

State agency takes on Xcel over proposed rate increase

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The Minnesota Department of Commerce on Wednesday objected to Xcel Energy Inc.'s proposed rate increases, saying the utility needs far less to operate.

The department's Office of Energy Security recommended knocking down by \$107 million, or more than half, the planned increase of \$198 million.

Xcel defended the proposed new rates, which amount to a 7.4 percent hike over two years.

Customers already are paying more for electricity under a partial, interim rate increase of \$123 million that took effect Jan. 2. A second increase would take effect next January.

The state Public Utilities Commission (PUC), which must approve the increases, is set to act in December. If the PUC approves rates that are less than the interim rates, customers would get refunds with interest. If the approved rates are higher than what customers now pay, the utility can't tack on a surcharge because it charged less during the interim period.

Commerce Commissioner Mike Rothman said in a statement that the considerably smaller rate increases "will protect ratepayers from undue burden, but still allow Xcel Energy to provide safe, reliable service and make improvements to distribution, transmission and generation facilities."

The PUC takes into consideration comments from other agencies like Commerce and from the public. In letters to regulators, several customers recently have objected to the rate increase and to the compensation of Xcel CEO Richard Kelly, who earned \$11 million last year, mostly from vested stock.

The Commerce Department, after looking into the utility's costs for such things as capital, wages, taxes and legal expenses, concluded that Xcel had overestimated costs

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and underestimated revenue in 2011.

In what it termed an "unusual" proposal for rate increases in two years, the department agreed that Xcel would need more money to improve its nuclear power plant in Monticello. Commerce objected to Xcel's tacking on of other costs to the Monticello project, which it doesn't support.

"We believe our request is reasonable," Xcel Energy spokesman Steve Roalstad said. "We have made significant investments and will continue to invest more than \$1 billion per year in Minnesota over the next four years, modernizing our system and meeting increased regulations, all to continue providing safe, reliable and affordable service. These and other services are important to our customers and communities, and we are committed to serving them."

Roalstad defended the CEO's compensation, saying it is tied to the market average for utility executives and performance.

It is not unusual for the Commerce Department to recommend much smaller rate increases for utilities. In January, it

recommended Interstate Power and Light Co. cut its proposed rate hike by half, and in September suggested cutting Otter Tail Power Co.'s increase by more than 80 percent.

Staff writer David Shaffer contributed to this report. Jackie Crosby • 612-673-7335

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