jurisdictional allocations. Her schedules  
16 incorporate and reflect the recommendations of a number of our  
17 witnesses, including the cost of capital and sales forecast.
- 18 • *Jannell E. Marks*, who sponsors the sales forecast used in Ms. Heuer's  
19 determination of the revenue deficiency.
- 20 • *Robert B. Hevert*, of Concentric Energy Advisors, who sponsors testimony  
21 on the ROE and ROR, including, capital structure, and the cost of debt.
- 22 • *Walter T. Grivna*, who sponsors testimony providing an overview of recent  
23 and upcoming transmission investments.
- 24 • *James R. Alders*, who sponsors testimony providing an overview of major  
25 investments in generation since our last general rate case.
- 26 • *Michael A. Peppin*, who sponsors our class cost of service study, and selected  
27 rate design and tariff changes.

- *Steven V. Huso*, who sponsors the general rate design in this case.

Together, these witnesses provide the information and advocacy needed to evaluate and approve our Application.

## VII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The Company has done a good job managing costs and providing quality service to our South Dakota customers in the 17 years since our last electric rate case. We also make valuable contributions to the South Dakota communities we serve, and appreciate the Commission's support of those activities. But while growth and prudent cost management has allowed us to delay rate increases, significant infrastructure investments and other cost pressures have grown to such size as to require rate relief at this time.

As a result, the Company requests an overall rate increase of 12.7 percent to recover our prudent costs of service and to provide us with an opportunity to earn a reasonable rate of return. This rate increase is needed to help provide strong financial results needed to attract the capital required to fund additional energy infrastructure. We propose to recover costs through rate designs that fairly and reasonably allocate costs to the various customer classes. Finally, our proposed net increase of approximately 10.7 percent is moderate, particularly given our efforts to avoid a rate case for the past 17 years.

Therefore, the Company respectfully requests that the Commission approve:

- Our requested rate increase of 12.7 percent,

- 1           • A overall ROR of 9.02 percent, which includes an ROE of 11.25  
2           percent; and  
3           • Our proposed rate design and tariffs.  
4

5 Q.   DOES THIS CONCLUDE YOUR TESTIMONY?

6 A.   Yes, it does.

Judy M. Poferl  
Regional Vice President  
414 Nicollet Mall  
Minneapolis, MN

---

## EDUCATION

Master of Arts, Hubert H. Humphrey Institute of Public Affairs  
University of Minnesota, 1984

Bachelor of Arts, Government  
College of St. Benedict, 1982

## CURRENT RESPONSIBILITIES

I lead and manage Xcel Energy's customer and community relations, local government, and community affairs for Minnesota. I also manage the overall business of the North Dakota and South Dakota jurisdictions.

## PREVIOUS RATE CASE TESTIMONY

<u>Company</u>	<u>Docket Number</u>	<u>Topic</u>
Xcel Energy	E002/GR-05-1428	Merger Synergies Capacity Additions Demand-Side Management
Xcel Energy	G002/GR-04-1511	Merger Synergies Partial Decoupling

Filed on behalf of the Minnesota Department of Public Service (n/k/a Department of Commerce):

Northern States Power	E002/CN-91-19	Policy
Northern States Power	E002/GR-89-865	Conservation Financial Incentives Load Management
Minnesota Power	E015/GR-87-223	Contract Issues
Interstate Power	E001/GR-86-384	Rate Design
Northern States Power	G002/GR-86-160,165	Rate Design
Interstate Power	G001/GR-85-189	Cost of Service Conservation
Northern States Power	E002/GR-85-558	Cost of Service
Western Gas	G012/GR-85-795	Rate Design



<u>SD</u> <u>Admin.R.</u>	<u>Description</u>	<u>Sponsoring Witness</u>	<u>Filing</u> <u>Location</u>
20:10:13:26	Report to commission of tariff schedule changes on notice.	Huso	Volume 3
20:10:13:41.	Comparison of sales, services, and revenues.	Huso	Volume 2
20:10:13:42.	Comparison of rates.	Huso	Volume 2
20:10:13:43	Cost of service under the new rates.	Peppin	Volume 2
20:10:13:44	Analysis of system costs for a 12-month historical test year.	Heuer	Volume 2
20:10:13:47	Working papers to be filed.	Various	Volume 4
20:10:13:50	Attestation by chief accounting officer or other authorized accounting representative.	N/A	Volume 1
20:10:13:104	Testimony and exhibits.	Various	Volume 2

<u>SD Admin.R.</u>	<u>Stmt</u>	<u>Schd</u>	<u>Description</u>	<u>Sponsoring Witness</u>	<u>Filing Location</u>
20:10:13:51	A		Balance sheet	A. Heuer	Volume 1
20:10:13:52	B		Volume 3	A. Heuer	Volume 1
20:10:13:53	C		Earned surplus statements	A. Heuer	Volume 1
20:10:13:54	D		Earned surplus statements	A. Heuer	Volume 1
20:10:13:55		D-1	Earned surplus statements	A. Heuer	Volume 1
20:10:13:56		D-2	Volume 2	A. Heuer	Volume 1
20:10:13:57		D-3	Volume 4	A. Heuer	Volume 1
20:10:13:58		D-4	Plant account working papers for previous years	A. Heuer	Volume 1
20:10:13:59		D-5	Volume 2	A. Heuer	Volume 1
20:10:13:60		D-6	Changes in intangible plant working papers	A. Heuer	Volume 1
20:10:13:61		D-7	Working papers on plant in service not used and useful	A. Heuer	Volume 1
20:10:13:62		D-8	Property records working papers	A. Heuer	Volume 1
20:10:13:63		D-9	Working papers for plant acquired for which regulatory approval has not been obtained	A. Heuer	Volume 1
20:10:13:64	E		Accumulated depreciation	A. Heuer	Volume 1
20:10:13:65		E-1	Working papers on record changes to accumulated depreciation	A. Heuer	Volume 1
20:10:13:66		E-2	Working papers on depreciation and amortization method	A. Heuer	Volume 1
20:10:13:67		E-3	Working papers on allocation of overall accounts	A. Heuer	Volume 1
20:10:13:68	F		Working capital	A. Heuer	Volume 1
20:10:13:69		F-1	Monthly balances for materials, supplies, fuel stocks, and prepayments	A. Heuer	Volume 1
20:10:13:70		F-2	Monthly balances for two years immediately preceding test year	A. Heuer	Volume 1
20:10:13:71		F-3	Data used in computing working capital	A. Heuer	Volume 1
20:10:13:72-75	G		Rate of return/Debt capital/Preferred stock capital/Common stock capital	R. Hevert	Volume 1
20:10:13:76		G-1	Stock dividends, stock splits or changes in par or stated value	R. Hevert	Volume 1
20:10:13:77		G-2	Common stock information	R. Hevert	Volume 1
20:10:13:78		G-3	Reacquisition of bonds or preferred stock	R. Hevert	Volume 1
20:10:13:79		G-4	Earnings per share for claimed rate of return	R. Hevert	Volume 1
20:10:13:80	H		Operating and maintenance expenses	A. Heuer	Volume 1
20:10:13:81		H-1	Adjustments to operating and maintenance expenses	A. Heuer	Volume 1
20:10:13:82		H-2	Cost of power and gas	A. Heuer	Volume 1
20:10:13:83		H-3	Working papers for listed expense accounts	A. Heuer	Volume 1
20:10:13:84		H-4	Working Papers for Interdepartmental Transactions	A. Heuer	Volume 1
20:10:13:85	I		Operating Revenue	A. Heuer	Volume 1
20:10:13:86	J		Depreciation expense	A. Heuer	Volume 1
20:10:13:87		J-1	Expense charged other than prescribed depreciation	A. Heuer	Volume 1
20:10:13:88	K		Income taxes	A. Heuer	Volume 1
20:10:13:89		K-1	Working papers for federal income taxes	A. Heuer	Volume 1
20:10:13:90		K-2	Differences in book and tax depreciation	A. Heuer	Volume 1
20:10:13:91		K-3	Working papers for consolidated federal income tax	A. Heuer	Volume 1
20:10:13:92		K-4	Working papers for an allowance for current tax greater than tax calculated at consolidated rate	A. Heuer	Volume 1
20:10:13:93		K-5	Working papers for claimed allowances for state income taxes	A. Heuer	Volume 1
20:10:13:94	L		Other taxes	A. Heuer	Volume 1
20:10:13:95		L-1	Working papers for adjusted taxes	A. Heuer	Volume 1
20:10:13:96	M		Overall cost of service	A. Heuer	Volume 1
20:10:13:97	N		Allocated cost of service	A. Heuer	Volume 1
20:10:13:98	O		Comparison of cost of service	M. Peppin	Volume 1
20:10:13:100	P		Fuel cost adjustment factor	A. Heuer	Volume 1
20:10:13:101	Q		Description of Utility Operations	J. Pofelr	Volume 1
20:10:13:102	R		Purchases from affiliated companies	A. Heuer	Volume 1

<u>Docket</u>	<u>Commission Order</u>	<u>Sponsoring Witness</u>	<u>Filing Location</u>
EL 92-016 Electric Rate Case	The Company acknowledges that if the amount of tree trimming expense incurred until the time new general rates become effective is less than \$815,000 on an annual basis, the difference between the actual tree trimming expense and the agreed upon amount (\$815,000 X No. of years from 01/01/93) may be recaptured and returned to the Company's customers in its next general rate proceeding.	A. Heuer	Volume 2
EL 92-016 Electric Rate Case	The Settlement Agreement rate levels include Post Retirement Benefits other than Pensions ("PBOP") under the cash or "Pay as you go" method recommended by Staff. The parties agree that, if the Commission should approve for inclusion in rates, PBOP's calculated under the accrual method indicated in FAS 106, or under some other method, the Settlement Agreement rate levels shall be modified to include the approved levels of PBOP expenses.	A. Heuer	Volume 2
EL04-015 Petition to Include Certain Renewable Energy Development Fund Costs in the Fuel Clause Adjustment	Xcel shall accumulate these costs in a separate account, by vintage, from 2004 forward, including carrying charges based upon the rate of return last allowed by this Commission, for the Commission's further consideration in the form of a potentially recoverable regulatory asset. The Commission's consideration for recovery of these costs shall take place within Xcel's next general filing for a rate change.	A. Heuer	Volume 2
EL07-035 Accounting Treatment for Nuclear Refueling Outage Costs	Xcel's petition is approved with the condition that the deferral/amortization accounting method and the resulting creation of a regulatory asset (the deferred balance) shall not preclude Commission review of these amounts for reasonableness for rate recovery in any determination of rates, including both rate filings by the company and rate reviews initiated by the Commission.	A. Heuer	Volume 2