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Direct Testimony and Schedules
Robert L. Miller

Before the Minnesota Public Utilities Commission
State of Minnesota

In the Matter of the Application of Northern States Power Company for Authority
to Increase Rates for Electric Service in Minnesota

Docket No. E002/GR-20-723
Exhibit___(RLM-1)

Insurance

November 2, 2020

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I. INTRODUCTION

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

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

Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

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

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

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

A. I support the request of Northern States Power Company – Minnesota (NSPM) to recover in electric rates the 2021 test year and 2022-2023 plan year costs associated with its Insurance Program. Consistent with past Commission Orders, my testimony presents the Commission with detailed information about the Company’s Risk Management and Insurance Programs, including a description of the Company’s coverage, the benefits provided by the coverage, an explanation of insurance costs, and the Company’s cost mitigation efforts. It

1 also provides updated information concerning aspects of these Programs since
2 the 2016 test year rate case.

3
4 **II. EXECUTIVE SUMMARY**

5
6 Q. PLEASE PROVIDE AN EXECUTIVE SUMMARY OF YOUR TESTIMONY.

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

14
15 We have several different types of insurance, as one would expect with a large
16 utility company with electric and gas operations that serve millions of customers
17 and extend over a large geographic area. The majority of these policies include
18 coverage for catastrophic losses. However, we also maintain a program that
19 covers our smaller, yet still unpredictable losses, such as workers compensation
20 claims, to help stabilize our costs.

21
22 Though we do have a unique risk profile as a utility, we have various risk
23 mitigation mechanisms in place to reduce our risk. These tools include
24 membership in industry mutual insurance pools, centralizing our insurance risk
25 management at Xcel Energy Inc., and layering our coverages.

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1 The Company also has a variety of processes in place to ensure that we not only
2 have the appropriate levels and types of insurance, but that we are also paying
3 reasonable rates. These procurement steps include extensive negotiation and
4 policy renewal processes that can start six months before renewal is due,
5 engagement of expert insurance brokers with industry wide experience, and
6 maintaining ongoing relationships with our underwriters throughout the year to
7 keep them informed of updates at the Company, allow them to understand our
8 current risk profile, and offer them comfort in insuring our risk. In addition, we
9 also have several programs and review processes in place internally to mitigate
10 our costs and reduce our claims. These vary with each policy but some initiatives
11 include monitoring industry losses and ensuring we have measures in place to
12 prevent similar events at Xcel Energy; implementing a particular focus on safety
13 performance and training programs; and executing corporate procedures and
14 policies that help reduce the potential for claims.

15
16 It is for all these reasons that our Insurance Program is not only prudent and
17 beneficial but a necessary cost of doing business. Therefore, I recommend the
18 Commission approve the Company’s request to recover the 2021-2023 test and
19 plan years’ costs of the Insurance Program in its electric rates.

20
21 **III. OVERVIEW OF INSURANCE PROGRAM**

22
23 **A. Program and Benefits**

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

25 A. The primary purpose of our risk management program is to identify, assess,
26 prioritize, and reduce risk to protect the Company. We do this through our Loss

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1 Control Program and cost-effective risk transfer utilizing commercial insurance
2 and industry mutual insurance products.

3

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

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

14

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

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

22

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

25 A. Although our first priority is to avoid as much risk as possible, there will always
26 remain some level of risk in a company such as ours. Once the known risks
27 have been identified, the next step is to ask whether we want to accept that risk

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1 or if we want to transfer that risk to an insurance company. The Loss Control
2 Program helps to identify and prioritize the known risk.

3
4 Q. WHAT WOULD CAUSE THE COMPANY TO ACCEPT A RISK AND NOT INSURE
5 AGAINST IT?

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

12
13 For example, we do not have insurance covering our wires, lines, pipes, and
14 poles. This decision is based mostly on the volatility and cost of the insurance
15 and the relatively low risk that a large percentage of the assets will meet with a
16 catastrophic event at any one time. It is more cost effective for the Company to
17 repair and replace these assets as necessary than it is to buy insurance. Our
18 reasons for doing so are primarily related to the difficulty of procuring such
19 insurance at remotely reasonable costs, as well as the imposition of risk profiles
20 of utilities more prone to natural disasters such as hurricanes on our risk
21 coverage.

22
23 Q. WHY DOES THE COMPANY NEED INSURANCE?

24 A. The Company could not provide safe, reliable, and cost-effective electric service
25 to ratepayers without insuring the risks associated with delivering that service.
26 The Company takes steps on a continuing basis to ensure that our Insurance
27 Program provides us with proper risk protection necessary to deliver safe,

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1 reliable, and cost-effective service. By insuring potential liabilities rather than
2 the Company itself taking on the risk of liabilities, the associated costs are level,
3 largely predictable, and capped. In the long term, this results in lower and more
4 consistent rates.

5
6 Q. WHAT IS THE GOAL OF THE COMPANY’S INSURANCE PROGRAM?

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

14
15 Q. HOW ARE THE COMPANY’S INSURANCE PROGRAMS STRUCTURED?

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

22
23 Q. WHAT TYPES OF INSURANCE DOES THE COMPANY CARRY?

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

- 25 1) Master property insurance (non-nuclear assets);
26 2) Excess liability insurance;
27 3) Directors’ and officers’ (D&O) liability insurance;

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- 1 4) Fiduciary liability insurance;
- 2 5) Nuclear plant insurance, both property and liability; and
- 3 6) Primary casualty (general, auto, and workers' compensation).

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

10
11 Exhibit___(RLM-1), Schedule 2 identifies the different types of policies we
12 carry, the premiums we pay for these policies, and the insurers.

13
14 Q. DO THESE POLICIES GENERALLY COVER DIFFERENT LEVELS OF RISK?

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

20
21 The last category, the Primary Casualty, is where our claims are generally smaller
22 in nature and fall in the high-frequency, low-severity category. Due to the higher
23 frequency, these claims are more predictable, and more consistently modeled
24 by our actuaries. Occasionally we do have a larger claim in this area and if the
25 damages exceed **[PROTECTED DATA BEGINS** **PROTECTED**
26 **DATA END]**, it then moves into our Excess Liability policy.

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

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

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

14

15 **B. Selection, Procurement, and Availability**

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

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

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

9

10 Our insurance needs are divided into various lines of business. Working with

11 the Company’s chief financial officer, treasurer, and other operating units and

12 subsidiaries, we measure property replacement values, potential risks and

13 prudence of retaining risk. We then analyze whether to treat the risk through

14 loss control or through risk transfer with contracts or agreements. For some of

15 our operations, such as our nuclear insurance, coverage types and limits are

16 driven by federal regulation, and there are limited markets available to insure

17 this unique risk. For other operations, we have determined that the cost of

18 carrying certain forms of insurance outweigh the benefits in the long-term.

- 19
- 20 Q. ONCE YOU HAVE IDENTIFIED THE NEED FOR AN INSURANCE PRODUCT, HOW
- 21 DO YOU GO ABOUT PROCURING IT?
- 22 A. We have several different types of insurance and we procure each type in a
- 23 slightly different way. However, overall, we have an extensive and rigorous
- 24 procurement process in place that helps ensure we are paying reasonable
- 25 insurance premiums. Below are some of the procurement and review efforts
- 26 we engage in:

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

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

Q. WHY IS YOUR PROCUREMENT PROCESS NOTABLE?

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

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

A. The main factors that limit our insurance options are availability and cost. A large utility such as Xcel Energy Inc. has a different risk profile than other types of businesses. Consequently, for many of our operations we require more specialized types of insurance products that more closely match our risk profile than are generally available in established insurance markets. Insuring our nuclear operations is a good example of this. Another example is the significant exposure to large liability claims that are prevalent in our industry due to the wildfire risk. Given the unique risk profile of a utility, oftentimes certain

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1 insurance products may be cost prohibitive or unavailable. In addition, certain
2 macro-economic factors can have significant effects on the cost and availability
3 of insurance. These include large, wide-spread catastrophic property losses,
4 such as hurricanes, as well as fluctuating investment markets.

5
6 Q. WHY DO UTILITIES HAVE A UNIQUE RISK PROFILE?

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

11
12 Q. WHAT CAN THE COMPANY DO TO MITIGATE THIS?

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

17
18 Q. WHAT DO YOU MEAN WHEN YOU SAY YOU LAYER YOUR COVERAGE?

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

24
25 The layered structure is an industry convention for the placement of our
26 insurance, whereby different underwriters undertake a certain portion of our
27 total insured risk for any particular program. This structure has many

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1 advantages: it provides credit exposure protections to the Company; it provides
2 additional risk protection to our underwriters, which decreases the level of risk
3 they are insuring thereby driving down our premiums; and it mitigates each
4 underwriter's overall financial exposure to us.

5
6 Q. PLEASE EXPLAIN THE COMPANY'S UTILIZATION OF INDUSTRY MUTUAL
7 INSURANCE POOLS FURTHER.

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

15
16 For many of our risks, AEGIS, EIM, NEIL, and EMANI are the only insurers
17 available to cost-effectively insure these types of utility risk because, given the
18 nature of our business, there is a relatively high likelihood that we will make
19 certain types of claims. Although commercial insurance may be available, we
20 have found it to be provided on narrow, unfavorable terms at significantly
21 higher pricing.

22
23 In years prior to the establishment of AEGIS, EIM, NEIL, and EMANI, we
24 had extensive experience with the commercial insurance market. During this
25 time, the cost fluctuations for the insurance coverage now provided through
26 pools were extreme, and coverage terms were not reliable. Also, we have found
27 that a majority of the companies that provided this insurance coverage in the

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1 past are now insolvent. Industry mutual insurance pools were formed to meet
2 our insurance needs instead of requiring utilities to rely on the volatile market.

3
4 A good example of the type of risk that we place with industry mutual pools is
5 wildfire. With the recent large industry losses, many commercial markets have
6 cut back on the amount of insurance they will provide. The industry mutuals
7 have recognized this reduction in limits and have put up additional limits to help
8 utilities meet their needs for excess liability coverage.

9
10 Q. HOW DOES THE COMPANY USE ITS SIZE TO MITIGATE COSTS?

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

18
19 However, we also work to ensure that the costs of insurance are appropriately
20 allocated to the individual operating companies with proper recognition of the
21 respective differences in risk characteristics due to the differing sizes, activities,
22 and loss experience of each operating company.

23
24 Q. ARE THERE ANY OTHER WAYS THE COMPANY MITIGATES RISK?

25 A. Yes. Due to our size, we are also able to use an insurance structure known as
26 captive insurance, through which a separate insurance company was formed
27 that provides insurance coverage for Xcel Energy Inc. and its operating

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1 companies. Under this structure, we are able to evaluate our own risks apart
2 from industry trends and risks caused by unrelated entities, and we are able to
3 set coverage amounts and premiums accordingly. Said differently, the captive
4 structure allows us to insure risks particular to Xcel Energy Inc. and mitigates
5 our exposure to the risks associated with other entities. Premiums are then set
6 based on an actuarial analysis of our specific loss history rather than the loss
7 history of a broader group of entities. We use the captive structure to insure
8 our primary layer of losses where we have the most claims but the claim severity
9 is capped.

10
11 Q. WHAT ARE THE BENEFITS OF UTILIZING A CAPTIVE INSURANCE STRUCTURE?

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

20
21 **C. Premiums**

22 Q. ARE THE COMPANY'S PREMIUMS REASONABLE?

23 A. Yes. As discussed above, we take extensive cost-mitigating efforts during our
24 annual policy renewal process and negotiations. Although each component of
25 our Insurance Program has different cost drivers, insurance costs are generally
26 driven by the Company's risk profile and claims history, as well as industry-wide

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1 trends that affect particular risks. Given this, we believe we utilize appropriate
2 mechanisms to ensure reasonable insurance costs.

3
4 First, by utilizing the captive structure for our primary layer of our Primary
5 Casualty and Master Property Insurance Programs, we can price this coverage
6 in accordance with our unique risk and claims history, and insulate ourselves
7 from general industry trends for these often used insurance types. To determine
8 this specific risk, we take into account our claims history and we retain
9 independent actuarial firms to perform an actuarial analysis of our risk profile.
10 Based on this information, we set an appropriate premium for our captive layers
11 to reflect the expected claims, as well as certain fixed costs that we also expect
12 to incur.

13
14 Second, by utilizing AEGIS, EIM, NEIL, and EMANI, we are able to obtain
15 insurance for difficult to place risks. These industry mutual pools are, in many
16 ways, the only reasonably available insurers for these types of risks. As industry
17 mutual pools, these entities seek to set their pricing based on concepts of
18 mutuality and fairness. Consequently, we believe that the premiums we pay to
19 these industry mutual insurance pools are reasonable.

20
21 Third, by utilizing specialized insurance brokers to place our risk and provide
22 industry wide intelligence, we can be reasonably confident that we have
23 obtained an appropriate amount of coverage at a reasonable price. Our
24 insurance brokers are a valuable resource for our procurement efforts. The
25 primary function of our insurance brokers is to have knowledge of the market
26 and the insurance underwriters that are qualified to take on our risk; in fact, in
27 some insurance markets, such as London and Bermuda, we are required to

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1 utilize brokers. In addition, as key market players, our brokers help provide us
2 with key counterparty information to ensure that our underwriters are and will
3 continue to be creditworthy. They also have extensive experience working with
4 similar companies and can therefore provide us with industry and market
5 intelligence that would be difficult to obtain otherwise. Consequently, engaging
6 and utilizing high quality brokers allows us to develop a cost-effective and
7 reliable Insurance Program.

8
9 In addition to our procurement efforts, we undertake extensive risk and safety
10 programs to help proactively lower our inherent risk profile. These activities
11 include employee safety programs to help reduce workers compensation claims;
12 driver safety programs to help reduce automobile liability claims; public safety
13 programs to help reduce third-party liability claims; and the Loss Control
14 Program I mentioned earlier, which helps reduce property claims. We also work
15 closely with contractors and other members of the public to instill better
16 practices when they operate in the vicinity of our pipes, lines, and poles.

17
18 Q. WHAT IS THE 2021-2023 TEST AND PLAN YEARS' BUDGET FOR INSURANCE
19 PROGRAM COSTS, THE NSPM PORTION OF THESE COSTS, AND THE AMOUNT
20 ALLOCATED TO THE STATE OF MINNESOTA ELECTRIC JURISDICTION?

21 A. The 2021-2023 test and plan years' insurance premium costs for Xcel Energy
22 are \$50.5 million for 2021, \$53.2 million for 2022, and \$56 million for 2023.
23 The State of Minnesota Electric jurisdiction allocation is \$16.3 million for 2021,
24 \$17.7 million for 2022, and \$19.6 million for 2023. I note that these amounts
25 are net of our budgeted distributions from our mutual insurance and captive
26 insurance providers. I also note that these amounts do not include the costs
27 associated with our workers' compensation coverage, which is addressed by

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1 Company witness Mr. Richard R. Schrubbe in his Direct Testimony.
2 Exhibit___(RLM-1), Schedule 3 contains additional details supporting these
3 calculations.

4
5 Q. YOU MENTIONED EARLIER THAT THE COMPANY PROCURES ITS INSURANCE
6 POLICIES ANNUALLY. PLEASE EXPLAIN HOW YOU DEVELOPED THE BUDGET
7 FOR THE TEST YEAR AND PLAN YEARS.

8 A. The Company's insurance coverage is issued in policies that cover a twelve-
9 month period (the policy year); the policy year generally does not correspond to
10 the calendar year. Thus, for example, the 2021 test year premium costs
11 identified above are partly for policies issued in the prior calendar year and partly
12 for policies issued in that given calendar year.

13
14 Our insurance costs are impacted by the insurance market conditions as well as
15 our exposure metrics that are evaluated annually. We develop our out-year
16 budgets by consulting with our insurance brokers to anticipate if the general
17 insurance markets will be trending up, trending down, or staying relatively flat.
18 In addition to that, we need to understand how our exposure metrics such as
19 number of employees, miles of pipes and wires, or insurable value of our assets
20 will be changing for the upcoming budget cycles. With this information, we then
21 estimate the impact of insurance costs going forward. Generally, our test year
22 budget is based on insurance premiums we have negotiated starting in 2019.
23 For the plan years, we then analyzed these general trends and adjusted the
24 budgets accordingly. I discuss these budgets for our different lines of coverage
25 in further detail below.

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

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

10

11 Q. ARE THESE DISTRIBUTIONS CONSISTENT AND PREDICTABLE?

12 A. No. Distributions are generally determined the year before, or in the year they
13 are made. As shown in Exhibit___(RLM-1), Schedule 3 to my Direct
14 Testimony, distributions can fluctuate from year to year. For instance, the
15 NEIL Surplus Distribution was lower in 2017, but then significantly higher in
16 2018 and 2019. This fluctuation is due to NEIL’s varying investment results and
17 loss experience. NEIL provides three-year rolling guidance for their projected
18 distributions. The Company considers NEIL’s three-year rolling guidance and
19 the Company’s past experience with mutual pools and captive insurance in
20 order to forecast distributions to the best of the Company’s ability.
21 Consequently, our test year and plan year budgets are reasonable forecasts of
22 the Company’s actual insurance costs.

23

24 Q. PLEASE DISCUSS THE COMPANY’S ACCOUNTING PROCESS TO TRACK THE COSTS
25 AND INSURANCE PROCEEDS ASSOCIATED WITH AN INSURANCE CLAIM.

26 A. The costs are initially charged to O&M or capital accounts. At the end of each
27 month, these amounts are transferred to an “insurance holding account.” As

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1 the Company receives insurance proceeds, they are applied to the insurance
2 holding account. If costs are later determined to be non-reimbursable by
3 insurance, they are transferred from the insurance holding account to a separate
4 capital work order where all non-reimbursable costs are accumulated. If the
5 costs are known to be upgrades, clearly not eligible for insurance recovery, they
6 are placed against the capital account upon initial entry.

7
8 Q. HOW DOES THE COMPANY HELP ENSURE THAT PROJECT COSTS THAT WILL BE
9 REIMBURSED BY INSURANCE ARE NOT ALSO RECOVERED FROM CUSTOMERS?

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

17
18 Q. WHAT ARE THE TRENDS FOR THE COMPANY'S INSURANCE PREMIUMS?

19 A. Schedule 3 provides our actual and forecasted premiums for the years 2017-
20 2023. As demonstrated in Schedule 3, our actual and forecasted insurance
21 premiums are generally trending up due to an overall hardening of the insurance
22 market especially in the conventional property and excess liability areas. This is
23 driven by increased industry claim experience and will be discussed in further
24 detail below. A hardening market means that insurance capacity is reducing,
25 which allows for insurance companies to increase premiums pursuant to basic
26 supply and demand principles. Conversely in a soft market, there is greater
27 insurance capacity and the advantage shifts to the insureds, as there is more

1 coverage on the market for insureds to choose from, which normally reduces
2 cost.

3
4 The main drivers for our insurance costs are our exposure metrics, including
5 the insurable value of our property, claims history and industry trends. We try
6 to insulate ourselves from industry trends where possible by, for example,
7 negotiating specialized coverages, layering our insurance, and utilizing the
8 captive structure. Further, as described elsewhere in this testimony, we
9 undertake mitigation measures to attempt to reduce the amount of claims we
10 make on our policies.

11
12 **IV. MAJOR INSURANCE PROGRAMS**

13
14 **A. Master Property Insurance**

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

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

23
24 Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

25 A. The Company operates a non-nuclear fleet valued at approximately \$30 billion.
26 Further, we operate over \$20 billion of non-generation assets that we believe
27 would be prudent to insure and which are paid for by our customers. Further,

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1 our debt covenants require us to maintain minimum levels of insurance to
2 protect our collateral. Our Master Property Insurance Program acts much like
3 homeowners insurance, which any prudent homeowner would carry to protect
4 their house and comply with their mortgage.

5
6 Q. HOW IS THE MASTER PROPERTY INSURANCE PROGRAM STRUCTURED AND
7 WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

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

11
12 Q. HOW DID THE COMPANY DETERMINE THAT **[PROTECTED DATA BEGINS**
13 **PROTECTED DATA ENDS]** PER OCCURRENCE WAS AN
14 APPROPRIATE AMOUNT OF COVERAGE FOR ITS MASTER PROPERTY INSURANCE
15 PROGRAM?

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

- 23 • The largest loss in our industry, world-wide, of about **[PROTECTED**
24 **DATA BEGINS PROTECTED DATA ENDS]**;
- 25 • Engineering evaluation of maximum foreseeable loss, at our largest site,
26 less than **[PROTECTED DATA BEGINS**
27 **PROTECTED DATA ENDS]**; and

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- 1 • Review of peer group practices.

2

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

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

7

8 Q. WHY ARE THESE SUBLIMITS APPROPRIATE?

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

15

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

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

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

13
14 I am not aware of any other regulated utility that carries replacement power
15 insurance for their conventional fleet, likely due to the limiting terms as well as
16 the cost. Given that, we continue to believe that carrying this type of insurance
17 does not make economic sense; however, we will continue to periodically review
18 the option.

19
20 Q. ARE THE PREMIUMS FOR THE MASTER PROPERTY INSURANCE PROGRAM
21 REASONABLE?

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

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

3 A. The main cost drivers are the Company’s risk profile, including insurable value
4 and claims history, as well as the overall industry claims history.
5

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

7 A. Our internal loss control group is continuously evaluating our risk profile and
8 making recommendations for risk improvements where necessary. We quickly
9 learn from industry losses and ensure measures are in place to prevent similar
10 events at our facilities.
11

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

14 A. The cost of this insurance was down 2 percent for 2018. We then saw the start
15 of the hardening of the insurance market and premium increased 10 percent in
16 2019 and continued to increase by 17 percent in 2020. This was due to
17 unfavorable industry claims experience (more claims on an industry-wide basis)
18 and increased insurable values from our significant investment in carbon-free
19 energy. We expect to return to 3 percent to 6 percent annual increases due to
20 insurable value growth for 2021 through 2023.
21

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

24 A. The Company has undertaken several initiatives to minimize the potential for
25 increases in insurance costs. We met with several new insurers to increase our
26 options for program structure changes if necessary. We also started our renewal

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1 planning process six months in advance of the renewal date to allow for
2 program structure changes if necessary.

3
4 Importantly, we include our senior Energy Supply managers in meetings with
5 underwriters. We believe that their participation helps our underwriters better
6 understand our operations and how we manage our plants to help mitigate risk.
7 Our broker informs us that this goes beyond what many utilities do to provide
8 information to their underwriters.

9
10 **B. Excess Liability Insurance**

11 Q. WHAT RISKS DOES THE COMPANY'S EXCESS LIABILITY INSURANCE PROGRAM
12 COVER?

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

19
20 Q. CAN YOU PROVIDE SOME EXAMPLES OF THE TYPES OF RISKS COVERED BY
21 EXCESS LIABILITY INSURANCE?

22 A. The claims that we have made under this program have been the few claims
23 that have been large enough to exceed the limits of our Primary Casualty
24 Insurance Program. Thus, the risks covered by the Excess Liability Insurance
25 Program are large liability claims exceeding **[PROTECTED DATA BEGINS**
26 **PROTECTED DATA ENDS]** Examples include serious injuries
27 or death to members of the public caused by the Company's employees or the

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1 Company's equipment or facilities; for example, power line contact or a gas
2 explosion, as well as claims alleging damage to the environment.

3
4 Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

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

10
11 Q. HOW DID THE COMPANY DETERMINE THAT THE TOTAL AMOUNT OF
12 AGGREGATE EXCESS LIABILITY COVERAGE IS APPROPRIATE?

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

21
22 Q. PLEASE EXPLAIN HOW THE LAYERED COVERAGE IN THE EXCESS LIABILITY
23 INSURANCE PROGRAM OPERATES.

24 A. As indicated in Schedules 2 and 6, we utilize different underwriters to obtain our
25 total coverage of **[PROTECTED DATA BEGINS**
26 **PROTECTED DATA ENDS]**. Each underwriter provides coverage of a
27 specific layer of our risk. For example, AIG provides us with coverage of

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1 markets. Our claims history has been favorable, but the industry has been hit
2 hard with wildfire losses and the insurance market has been hardening.

3
4 Q. WHAT IS THE COMPANY DOING TO MITIGATE THE AMOUNT OF THESE CLAIMS?

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

7
8 Q. WHAT TRENDS IS THE COMPANY SEEING IN ITS EXCESS LIABILITY INSURANCE
9 PROGRAM PREMIUMS?

10 A. The cost of this insurance saw a 4 percent increase in 2018 and a 3 percent
11 increase in 2019. In 2020, the increase was 24 percent due to hardened insurance
12 markets resulting from large industry-wide losses such as wildfires and gas
13 explosions. The next three years will continue to depend on the severity of
14 industry-wide losses. Our budget has 29 percent premium growth projected for
15 2021 as the hard market is expected to last for another year, and then back down
16 to a more normal market of 7 percent and 2 percent for 2022 and 2023. In
17 addition to our claims mitigation efforts, we continue to review higher
18 attachment points to determine if premium credits would be helpful in reducing
19 overall costs.

20
21 **C. Directors' and Officers' Liability Insurance**

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

24 A. Like any corporation, the Company's bylaws indemnify directors and officers
25 in the event they are personally sued -- often in addition to the company being
26 sued -- by investors, employees, vendors, competitors, and customers, among

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1 other parties. The Directors' & Officers' (D&O) Liability Insurance Program
2 insures this liability.

3
4 Q. CAN YOU PROVIDE SOME EXAMPLES OF THESE TYPES OF RISKS?

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

11
12 Shareholders of corporations in all business segments file suits against directors
13 and officers. These types of suits, called derivative actions, are filed against
14 directors and officers for transactions involving undisclosed conflicts of
15 interest, insider trading, authorization of loans of corporate funds on
16 preferential terms, imprudent investment choices, mismanagement of the
17 corporation, or decisions that might make that cause a diminution in the profits
18 or value of a corporation. These types of cases are often without merit and are
19 particularly common in difficult economic times.

20
21 I note that no D&O claim will be paid if a director or officer is found guilty of
22 any criminal wrongdoing, which is an important limitation to this coverage.

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

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

10

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

13 A. Our D&O Insurance Program is composed of layers of policies from a panel
14 of various underwriters and is also divided into Side A and Side B coverage
15 consistent with general industry practice. Side A is “executive indemnification,”
16 which insures our directors, officers, and employees for their defense costs,
17 settlement fees, or judgments in the event that they are outside of the bylaw’s
18 indemnification provision or if the Company cannot cover them, such as if the
19 Company has declared bankruptcy. Side B is “corporate reimbursement,”
20 which covers the Company for directors’, officers’, and employees’ losses when
21 it does indemnify them and also provides corporate coverage whenever the
22 Company is sued along with the directors and officers. Most claims are made
23 under Side B coverage. The Company maintains total D&O insurance limits of
24 **[PROTECTED DATA BEGINS PROTECTED DATA**
25 **ENDS]** for Side A and B coverage, plus **[PROTECTED DATA BEGINS**

¹ Minn. Stat. § 302A.521.

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1 **PROTECTED DATA ENDS]** Side A only coverage.
2 Exhibit___(RLM-1), Schedule 7 illustrates the structure for our D&O Liability
3 Insurance Program.

4
5 Q. HOW DID THE COMPANY DETERMINE THAT **[PROTECTED DATA BEGINS**
6 **PROTECTED DATA ENDS]** SIDE A & B COVERAGE AND
7 **[PROTECTED DATA BEGINS** **PROTECTED DATA**
8 **ENDS]** SIDE A ONLY COVERAGE WAS AN APPROPRIATE AMOUNT OF D&O
9 LIABILITY INSURANCE?

10 A. Our experience with this program has informed our decision to maintain our
11 coverage at **[PROTECTED DATA BEGINS** **PROTECTED**
12 **DATA ENDS]** and **[PROTECTED DATA BEGINS**
13 **PROTECTED DATA ENDS]**. Further, our liability insurance broker and
14 industry benchmarking as shown in Exhibit___(RLM-1), Schedule 12 also show
15 that for a Company of our size these are appropriate amounts.

16
17 Q. PLEASE EXPLAIN WHY YOU BELIEVE THE D&O INSURANCE PREMIUMS ARE
18 REASONABLE.

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

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1 for these layers consistent with industry practice adjusted for our unique risk
2 profile.

3

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

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

9

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

15

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

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

21

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

24 A. Premium costs have been relatively flat for the past couple of years but are now
25 beginning to trend upward. We expect to see an uptick in premium costs as
26 industry claims activity is increasing and being tied to large general liability

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1 claims. Our test year and plan year budgets reflect normal inflationary pressures
2 on these premiums.

3
4 Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE D&O
5 LIABILITY INSURANCE PROGRAM.

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

11
12 **D. Fiduciary Liability Insurance**

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

15 A. Our Fiduciary Liability Insurance Program protects those serving as
16 "fiduciaries" as defined by the Employee Retirement Income Security Act
17 (ERISA). Specifically, this coverage protects the Company's employees who
18 design and administer employee pension and benefit plans, including the
19 management of the assets and liabilities of the plans, and who are therefore
20 liable for any breach of the fiduciary duties owed in doing such work.

21
22 Q. CAN YOU PROVIDE SOME EXAMPLES OF THESE TYPES OF RISKS?

23 A. ERISA activities that give rise to fiduciary duties, and therefore also carry the
24 risk of claims for breach of those duties, include: selecting and monitoring plan
25 investment vehicles; selecting and monitoring third-party service providers;
26 interpreting plan provisions; and exercising discretion in denying or approving

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1 benefit claims. Oftentimes, the insured fiduciary liability is implicated in a
2 shareholder suit making claims upon our D&O insurance.

3
4 Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

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

9
10 Q. HOW IS THE FIDUCIARY LIABILITY INSURANCE PROGRAM STRUCTURED AND
11 WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

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

17
18 Q. HOW DID THE COMPANY DETERMINE THAT **[PROTECTED DATA BEGINS**
19 **PROTECTED DATA ENDS]** WAS AN APPROPRIATE AMOUNT OF
20 FIDUCIARY LIABILITY INSURANCE?

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

27

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1 Q. PLEASE EXPLAIN WHY THE COMPANY’S FIDUCIARY LIABILITY INSURANCE
2 PROGRAM PREMIUMS ARE REASONABLE.

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

9

10 Q. WHAT ARE THE MAIN DRIVERS OF THE COSTS OF THE COMPANY’S FIDUCIARY
11 LIABILITY INSURANCE PROGRAM?

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

16

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

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

20

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

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

27

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

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

6

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

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

13

14 **E. Nuclear Insurance Program**

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

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

19

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

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

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

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

21
22 Our nuclear business interruption insurance, otherwise called accidental outage
23 insurance, is also provided by NEIL. The maximum limits that could be paid
24 under these policies are **[PROTECTED DATA BEGINS**
25 **PROTECTED DATA ENDS]** per reactor. This coverage is provided on the
26 basis of **[PROTECTED DATA BEGINS PROTECTED**
27 **DATA ENDS]** per week for **[PROTECTED DATA BEGINS**

1 **PROTECTED DATA ENDS]**, subject
2 to the above total limit and a waiting period (deductible) of **[PROTECTED**
3 **DATA BEGINS** **PROTECTED DATA ENDS]**.
4 Exhibit__(RLM-1), Schedule 10 illustrates the structure of this component of
5 our Nuclear Accidental Outage Insurance Program.

6
7 Our nuclear liability insurance is provided by American Nuclear Insurers (ANI),
8 a joint underwriting association. These ANI “facility form” policies each
9 provide limits of **[PROTECTED DATA BEGINS**
10 **PROTECTED DATA ENDS]** per loss with no deductible provision. Since
11 there is no deductible, ANI and its team of claims specialists are able to defend
12 claims very soon after such claim is made.

13
14 In addition to the ANI facility form policies, the Company participates in the
15 Secondary Financial Protection (SFP) program. The SFP is a Nuclear
16 Regulatory Commission (NRC) administered program that provides for an
17 additional **[PROTECTED DATA BEGINS** **PROTECTED**
18 **DATA ENDS]** of financial protection under the Price-Anderson Act.
19 Exhibit__(RLM-1), Schedule 11 illustrates the structure of this component of
20 our Nuclear Liability Insurance Program. Unlike insurance, which requires a
21 premium payment in advance, the SFP is administered as a “post-loss” funding
22 vehicle. This means that following a very large nuclear event, participating
23 companies would be assessed a fee to fund the coverage for that loss, subject
24 to a cap of **[PROTECTED DATA BEGINS** **PROTECTED**
25 **DATA ENDS]** per reactor per incident per year.

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1 Q. ARE THESE THE APPROPRIATE COVERAGES?

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

5

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

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

14

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

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

20

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

27

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

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

9

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

12 A. Several years ago there were two very large claims that had a significant adverse
13 effect on NEIL's financial position. An industry claim from 2009 cost over \$800
14 million and another industry claim from 2008 cost in excess of \$450 million.
15 NEIL experienced a growing trend of large claims over a period of time; but in
16 recent years, has had good loss experience.

17

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

20 A. As I mentioned, the nuclear industry has experienced several very significant
21 losses ten years ago and as a result, the costs for nuclear property insurance were
22 trending up for several years. More recently, with good industry loss experience,
23 the insurance costs have been flattening out and in some cases decreasing. The
24 cost for nuclear business interruption insurance has seen the same trend as the
25 property insurance program. The cost for nuclear liability insurance has
26 experienced gradual increases over the past three years. The Company has not

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1 made any claims recently. Our test year and plan year budgets reflect normal
2 inflationary pressures for these types of premiums.

3
4 Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE NUCLEAR
5 INSURANCE PROGRAM.

6 A. There are two main factors that we can undertake to mitigate the costs of our
7 Nuclear Insurance Program. The first is to maintain our INPO rating.
8 Company witness Peter Gardner discusses our efforts to do so in his Direct
9 Testimony. The second is we added EMANI to diversify the program.

10
11 **F. Primary Casualty Insurance Program**

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

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

18
19 Risks covered under the general liability and auto liability programs include
20 claims that Xcel Energy Inc.'s equipment or personnel damaged third-party
21 property or caused third-party injury. Claims for injury to an employee on the
22 job are covered under our workers' compensation program.

23
24 Q. WHY DOES THE COMPANY NEED THIS TYPE OF INSURANCE?

25 A. Xcel Energy Inc. serves 3.7 million electric customers and 2.1 million gas
26 customers; we employ over 11,000 employees and we own and operate, among
27 other things, 30 hydro-electric facilities, thousands of miles of gas transmission

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1 and distribution piping, and a fleet of over 7,000 licensed vehicles – all of which
2 are exposed to injury and damage claims from the public. Additionally, the
3 Company is obligated to meet various legal and regulatory requirements with
4 respect to automobile liability and workers’ compensation insurance. Without
5 this insurance, the Company would be forced to bear the costs of these claims
6 which derive from our provision of service.

7
8 Q. HOW IS THE PRIMARY CASUALTY INSURANCE PROGRAM STRUCTURED AND
9 WHAT AMOUNT OF COVERAGE DOES THE COMPANY CARRY?

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

14
15 For our general liability insurance, the Company is protected with a total limit
16 of **[PROTECTED DATA BEGINS PROTECTED DATA**
17 **ENDS]** per loss under policies issued by Old Republic Insurance Company and
18 our captive insurance structure. This general liability insurance component is
19 structured in a manner that is intended to minimize costs to Xcel Energy Inc.
20 and provide for the first dollar coverage of each loss. Under this structure, we
21 manage these third-party claims in-house. By insuring the first dollar of each
22 loss, we ensure that each and every third-party claim is professionally managed
23 so that we may identify trends and implement mitigations measure for common
24 risks, as well as shift the overall cost burden to our Insurance Program thereby
25 helping to stabilize the effects of extreme fluctuations in insurance costs and
26 rates.

27

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

5
6 Our workers' compensation insurance is structured in a slightly different
7 manner in order to meet certain legal requirements. Minnesota law requires that
8 all excess insurance and all reinsurance for the workers' compensation risk be
9 insured by the Workers' Compensation Reinsurance Association (WCRA). Our
10 workers' compensation insurance is therefore divided between coverage for
11 employees in Minnesota and coverage for employees in all other states. For the
12 Minnesota portion, the Company maintains a deductible of **[PROTECTED**
13 **DATA BEGINS PROTECTED DATA ENDS]** which is
14 then insured by Old Republic through a deductible reimbursement policy. The
15 WCRA provides coverage for all losses in excess of this **[PROTECTED**
16 **DATA BEGINS PROTECTED DATA ENDS]**.

17
18 Q. HOW DID THE COMPANY DETERMINE THAT THE TOTAL AMOUNT OF PRIMARY
19 CASUALTY COVERAGE IS APPROPRIATE?

20 A. Because the Primary Casualty coverage is a layer of coverage that sits below the
21 Excess Liability coverage, the goal in determining the appropriate amount of
22 Primary Casualty coverage is to strike the right balance between the two types
23 of coverage so as to minimize premium costs and maximize flexibility. In 2014,
24 we increased the coverage to **[PROTECTED DATA BEGINS**
25 **PROTECTED DATA ENDS]** to reduce the amount of premiums
26 we pay under our Excess Liability Insurance Program and bring that risk into
27 coverage under our Primary Casualty Insurance Program. Our actuarial analysis

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1 shows this change to be budget neutral while providing us with increased
2 flexibility with claims management.

3

4 Q. ARE THE PRIMARY CASUALTY INSURANCE PROGRAM PREMIUMS REASONABLE?

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

12

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

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

18

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

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

22

- Continued aggressive public safety programs;

23

- Coordinated with our insurers' loss control consultants;

24

- Investigated all claims thoroughly; and

25

- Defended claims rigorously.

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

3 A. The cost of this insurance has trended downward to flat over the past several
4 years, but did go up 61 percent in 2019 due to an assessment of losses from our
5 third-party actuary, in part based on an adverse loss history for the past few
6 years in the general liability area. Said differently, the industry as a whole is
7 seeing an upward trend in claims and we are as well. Our test year and plan year
8 budgets represent normal inflationary pressures on these types of premiums
9 based on 2020 levels.

10

11 Q. PLEASE EXPLAIN THE DRIVERS OF THIS PREMIUM INCREASE.

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

25

26 I also note that these types of premium changes are common in both the general
27 insurance markets and more specifically the utility industry insurance markets

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1 as risk profiles evolve. That said, recognizing that Xcel Energy Inc.'s claims
2 history generally has been very good in recent years, we have budgeted for
3 expected distributions from our Primary Casualty insurer to offset some of
4 these premium increases.

5
6 Q. PLEASE EXPLAIN COST MITIGATION EFFORTS WITH RESPECT TO THE PRIMARY
7 CASUALTY INSURANCE PROGRAM.

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

14
15 **V. OTHER INSURANCE PROGRAMS**

16
17 Q. DOES THE COMPANY HAVE OTHER TYPES OF INSURANCE PROGRAMS?

18 A. Yes. As I mentioned above, we carry other coverages for unusual types of
19 events or as may be required by our lenders and other stakeholders such as
20 railroads and contractors. Exhibit___(RLM-1), Schedule 2 identifies these
21 additional coverages and other pertinent information.

VI. CONCLUSION

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Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.

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

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

The Company provides an Insurance Program that is reasonable, appropriate and comparable to that of our industry peers. The costs of our Insurance Program are reasonable, prudent and necessary to continue to insure the risks inherent in providing service to ratepayers. Therefore, I recommend the Commission approve the Company’s request to recover the 2021-2023 test and plan years level costs of the Insurance Program in electric rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Robert L. Miller, P.E.

Experience	<i>Director, Hazard Insurance</i>	Jan 2015 - Present
	Xcel Energy Inc., Minneapolis, MN	
	<ul style="list-style-type: none">• Direct \$50 million property & casualty insurance program• Lead insurance procurement and property loss control services• Lead multi-line captive insurance program• Lead negotiations on variety of multi-million dollar claims	
	<i>Manager, Hazard Insurance</i>	Nov 2006 – Jan 2015
	Xcel Energy Inc., Minneapolis, MN	
	<ul style="list-style-type: none">• Established “best in class” property loss control program• Managed staff of 5 insurance and loss control professionals	
	<i>Loss Control Consultant</i>	Jul 2004 – Nov 2006
Xcel Energy Inc., Minneapolis, MN		
<ul style="list-style-type: none">• Advised corporation on Property and Mechanical exposures		
<i>Loss Control Manager</i>	May 2001 – Jul 2004	
NRG Energy, Inc., Minneapolis, MN		
<ul style="list-style-type: none">• Advised corporation on Property and Mechanical exposures		
<i>Environment, Health & Safety Eng</i>	Apr 1997 – May 2001	
Cargill, Inc., Minnetonka, MN		
<ul style="list-style-type: none">• Technical resource for property loss control and personnel safety		
<i>Loss Control Engineer</i>	Jun 1985 – Apr 1997	
FM Global, Minneapolis, MN		
<ul style="list-style-type: none">• Provided loss control services for insureds		
Education	<i>Master of Business Administration</i>	May 2012
	Emphasis – Finance University of St. Thomas, St. Paul	
	<i>Bachelor of Science</i>	May 1985
	Major – Chemical Engineering SDSM&T, Rapid City	

Professional Associate in Risk Management
Licensed Professional Engineer, State of Minnesota

Associations *Edison Electric Institute* 2006 - Present
Risk Management Committee

Nuclear Electric Insurance Limited 2006 - Present
Insurance Advisory Committee

Risk & Insurance Management Society 2004 - Present
Minnesota Chapter

Associated Electric and Gas 2016 - Present
Insurance Services
Risk Management Advisory Committee

Presentations Have given numerous presentations to industry conferences on topics including risk management, claims and insurance coverage

SCHEDULE OF INSURANCE

COVERAGE DESCRIPTION	INSURANCE COMPANY	POLICY NUMBER	BROKER Marsh USA	POLICY LIMITS	Attachment	UNDERLYING Deductible	COVERAGE TERM FROM TO	FINANCE PLAN	PREMIUM
		[PROTECTED DATA BEGINS...]						[PROTECTED DATA BEGINS...]	
MASTER PROPERTY									
Master Property Program									
PRIMARY	EIS (1)						6/29/2020 6/29/2021		
FIRST EXCESS LAYER	Various						6/29/2020 6/29/2021		
SECOND EXCESS LAYER	Various						6/29/2020 6/29/2021		
Excess layers combined premium									
Total Raw Premium									
Total Fees									
Total Master Property									
EXCESS LIABILITY									
LAYER 1	AEGIS						8/18/2020 8/18/2021		
LAYER 2	EIM						8/18/2020 8/18/2021		
LAYER 3	MBP8/NEIL						8/18/2020 8/18/2021		
LAYER 3	OCIL/STARR/SCOR						8/18/2020 8/18/2021		
LAYER 4	Hannover/Hiscox						8/18/2020 8/18/2021		
LAYER 5	AXAXL/ARGO/Endurance						8/18/2020 8/18/2021		
LAYER 6	OCIL						8/18/2020 8/18/2021		
LAYER 7	AXAXL/ARCH						8/18/2020 8/18/2021		
LAYER 8	LIBERTY/HISCOS/ STARR/HANNOVER						8/18/2020 8/18/2021		
LAYER 9	CHUBB BERMUDA						8/18/2020 8/18/2021		
LAYER 10	LEXINGTON						8/18/2020 8/18/2021		
LAYER 11	EIS/MUNICH RE						8/18/2020 8/18/2021		
LAYER 12	EIS/NIRA						8/18/2020 8/18/2021		
RKH FEE									
LONDON FEE									
Total Raw Premium									
Total Fees									
Total Excess Liability									
DIRECTORS & OFFICERS LIABILITY									
LAYER 1	AEGIS (Primary)						8/18/2020 8/18/2021		
LAYER 2	EIM (1st XS)						8/18/2020 8/18/2021		
LAYER 3	U S Specialty/HCC(2nd XS)						8/18/2020 8/18/2021		
LAYER 4	RLI (3rd XS)						8/18/2020 8/18/2021		
LAYER 5	Chubb/ACE American Ins. Co. (4th XS)						8/18/2020 8/18/2021		
LAYER 6	AIG/ National Union Fire (5th XS)						8/18/2020 8/18/2021		
LAYER 7	Allied World Assur- (6th XS)						8/18/2020 8/18/2021		

SCHEDULE OF INSURANCE

COVERAGE DESCRIPTION	INSURANCE COMPANY	POLICY NUMBER	BROKER Marsh USA	POLICY LIMITS	Attachment	UNDERLYING Deductible	COVERAGE TERM FROM TO	FINANCE PLAN	PREMIUM
FIDUCIARY LIABILITY									
LAYER 1	AEGIS (Primary)						8/18/2020 8/18/2021		
LAYER 2	U S Specialty/ HCC (1st)						8/18/2020 8/18/2021		
LAYER 3	Chubb/Ace						8/18/2020 8/18/2021		
LAYER 4	EIM (3rd)						8/18/2020 8/18/2021		
LAYER 5	National Union Fire/AIG (4th)						8/18/2020 8/18/2021		
Total Raw Premium									
Total Fees									
TOTAL FIDUCIARY LIABILITY									
PRIMARY CASUALTY									
GENERAL LIABILITY	Old Republic Ins. Co.						11/1/2019 11/1/2020		
GENERAL LIABILITY	EIS (1)						11/1/2019 11/1/2020		
AUTO LIABILITY	Old Republic Ins. Co.						11/1/2019 11/1/2020		
AUTO LIABILITY & APD	EIS (1)						11/1/2019 11/1/2020		
WORKERS' COMP. - All States	Old Republic Ins. Co.						11/1/2019 11/1/2020		
WORKERS' COMP. LARGE Deductible	EIS (1)						11/1/2019 11/1/2020		
RAILROAD PROTECTIVE - UP - Hayden	Old Republic Ins. Co.						6/1/2019 6/1/2020		
RAILROAD PROTECTIVE - UP - Hayden	EIS (1)						6/1/2019 6/1/2020		
Total Raw Premium									
Brokerage Fees									
Total Primary Casualty									
OTHER POLICIES									
FIDELITY INSURANCE	Great American Ins. Co.						3/1/2020 3/1/2021		
SPECIAL COVERAGE	Berkley						3/1/2020 3/1/2021		
AVIATION INSURANCE	Hiscox						6/1/2019 6/1/2022		
	USAIG (5)						8/3/2020 8/3/2021		

Xcel Energy Inc.
Insurance Premiums: 2017 to 2023

	2017 Actuals			2018 Actuals			2019 Actuals			2020 MN Elec Rate Case August Forecast			2021 Budget			2022 Budget			2023 Budget		
	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric	Total Xcel	NSPM Electric	MN Juris Electric
	PROTECTED DATA BEGINS...																				
Property Insurance																					
General Liability Insurance																					
Excess Liability Insurance																					
Directors and Officers Insurance																					
Auto Liab/Physical Damage																					
Fiduciary Insurance																					
Cyber Insurance *																					
Other Insurance																					
Nuclear Property Insurance																					
Nuclear Interrupt Insurance																					
Nuclear Liability Insurance																					
Nuclear Liability ICRP **																					
NEIL Surplus Insurance ***																					
Captive distribution (credits) ***																					
	\$ 29,844,639	\$ 13,623,182	\$ 11,904,958	\$ 38,855,344	\$ 12,612,960	\$ 11,045,623	\$ 40,611,699	\$ 7,879,436	\$ 6,863,951	\$ 44,396,559	\$ 16,244,455	\$ 14,144,859	\$ 50,535,469	\$ 18,773,293	\$ 16,346,845	\$ 53,171,823	\$ 20,374,156	\$ 17,740,797	\$ 56,046,055	\$ 22,488,315	\$ 19,581,700
	...PROTECTED DATA ENDS]																				

* Previously a part of "Other Insurance"

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

*** Surplus distributions

Xcel Energy Inc.
Master Property Insurance
June 29, 2020 - June 29, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

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**Master Property Insurance
Sub-Limits Schedule**

[PROTECTED DATA BEGINS:

...PROTECTED DATA ENDS]

Xcel Energy Inc.
Excess Liability Insurance

August 18, 2020 - August 18, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

Xcel Energy Inc.
Directors' & Officers' Liability Insurance
August 18, 2020 - August 18, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

Xcel Energy Inc.
Fiduciary Liability Insurance
August 18, 2020 - August 18, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

North States Power Minnesota
Nuclear Property Insurance

October 1, 2020 - October 1, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

North States Power Minnesota
Nuclear Accidental Outage Insurance
October 1, 2020 - October 1, 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

Northern States Power Minnesota
Nuclear Liability Insurance
January 1 2020 - January 1 2021

[PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]

Power Utility Property Insurance Benchmarking

Type of Utility							Major Deductibles (if applicable)		Major Limits (if applicable - Critical Nat Cat)			
Electric	Gas	MW Capacity	Total TIV	Total Premium	Rate	% Rate Chg	PD: Non-Gen	PD: Gen	Policy Limit	Flood (A&V)	5 Year Loss Ratio	NOTES

PROTECTED DATA BEGINS...

...PROTECTED DATA ENDS]