

**Before the Minnesota Public Utilities Commission  
State of Minnesota**

**In the Matter of the Application of Northern States Power Company d/b/a/ Xcel  
Energy for a Certificate of Need Authorizing an Extended Power Uprate at the  
Prairie Island Nuclear Generating Plant**

**MPUC Docket Nos. E-002/CN-08-509  
OAH Docket No. 7-2500-19797-2**

**Surrebuttal Testimony of Marshall Hallock  
on behalf of the City of Red Wing, Minnesota**

**May 29, 2009**

1                   **I. Introduction and qualifications**

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3           Q:   Please state your name, occupation, and business address.

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5           A:   My name is Marshall Hallock. I am the Finance Director for the City of Red Wing,  
6               Minnesota. My business address is 315 West Fourth Street, Red Wing, Minnesota,  
7               55066.

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9           Q:   Are you the same Marshall Hallock who provided direct testimony on behalf of the  
10               City of Red Wing (the "City") in this proceeding?

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12          A:   Yes.

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14          Q:   What is the purpose of your surrebuttal testimony?

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16          A:   I am offering surrebuttal testimony relative to the rebuttal testimony offered by Dr.  
17               Steve Rakow on behalf of the Minnesota Office of Energy Security, Department of  
18               Commerce ("OES"), and the rebuttal testimony offered by Charles R. Bomberger and  
19               Joseph P. Rheinberger on behalf of Northern States Power Company d/b/a Xcel  
20               Energy ("Xcel Energy").

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22                   **II. Response to Dr. Steve Rakow**

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24          Q:   At the outset of his testimony, Dr. Rakow identifies the issues he responds to are the  
25               "incremental costs and incremental benefits to the City." Do you agree that these are  
26               the correct issues?

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28          A:   No. An incremental cost/benefit analysis, as it relates to the City's ability to  
29               adequately ensure the availability of public safety resources, is not and should not be  
30               the focus. This analysis would limit the inquiry only to the absolute direct costs of

1 the City in the event of an incident at an "uprated" Prairie Island Nuclear Generating  
2 Plant (the "PINGP"). This would not take into account those costs associated with  
3 ensuring the adequacy or availability of critical and necessary public safety and other  
4 resources needed to respond and an incident at the PINGP. These costs include  
5 ensuring and maintaining the availability of the police, fire and ambulance services  
6 necessary to respond to an incident at the PINGP and support the various Emergency  
7 Response Plans that are in place for the PINGP.  
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9 Q: Why aren't the incremental costs the proper measure to evaluate the costs to the City  
10 in this proceeding?  
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12 A: An incremental cost analysis would vastly oversimplify the complex nature of the  
13 applicant's request and its effects upon the City of Red Wing. The issue that needs to  
14 be addressed is not a matter of simple incremental costs, but rather a matter of overall  
15 public safety preparedness. This preparedness includes, at its most fundamental level,  
16 the adequacy and availability of the resources necessary to respond to an incident at  
17 the PINGP. The City prepares an annual budget to provide the necessary and critical  
18 public services for a city of its size and complexity. Incorporated within this budget  
19 are the costs associated with hosting the PINGP. This also includes the responsibility  
20 of being the first responder on every single Emergency Response Plan for the  
21 PINGP. It is not possible to break out what costs are directly associated with the  
22 PINGP from an administrative, personnel, or facilities management perspective.  
23 Likewise, it is not feasible to breakout the costs associated with certain equipment  
24 (e.g. fire trucks, ambulances, and police cars) that will be necessary to respond in the  
25 event of an incident at the PINGP. All of these costs in their totality represent the  
26 critical and necessary basic public service requirements. The issue, then, is not  
27 incremental costs, but rather what are the costs, in their totality, to support the; public  
28 safety elements that are necessary to provide a public safety response in the event of  
29 an incident at the PINGP or elsewhere.  
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31 When the PINGP was built, the City made commitments to Xcel Energy and to its

1 citizens that the City would provide the necessary and critical public safety services  
2 necessary to respond to an incident at the PINGP in order to contain mitigate and  
3 remediate any adverse impact of an incident. This, in turn, would contain, mitigate  
4 and lessen any adverse impact on the socioeconomic, environmental and other costs  
5 associated with the PINGP's operation. This commitment has been dutifully honored  
6 for almost 40 years and while the City still desires to continue such in the public's  
7 interest, it no longer has the financial resources necessary to do so.

8

9 Q: Does the City have an estimate on what is needed to provide the proper support?

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11 A: Yes. What is required is a steady, defined, stream or source of revenue that will  
12 ensure that City has the capacity to maintain the necessary public safety  
13 infrastructure, personnel, equipment, and training. This revenue source must be one  
14 that it not caught up in the vicissitudes of personal and real property, taxes, or  
15 budgetary issues at the State level. According to the City's calculations, in 2009 this  
16 the amount of funding necessary to maintain and ensure the availability of the  
17 appropriate public safety services is approximately \$15,362,273.

18

19 Q: How do you know what the appropriate level of service is?

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21 A: As discussed or disclosed during the public comments at this hearing, the City has  
22 commissioned a public safety report, which is known as the Red Wing Fire  
23 Department Fire and EMS Master Plan (the "Report") evaluating the delivery of fire  
24 and emergency medical services by the City to its citizens, including the PINGP.  
25 The Report, which was released in 2008, and is available on the City's web page,  
26 recommended that the City construct and maintain two additional stations with all  
27 attendant equipment including, but not limited to, fire trucks and ambulances. The  
28 Report further recommended that fulltime fire staff should be expanded by 36  
29 firefighters/paramedics as well as increases in part-time staff to accommodate this  
30 need. It should be noted that the City fireman also serve as its ambulance and  
31 emergency medical personnel.

1 Based on the Report, the City has reviewed its options and, due its ongoing  
2 budgetary constraints, has projected incorporating only a small portion of what the  
3 Report recommended in 2009. This included consideration for hiring only three of  
4 the number of firefighters being recommended and also included evaluating and  
5 scheduling construction of the fire stations and the necessary equipment. However,  
6 as the City's financial condition deteriorated in 2009 the Report's recommendations,  
7 including the aforementioned hiring of three additional firefighters/paramedics and  
8 capital additions, were deferred indefinitely.

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10 Q: Has the City estimated the costs associated with implementing the 2008 Public  
11 Safety Report?

12  
13 A: Yes. Attached hereto as Exhibit 9 (Exhibit MH - 9) is a spreadsheet that sets out the  
14 current costs associated with the delivery of the necessary and critical public services  
15 and what those costs would be if the City commenced implementation of the Report  
16 and increased police staffing.

17  
18 In 2009, the City has budgeted \$11,266,527 for critical and necessary public safety  
19 services. Beyond the 2009 budget, the City estimates that the cost of adding the  
20 personnel, facilities and equipment recommended in the Report and by the Police  
21 Chief are \$4,095,746 annually. The annual total public safety cost, incorporating the  
22 aforementioned recommendations, is \$15,362,273.

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24 As Exhibit 9 indicates, the City requires \$15,362,273 to support the delivery of  
25 critical and necessary public safety services. However, as previously mentioned,  
26 based on significant permanent reductions of revenues to the City, there will be  
27 reductions in the public safety staffing and equipment. These reductions in revenues  
28 will essentially preclude the City from addressing the recommendations in the Report  
29 and will result in an inability for the City to maintain the public safety and other  
30 resources necessary to meet the PINGP Emergency Response Plans.

31

1 Q: What is the projected gap in the City's budget for 2009 and 2010?  
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3 A: At this time, that is an unknown as the Governor has not announced what he intends  
4 to unallot from the State budget over the next State biennium. For 2009 the  
5 reduction in state-paid municipal aids that the City receives are estimated to be  
6 between \$712,414 and \$2,680,269. For 2010 and future years the permanent  
7 reduction in state-paid municipal aids that the City receives are estimated to be  
8 between \$1,487,644 and \$3,438,799.  
9  
10 Q: What amount would you consider to be adequate to continue to deliver the necessary  
11 and critical public safety services?  
12  
13 A: Xcel Energy, in its response to the Draft Environmental Impact Statement ("DEIS"),  
14 has projected that if the extended power uprate and Additional Cask Storage  
15 Certificates of Need are granted, the City, in 2012, will receive approximately  
16 \$9,174,000 per year in taxes from the PINGP. However, as I address later in this  
17 testimony, this amount may not reflect the application of pollution control  
18 exemptions or the effects of depreciation and obsolescence in drastically reducing  
19 utilities' property taxes over a short period of time. If this amount the PINGP  
20 contributed to the City's revenue base were fixed for the duration of the extended  
21 power uprate, with an annual increase reflecting a governmental price index, the City  
22 would be better able to maintain the delivery of the necessary and critical public  
23 services and would be better able to meet its obligations under the Emergency  
24 Response Plans currently in place for the PINGP.  
25  
26 Q: Dr. Rakow concludes that since there is no showing that there will be an incremental  
27 increase to the City there is, or should be, no basis to conclude that ratepayers should  
28 pay the City's basic services. Do you agree with this conclusion?  
29  
30 A: No. Again, Dr. Rakow misses the fundamental point or premise in the testimony  
31 provided by the City. The City no longer can afford to provide the services

1 necessary to meet its obligations under or the requirements of the Emergency  
2 Response Plans set forth by Xcel Energy, the State of Minnesota, the Federal  
3 Emergency Management Agency, and/or the Nuclear Regulatory Commission  
4 ("NRC"). If the extended power uprate is granted, the capacity to provide the critical  
5 and necessary public services will not be available. In evaluating whether an  
6 extended power uprate should be granted, factors that require analysis are  
7 socioeconomic and environmental interests and the impacts upon such in granting the  
8 extended power uprate. The DEIS and Xcel Energy's Application, specifically  
9 Appendix E (also known as Appendix J) references the triggering of Emergency  
10 Response Plans to protect those interests. Ratepayers are receiving the direct benefit  
11 of the City's efforts because the City's efforts support PINGP's continued operations  
12 and serve to protect the ratepayer's interests by minimizing any potential liability the  
13 ratepayers may incur from an unplanned release or other negative occurrence at the  
14 PINGP facility.

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16 However, without proper funding and an adequate public safety response by the City  
17 as documented in the PINGP's Emergency Response Plans, it should be assumed that  
18 there is no or limited Emergency Response Plans in place, and in the event of an  
19 incident, as is contemplated under both the DEIS and Xcel Energy's Application,  
20 there would be significant socioeconomic, environmental, and economic impacts that  
21 would greatly outweigh any benefit derived from granting of the extended power  
22 uprate.

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24 Q: Dr. Rakow discusses the basics of utility regulation and how tax benefits, including  
25 significant property tax reductions received by Xcel are taken into consideration  
26 during subsequent rate proceedings. Do you agree with his assessment?

27  
28 A: Yes. I am aware of matters pertaining to utility regulation, property taxation and rate  
29 cases. However, Dr. Rakow, in part, mischaracterizes my testimony. The intent of  
30 my earlier testimony was to identify how Xcel Energy has characterized property tax  
31 reductions as a significant benefit to its shareholders. Xcel Energy, not the City or I,

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has touted how cost savings through reductions in property taxes has significantly benefitted its shareholders. Xcel Energy, through its own publications to its shareholders, has identified that property tax reductions increase profits and benefit its shareholders.

Regarding the ultimate impact on the ratepayers, I understand the same. However, Dr. Rakow does not acknowledge that the benefit to Xcel Energy is real between the time that Xcel Energy receives the tax break and its next rate case. In my testimony, I have identified that utilities have benefitted from property tax decreases in the amount of \$78 Million annually over the last few years. This is a significant amount that, until there is a rate case, directly benefits Xcel Energy and its shareholders.

Q: Dr. Rakow makes certain recommendations regarding what he would like to see from the City to support its position. Please provide a response.

A: In his testimony, Dr. Rakow identifies four items from the City that he would like to additional information on in order to more fully evaluate the City's position.

First, as detailed above, the incremental analysis and requests are not the appropriate measure to be employed to analyze the City's position. Rather, the impacts must be viewed as a whole. However, as to Dr. Rakow's requests, I respond as follows:

A. Status of the City's Reserve Fund. The City has no reserve fund. I believe some confusion exists as Dr. Rakow may have misinterpreted the testimony of the City and other parties in this proceeding regarding payments made by Xcel Energy. The payments that the City has received from Xcel Energy are based on the reimbursement for actual costs incurred to support radiological emergency preparedness as set out in Minn. Stat. § 12.14. These payments, which are discussed in more detail below, amount to approximately \$65,000 per year. There are no other payments that are made by Xcel Energy other than property taxes.

1                   B. Incremental Responsibilities Imposed Upon the City from the Proposed  
2                   Extended Power Uprate. As previously explained, an incremental view of  
3                   responsibilities and/or costs is inappropriate. The critical and necessary  
4                   public safety services cannot continue to be provided. The City cannot  
5                   support, in accordance with the plans developed by Xcel Energy, the State of  
6                   Minnesota, Federal Emergency Management Agency, and the NRC, a  
7                   response effective or proportionate with an incident at the PINGP. As such,  
8                   it is not a matter of the incremental responsibility and costs that result from  
9                   granting the extended power uprate, it is that with the extended power uprate,  
10                  a response will not be provided as documented in the PINGP Emergency  
11                  Response Plans. Accordingly, there must be an evaluation by the State and  
12                  more appropriately by Xcel Energy, that from a socioeconomic and  
13                  environmental basis, that the extended power uprate serves the community's  
14                  interests. Clearly, without an Emergency Response Plan in place, this is not  
15                  the case.

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17                  C. Incremental Costs and Revenues from Xcel Energy and Other Sources.  
18                  Again, it is not appropriate to evaluate this in incremental costs or revenues.  
19                  Xcel Energy, under Minn. Stat. § 12.14, provides approximately \$65,000  
20                  annually on a reimbursement basis to cover the direct costs associated with  
21                  the City's radiological emergency preparedness. The radiological emergency  
22                  preparedness is required of the City as it is host to the PINGP. This  
23                  extremely limited funding serves as a reimbursement to the City for the direct  
24                  costs associated with planning, organizing and performing the Nuclear  
25                  Regulatory Commission's required annual radiological emergency  
26                  preparedness drills and exercises which simulate an event occurring at the  
27                  PINGP and the preparedness and response to such. However, as previously  
28                  mentioned, in the event there is a real incident, the City is not in a position to  
29                  provide the response or respond in accordance with the various Emergency  
30                  Response Plans. Furthermore, the ability to provide an adequate emergency  
31                  response will continue to diminish over time as the resources that the City

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receives diminish. Accordingly, the issue that warrants consideration is overall financing requirements of the City's critical and necessary public safety services. Regarding revenue, the primary sources of revenues for the City include property taxes and state-paid local government aids, including local government aid and utility transitional aid. While there may be an increase in the property taxes paid by the PINGP to the City if the Certificate of Need for the extended power uprate is granted it is still unknown what this amount will actually be. There has been no determination by the Minnesota Department of Revenue ("DOR") on the valuation of the installed improvements and equipment nor has the DOR determined valuation reductions for obsolescence or what value will be exempted as pollution control equipment. In addition, any property tax increase attributable to the granting of the Certificate of Need will be short lived as the improvements will quickly depreciate reducing the property taxes paid by the PINGP and thus, again, eroding the City's ability to provide the necessary response to an incident at the PINGP.

D. Minnesota Statutes and/or Rules Regarding Basic Levels of Municipal Services. Overall, the State can evaluate the economics and other concerns associated with the operation of a nuclear power plant. This evaluation of certain economics and other impacts are reflected in certain statutes and rules regarding the applications that are currently pending before the Commission. The relevant considerations for the Public Utilities Commission ("PUC") are setout under Minn. Stat. § 216B.243, in general, and under Minnesota Rule 7849.0120, C and D, in particular.

Minnesota Rule 7849.0120, in general, weighs the socioeconomic consequences of granting, or not granting, the Certificate of Need. Minnesota Rule 7849.0120C(2), in particular, requires the Commission to examine the socioeconomic and environmental impacts relative to the proposed extended power uprate.

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In measuring the socioeconomic and environmental impacts, both the draft impact statement and Xcel Energy's Application refer to the Emergency Response Plans in place and how the same will operate to contain any incident at the PINGP. As a result of this containment, the socioeconomic and environmental impacts are minimized. This end result, then, is that the costs associated with any incident or release, from a socioeconomic and environmental aspect, are greatly diminished and would generally support the granting Xcel Energy's requested Certificate of Need.

However, here, that is not the case. The City has detailed how it is unable to provide the necessary response under the Emergency Response Plans. Indeed, the City has projected that its ability to respond will continue to erode in the future as a result of the diminishing revenues. The loss of revenues will result in the loss of personnel and equipment to respond to an incident. The end result of this is that an incident will not be contained, mitigated, or remediated in a timely or appropriate fashion and the socioeconomic and environmental impacts will not be diminished. The potential socioeconomic impacts, for the City consist of, at a minimum, the City's total 2009 real estate taxable market value of \$1,740,227,400 and its annual tourism of \$59,900,000. This does not include any loses from the Red Wing Port Authority or the Red Wing airport. Accordingly, the costs associated with an incident that is not appropriately contained, mitigated and remediated must be factored as part of Xcel Energy's Certificate of Need.

Evaluating these factors as a whole, it is clear that the various elements or considerations required under Minnesota Rule 7849.0120C do not weigh in favor of Xcel Energy. Without proper funding to support the Emergency Response Plans, the socioeconomic costs and risks are simply too great and the Certificate of Need must be denied.

Minnesota Rule 7849.1020C(4) examines the socially beneficial uses of the

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output including its uses to protect or enhance environmental quality. Here, without an appropriate Emergency Response Plan, the benefit of an extended power uprate must be balanced against the lack of containment, mitigation, or remediation that would incur following an incident at the PINGP. To date, this factor has not been taken into consideration and must be appropriately weighed. However, again, unless an Emergency Response Plan is and can be met, this, again, does not weigh in favor of Xcel Energy. This, together with the other factors discussed in my testimony, would compel a determination that, unless met, the Certificate of Need should not be granted. The economic considerations far outweigh the limited benefit of the extended power uprate.

In addition to these provisions and the balancing of criteria, the impact of the lack of Emergency Response Plan must be considered pursuant to Minn. Stat. § 216B.23 subd. 3 (12). Under Section 216B.243 subd.3 (12), Xcel Energy is obligated to assess the risk of environmental costs over the expected use of the life of a plant, including the proposed needs of allocating costs associated with that risk. Without an effective Emergency Response Plan, the environmental risk costs are extremely difficult to measure. The loss will effect both the human and natural environment and will be far reaching and broad. Without an Emergency Response Plan in place, an uprate is simply not supportable.

With respect to the allocation of costs associated with any risk, it is clear that the City bears the full burden of any such risk costs. It is the City, under any Emergency Response Plan, that is the first to respond and provides the primary fire, police, and ambulance services. With the PINGP's diminished contribution to the tax base and the minimal amounts received under Minn. Stat. § 12.14, it is the citizens of the City of Red Wing that are continuing to disproportionately bear those costs associated with containing the risk. Accordingly, these costs and, more appropriately, the costs of public safety, must be reallocated and absorbed and properly reapportioned to Xcel

1 Energy's ratepayers that benefit from the continued operation of the PINGP.  
2

3 **III. Response to Mr. Charles Bomberger**  
4

5 Q: In his testimony, Mr. Bomberger refers to NRC regulations regarding the renewal of  
6 operating license and an extended power uprate. Does he provide any information  
7 about what those regulations are?  
8

9 A: No. While there is extensive discussion by Mr. Bomberger in both this docket and  
10 the additional dry cask docket of the NRC regulations, there is no indication  
11 whatsoever of what those regulations are. Moreover, for the City, it is the cost of  
12 maintaining the necessary readiness that is at issue here, not anything else. In  
13 addition, while there is reference that the extended power uprate will be approved at  
14 the NRC, it is my understanding that Xcel Energy has yet to submit an application to  
15 the NRC for the extended power uprate.  
16

17 Q: Mr. Bomberger concludes that the "safety of renewing the operating licensee's  
18 licenses or uprating the reactors falls within the jurisdiction of the NRC, as agreed to  
19 by the State of Minnesota, and should not be an issue in this contention in this  
20 proceeding." Do you agree with this assessment?  
21

22 A: No. While it is true that certain aspects of safety fall within the jurisdiction of the  
23 NRC, the question becomes the costs and expenses associated with public safety and  
24 welfare and how the same has an impact on certain factors that the PUC must  
25 consider. The State has the right to evaluate the economic costs associated with  
26 nuclear power and make a determination of its own regarding the same. In this  
27 proceeding, the economic costs associated with an incident at the PINGP are issues  
28 that the Commission can properly consider. The Commission can determine that  
29 certain costs associated with the Certificate of Need are too great of an economic risk  
30 given the negative socioeconomic and environmental impacts of an incident at the  
31 PINGP – particularly in the context that the City will be unable to respond to any

1 such incident in accordance with the requisite Emergency Response Plans. In this  
2 regard, I disagree with Mr. Bomberger's conclusions.

3  
4 Q: Mr. Bomberger further concludes that there will not be an increased risk of incidents.  
5 Do you agree?

6  
7 A: No. Mr. Bomberger concludes that because of the planned improvements and the  
8 PINPG's past record, one can conclude that safe operations will continue with no  
9 increased risk of incidents. While Xcel Energy has made and will continue to make  
10 investments into the plant, the fact remains that there have been numerous incidents  
11 resulting in the automatic shutdown of reactors and other occurrences at the PINGP  
12 which have warranted NRC actions, white findings, and additional federal oversight.  
13 As recently as earlier this month, on May 18, 2009, an incident occurred that shut  
14 down Unit 1 at the PINGP. Last summer the NRC issued the PINGP a white finding,  
15 a finding of low to moderate safety significance, associated with the failure to control  
16 the position of an auxiliary feedwater valve. More recently the NRC issued PINGP a  
17 second white finding involving the shipment of radioactive materials.

18  
19 On May 13, 2009, the NRC held a public meeting in Red Wing to discuss the NRC's  
20 2008 annual performance assessment for the PINGP. At the public meeting, Karla  
21 Stoedter, the NRC's senior resident inspector at the PINGP, stated that the level of  
22 human performance at the plant declined in 2008. In addition, during the May 13,  
23 2009, meeting, the NRC announced that as a result of its performance assessment and  
24 related findings of low to moderate safety significance the NRC was classifying Unit  
25 1 of the PINGP in the Regulatory Response Column of its assessment matrix. What  
26 this means is that the NRC downgraded the PINGP's performance and removed the  
27 PINGP from the list of top performing nuclear power plants as a result of the critical  
28 performance issues at the PINGP and that the NRC will be enhancing their oversight  
29 of the PINGP. It should be noted that the vast majority of the nuclear power plants in  
30 the United States are rated in the Licensee Response Column, or top performing  
31 classification, of the NRC's performance matrix. Therefore, implying the same logic

1 as Mr. Bomberger, given the PINGP's recent history of NRC white findings, human  
2 performance issues and enhanced NRC oversight, it is equally, or more probable, to  
3 assume that the uprate would result in more incidents.  
4

5 **IV. Response to Mr. Rheinberger**  
6

7 Q: Are you familiar with utility valuation in general and in particular as is set forth by  
8 Mr. Rheinberger in his testimony?  
9

10 A: Yes. As the Finance Director for the City of Red Wing, as well as a board member  
11 of the Coalition of Utility Cities (the "Coalition"), I participated in the rule making  
12 process undertaken by the Minnesota Department of Revenue ("DOR") in Chapter  
13 8100, Minnesota Rules Governing Valuation and Assessment of the Property of  
14 Utility Companies. I am aware of the changes to those rules that are the subject of  
15 Mr. Rheinberger's testimony. I participated in various sessions and hearings  
16 regarding these rule changes and participated in submitting comments to the DOR on  
17 behalf of the Coalition. In my role as the Finance Director for the City, I also have an  
18 understanding of property tax valuation and the process as well.  
19

20 Q: Mr. Rheinberger recites as history of utility property evaluation at the DOR. Do you  
21 agree?  
22

23 A: In part, yes.  
24

25 Q: With what portions of Mr. Rheinberger's testimony do you disagree?  
26

27 A: There are a couple of items where there is incomplete information. First, it is not  
28 accurate to assume that Xcel Energy had no part in influencing the DOR's decision  
29 to undertake the rule making process in Chapter 8100. During my time at the City  
30 and as a board member of the Coalition, I have been well aware of Xcel Energy's  
31 large and active involvement in actions at the State, State Agencies and courts to

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reduce its property taxes.

Second, as part of its investment in plants such as the PINGP, Xcel Energy has actively challenged the DOR in the courts to utilize property tax exemptions, such as pollution control exemptions, to exempt its replacement, upgrades or installation of equipment and other items. Accordingly, while Xcel Energy contends that there may be millions of dollars worth of investments of equipment into the PINGP as a result of the extended power uprate, these investments will not result in a straight line corresponding increase in the property taxes paid to the City.

Q: What can you tell me about the Revenue Stabilization Agreement?

A: This was an agreement under which Xcel Energy provided payments to utility host cities such as Red Wing to lessen the significant impact of the DOR rule change. According to the DOR, the rule change would result in a 27% reduction in electric utility valuation with a corresponding reduction in the property taxes paid by the PINGP and a resultant 11% decrease in the City's tax capacity. These property tax reductions were on top of the other cuts in state-paid local government aids and other revenues that the City lost during that same time frame. The Stabilization Agreement was only in place until such time that the State provided utility transition aid. Under the Revenue Stabilization Agreement the City received \$18,605.

Q: Mr. Rheinberger concludes that under the utility transition aid and property taxes from the PINGP, the City would receive more in 2010 than it will have under previous utility valuation rules. Do you agree?

A: No. In reviewing Mr. Rheinberger's comments, I am presuming Xcel Energy is not advocating for the reinstatement of the previous utility valuation rules. If so, then a much different analysis is warranted. Simply stated, the Revenue Stabilization Agreement was limited to the differential in property taxes paid to the City by the PINGP in 2007, before the rule change went into effect, and the property taxes paid

1 to the City by the PINGP in subsequent years, after the rule change went into effect.  
2 The utility transition aid considers the impact of the DOR's rule change upon all  
3 utility property within the City of Red Wing and employs a different basis for  
4 stabilization than the Revenue Stabilization Agreement had. The utility transition aid  
5 is codified in Minn. Stat. § 477A.16 and sets forth the mechanics for calculating the  
6 utility transition aid. The calculation for determining the receipt of utility transition  
7 aid is based on the positive difference, if any, by which the local unit's old rule utility  
8 net tax capacity exceeds its total tax capacity of utility property for taxes payable in  
9 the current year. The mechanics of the statute therefore ensure that the receipt of  
10 utility transition aid is contingent upon a reduction in utility tax capacity resulting  
11 from the rule change.

12  
13 In addition, there is the assumption by Mr. Rheinberger that the utility transition aid  
14 will continue uninterrupted. This is a false assumption. The utility transition aid was  
15 targeted for elimination during the most recent State legislative session as a means of  
16 assisting the State in addressing its \$6.4 Billion deficit. While it is uncertain at this  
17 time whether or not the utility transition aid will be unallotted by Governor Pawlenty,  
18 the uncertainty regarding the utility transition aid is sure to continue into the future.

19  
20 Q: Mr. Rheinberger submitted exhibits and tables which accompany his testimony  
21 illustrating the impact on property taxes paid by the PINGP under different scenarios  
22 including the granting the license extensions, with the granting of the uprate, and  
23 without the granting of the uprate and impact each scenario will have on property  
24 taxes. Do you agree with his assessment?

25  
26 A: No. There are certain assumptions made by Mr. Rheinberger that may not hold true.  
27 First, there is an assumption that the improvements and equipment necessary to  
28 facilitate the uprate will be subject to local property taxes. As previously discussed,  
29 there has been no determination by the DOR on the valuation of the installed  
30 improvements and equipment nor has the DOR determined valuation reductions for  
31 obsolescence or what value will be exempted from property taxation as pollution

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control equipment. In addition, any property tax increase attributable to the granting of the Certificate of Need will be short lived as the improvements will quickly depreciate reducing the property taxes paid by the PINGP.

Further, the tables illustrate the hypothetical property taxes from 2009 through 2017. The tables end in the year 2017, the year in which Xcel Energy projects local property taxes to reach their highest level. Ending the tables in 2017 tends to leave the reader with the assumption that the property taxes will continue at the 2017 level into the future. Again, property taxes paid to the City will be reduced over the years and will erode the City's ability to provide the necessary and critical public services needed to respond to an incident at the PINGP. To assist the end users in understanding the complexities of the issues the analysis should illustrate the hypothetical property taxes through the proposed license extensions for the PINGP (2033 and 2034). For the dry cask storage docket, this should extend up to the time that the casks are removed from the PINGP site (permanent temporary storage and 200 years according to the DEIS). The table should also illustrate the continued erosion of property taxes in order to fully evaluate the impact of the extended power uprate. In short, the assumptions show the best case scenario and do not illustrate the reality of how the property taxes after 2017. With this additional property tax information there can be a fuller evaluation of the impact of the Certificate of Need.

Q: Does this conclude your testimony?

A: Yes

Printed: 05/12/09 10:35:39									
Period 01 - 12									
Fiscal Year 2009 - 2009									
<b>Description</b>	<b>2009 Adopted</b>								
<b>Total Public Safety 42000</b>	<b>POLICE</b>	<b>POLICE ADM</b>	<b>CSO</b>	<b>FIRE</b>	<b>FIRE ADM</b>	<b>CIVIL DEF</b>	<b>AMBULANCE</b>	<b>AMB ADM</b>	<b>TOTALS</b>
TOTAL PERSONNEL SERVICES	2,439,758	428,540	178,952	1,177,069	64,036	20,750	1,226,515	57,772	5,593,392
TOTAL SUPPLIES	169,000	0	1,900	135,375	0	5,300	115,432	0	427,007
TOTAL OTHER SERVICES & CHARGES	623,213	0	7,280	343,393	0	7,665	1,858,202	0	2,839,753
TOTAL CAPITAL OUTLAY	87,000			307,968			40,000		434,968
DEPRECIATION	95,466			74,289			30,000		199,755
LESS CAPITAL OUTLAY	-87,000			-307,968			-40,000		-434,968
SUBTOTAL	3,327,437	428,540	188,132	1,730,126	64,036	33,715	3,230,149	57,772	9,059,907
ADDITION OF 10 FIREFIGHTERS				408,237			437,450		845,687
ADDITION OF 5 OFFICERS	405,787								405,787
CURRENT DS ON FIRE TRUCK				96,000					96,000
SUBTOTAL	3,733,224	428,540	188,132	2,234,363	64,036	33,715	3,667,599	57,772	10,407,381
ADMINISTRATIVE OVERHEAD	745,525	85,579	37,570	446,202	12,788	6,733	732,420	11,537	2,078,354
SUBTOTAL	4,478,749	514,119	225,702	2,680,565	76,824	40,448	4,400,019	69,309	12,485,735
ADDITION OF 4 FIRE TRUCKS \$400,000ea				1,600,000					1,600,000
ADDITION OF 2 AMBULANCES \$130,000ea							260,000		260,000
ADDITION OF 3 PATROL CARS \$26,000ea	78,000								78,000
ADDITIONAL FACILITY FIRE/AMB #2				3,500,000					3,500,000
ADDITIONAL FACILITY FIRE/AMB #3				3,000,000					3,000,000
TOTAL	4,556,749	514,119	225,702	10,780,565	76,824	40,448	4,660,019	69,309	20,923,735

**Before the Minnesota Public Utilities Commission  
State of Minnesota**

**In the Matter of the Application of Northern States Power Company d/b/a/ Xcel  
Energy for a Certificate of Need Authorizing Additional Dry Cask Storage at the  
Prairie Island Nuclear Generating Plant**

**MPUC Docket Nos. E-002/CN-08-510  
OAH Docket No. 7-2500-19797-2**

**Surrebuttal Testimony of Marshall Hallock  
on behalf of the City of Red Wing, Minnesota**

**May 29, 2009**

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**I. Introduction and qualifications**

Q: Please state your name, occupation, and business address.

A: My name is Marshall Hallock. I am the Finance Director for the City of Red Wing, Minnesota. My business address is 315 West Fourth Street, Red Wing, Minnesota, 55066.

Q: Are you the same Marshall Hallock who provided direct testimony on behalf of the City of Red Wing (the "City") in this proceeding?

A: Yes.

Q: What is the purpose of your surrebuttal testimony?

A: I am offering surrebuttal testimony relative to the rebuttal testimony offered by Dr. Steve Rakow on behalf of the Minnesota Office of Energy Security, Department of Commerce ("OES"), and the rebuttal testimony offered by Charles R. Bomberger and Joseph P. Rheinberger on behalf of Northern States Power Company d/b/a Xcel Energy ("Xcel Energy").

**II. Response to Dr. Steve Rakow**

Q: At the outset of his testimony, Dr. Rakow identifies the issues he responds to are the "incremental costs and incremental benefits to the City." Do you agree that these are the correct issues?

A: No. An incremental cost/benefit analysis, as it relates to the City's ability to adequately ensure the availability of public safety resources, is not and should not be the focus. This analysis would limit the inquiry only to the absolute direct costs of

1 the City in the event of an incident at the Prairie Island Nuclear Generating Plant (the  
2 "PINGP") as it continues its operations for the next 20 years and stores SNF on the  
3 site for an indefinite time period. This would not take into account those costs  
4 associated with ensuring the adequacy or availability of critical and necessary public  
5 safety and other resources needed to respond and an incident at the PINGP. These  
6 costs include ensuring and maintaining the availability of the police, fire and  
7 ambulance services necessary to respond to an incident at the PINGP and support the  
8 various Emergency Response Plans that are in place for the PINGP.  
9

10 Q: Why aren't the incremental costs the proper measure to evaluate the costs to the City  
11 in this proceeding?

12  
13 A: An incremental cost analysis would vastly oversimplify the complex nature of the  
14 Applicant's request and its effects upon the City of Red Wing. The issue that needs  
15 to be addressed is not a matter of simple incremental costs, but rather a matter of  
16 overall public safety preparedness. This preparedness includes, at its most  
17 fundamental level, the adequacy and availability of the resources necessary to  
18 respond to an incident at the PINGP. The City prepares an annual budget to provide  
19 the necessary and critical public services for a city of its size and complexity.  
20 Incorporated within this budget are the costs associated with hosting the PINGP. This  
21 also includes the responsibility of being the first responder on every single  
22 Emergency Response Plan for the PINGP. It is not possible to break out what costs  
23 are directly associated with the PINGP from an administrative, personnel, or facilities  
24 management perspective. Likewise, it is not feasible to breakout the costs associated  
25 with certain equipment (e.g. fire trucks, ambulances, and police cars) that will be  
26 necessary to respond in the event of an incident at the PINGP. All of these costs in  
27 their totality represent the critical and necessary basic public service requirements.  
28 The issue, then, is not incremental costs, but rather what are the costs, in their  
29 totality, to support the public safety elements that are necessary to provide a public  
30 safety response in the event of an incident at the PINGP or elsewhere.  
31

1           When the PINGP was built, the City made commitments to Xcel Energy and to its  
2 citizens that the City would provide the necessary and critical public safety services  
3 necessary to respond to an incident at the PINGP in order to contain mitigate and  
4 remediate any adverse impact of an incident. This, in turn, would contain, mitigate  
5 and lessen any adverse impact on the socioeconomic, environmental and other costs  
6 associated with the PINGP's operation. This commitment has been dutifully honored  
7 for almost 40 years and while the City still desires to continue such in the public's  
8 interest, it no longer has the financial resources necessary to do so.

9  
10 Q: In his surrebuttal testimony filed in this docket, Dr. Rakow, in response to a question  
11 on page 5, lines 21-23, testifies that the City receives payments from Xcel Energy's  
12 ratepayer to support emergency management services. Do you agree with that  
13 assessment?

14  
15 A: Yes. However, the amount paid by Xcel Energy's ratepayers is nominal and only  
16 reimburse certain limited expenses incurred for radiological emergency preparedness  
17 operations and an annual preparedness and response exercise required under the  
18 Emergency Response Plans. I believe some confusion exists as Dr. Rakow may have  
19 misinterpreted the testimony of the City and other parties in this proceeding  
20 regarding payments made by Xcel Energy. The payments that the City has received  
21 from Xcel Energy are based on the reimbursement for actual costs incurred to  
22 support radiological emergency preparedness as set out in Minn. Stat. § 12.14. These  
23 payments, which are discussed in more detail below, amount to approximately  
24 \$65,000 per year. There are no other payments that are made by Xcel Energy other  
25 than property taxes. Regarding any reserve fund, there is no such fund or reserves.

26  
27 Q: In his rebuttal testimony, Dr. Rakow focuses on potential incremental costs  
28 associated with a 20-year life extension at PINGP. Have you indentified what these  
29 potential incremental costs would be?

30  
31 A: No. As I set out in my testimony above and in the Surrebuttal testimony that I filed in

1 the Extended Power Uprate (“EPU”) Docket, it is not possible to breakout the  
2 incremental costs. It is the costs associated with the necessary human and capital  
3 resources required to respond to an incident that is an imposition to the City. The  
4 City no longer can afford to maintain the human resources and capital equipment  
5 required to provide the services necessary to meet its obligations under or the  
6 requirements of the Emergency Response Plans set forth by Xcel Energy, the State of  
7 Minnesota, the Federal Emergency Management Agency, and/or the Nuclear  
8 Regulatory Commission (“NRC”). If the additional dry storage request is granted,  
9 the capacity to provide the critical and necessary public services required for such  
10 will not be available. In evaluating whether an additional dry cask storage should be  
11 granted, factors that require analysis are socioeconomic and environmental interests  
12 and the impacts upon such in granting the dry cask storage and the continued  
13 operation of the PINGP for the next 20 years. The Draft Environmental Impact  
14 Statement (“DEIS”) and Xcel Energy’s Application, specifically Appendix E (also  
15 known as Appendix J) references the triggering of Emergency Response Plans to  
16 protect those interests and minimize any potential liability or socioeconomic or  
17 environmental losses from an unplanned release or other negative occurrence at the  
18 PINGP facility.

19  
20 However, without proper funding and an adequate public safety response by the City  
21 as documented in the PINGP’s Emergency Response Plans, it should be assumed that  
22 there is no or limited Emergency Response Plans in place, and in the event of an  
23 incident, as is contemplated under both the DEIS and Xcel Energy’s Application,  
24 there would be significant socioeconomic, environmental, and economic impacts that  
25 would greatly outweigh any benefit derived from granting of the dry cask storage.

26  
27 Q: Does the City have an estimate on what is needed to provide the proper support?

28  
29 A: Yes. Again, in my Surrebuttal Testimony filed in the EPU Docket, I detail what is  
30 necessary to provide those services and, for purposes of this Docket, will include the  
31 same. As a general matter, I incorporate the EPU testimony into this Docket and this

1 Surrebuttal Testimony. While I understand that the PUC will consider and weigh  
2 different information and statutory criteria to determine if a Certificate of Need  
3 should issue for each of Xcel Energy's application, there is an underlying current in  
4 both as it relates to the City and the core of Xcel Energy's Applications: the PINGP  
5 will continue to operate for another 20 years. After that time, there will be spent fuel  
6 stored on site for an indefinite period until such time the Federal government takes  
7 possession of it and removes it from the site. No one knows when, if ever, that will  
8 occur. For the City, this means that during the continued operation of the PINGP and  
9 until its spent nuclear fuel is removed from the City, the City must maintain a state of  
10 readiness to respond to an incident at the PINGP in accordance with the Emergency  
11 Response Plans required by the NRC, Homeland Security, FEMA, the State of  
12 Minnesota and Xcel Energy. With the City's current and projected revenues, it  
13 cannot afford to do so. Without an effective Emergency Response Plan in place, the  
14 costs of PINGP become difficult to justify on an economic level and impossible to  
15 justify on an environmental level, both human and natural.

16  
17 To meet its obligations, the City requires a steady, defined, stream or source of  
18 revenue that will ensure that it has the capacity to maintain the necessary public  
19 safety infrastructure, personnel, equipment, and training. This revenue source must  
20 be one that it not caught up in the vicissitudes of personal and real property, taxes, or  
21 budgetary issues at the State level. According to the City's calculations, in 2009 this  
22 the amount of funding necessary to maintain and ensure the availability of the  
23 appropriate public safety services is approximately \$15,362,273.

24  
25 Q: How do you know what the appropriate level of service is?

26  
27 A: As discussed or disclosed during the public comments at this hearing, the City has  
28 commissioned a public safety report, which is known as the Red Wing Fire  
29 Department Fire and EMS Master Plan (the "Report") evaluating the delivery of fire  
30 and emergency medical services by the City to its citizens, including the PINGP.  
31 The Report, which was released in 2008, and is available on the City's web page,

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recommended that the City construct and maintain two additional stations with all attendant equipment including, but not limited to, fire trucks and ambulances. The Report further recommended that fulltime fire staff should be expanded by 36 firefighters/paramedics as well as increases in part-time staff to accommodate this need. It should be noted that the City fireman also serve as its ambulance and emergency medical personnel.

Based on the Report, the City has reviewed its options and, due its ongoing budgetary constraints, has projected incorporating only a small portion of what the Report recommended in 2009. This included consideration for hiring only three of the number of firefighters being recommended and also included evaluating and scheduling construction of the fire stations and the necessary equipment. However, as the City's financial condition deteriorated in 2009 the Report's recommendations, including the aforementioned hiring of three additional firefighters/paramedics and capital additions, were deferred indefinitely.

Q: Has the City estimated the costs associated with implementing the Report?

A: Yes. Attached to my Surrebuttal Testimony in the Extended Power Uprate Docket, and identified as Exhibit MH - 9, is a spreadsheet that sets out the current costs associated with the delivery of the necessary and critical public services and what those costs would be if the City commenced implementation of the Report and increased police staffing. For purposes of this Surrebuttal Testimony, I incorporate that Exhibit into this Testimony.

In 2009, the City has budgeted \$11,266,527 for critical and necessary public safety services. Beyond the 2009 budget, the City estimates that the cost of adding the personnel, facilities and equipment recommended in the Report and by the Police Chief are \$4,095,746 annually. The annual total public safety cost, incorporating the aforementioned recommendations, is \$15,362,273.

1 As Exhibit MH - 9 indicates, the City requires \$15,362,273 to support the delivery of  
2 critical and necessary public safety services. However, as previously mentioned,  
3 based on significant permanent reductions of revenues to the City, there will be  
4 reductions in the public safety staffing and equipment. These reductions in revenues  
5 will essentially preclude the City from addressing the recommendations in the Report  
6 and will result in an inability for the City to maintain the public safety and other  
7 resources necessary to meet the PINGP Emergency Response Plans.

8

9 Q: What is the projected gap in the City's budget for 2009 and 2010?

10

11 A: At this time, that is an unknown as the Governor has not announced what he intends  
12 to unallot from the State budget over the next State biennium. For 2009 the  
13 reduction in state-paid municipal aids that the City receives are estimated to be  
14 between \$712,414 and \$2,680,269. For 2010 and future years the permanent  
15 reduction in state-paid municipal aids that the City receives are estimated to be  
16 between \$1,487,644 and \$3,438,799.

17

18 Q: What amount would you consider to be adequate to continue to deliver the necessary  
19 and critical public safety services?

20

21 A: Xcel Energy, in its response to the Draft Environmental Impact Statement, has  
22 projected that if the extended power uprate and Additional Cask Storage Certificates  
23 of Need are granted, the City, in 2012, will receive approximately \$9,174,000 per  
24 year in taxes from the PINGP. However, as I address later in this testimony, this  
25 amount may not reflect the application of pollution control exemptions or the effects  
26 of depreciation and obsolescence in drastically reducing utilities' property taxes over  
27 a short period of time. If this amount the PINGP contributed to the City's revenue  
28 base were fixed for the duration of the continued operations, with an annual increase  
29 reflecting a governmental price index, the City would be better able to maintain the  
30 delivery of the necessary and critical public services and would be better able to meet  
31 its obligations under the Emergency Response Plans currently in place for the

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PINGP. It should be noted that these payments would not address the dry cask storage issues that will continue after the PINGP ceases generating electricity.

Q: Dr. Rakow makes certain recommendations regarding information he would like to see from the City to support its position. Would you like to respond?

A: Yes. Dr. Rakow identifies four items from the City that he would like to see in order to more fully evaluate the City's position. First, as detailed above, a better analysis of the issues is to view it not on an incremental basis but from the City's overall ability to deliver the critical and necessary public services needed to respond to an event at the PINGP as contemplated under the Emergency Response Plans. With the specifics requested by him, I respond as follows:

A. Status of the City's Reserve Fund. The City has no reserve fund. I have addressed why I believe some confusion exists as Dr. Rakow may have misinterpreted the testimony of the City and other parties in this proceeding regarding payments made by Xcel Energy. Other than the payments received under Minnesota Statute Section 12.14, there are no other payments that are made by Xcel Energy other than property taxes.

B. Incremental Responsibilities Imposed Upon the City from the Proposed ISFSI. As previously explained, an incremental view of responsibilities and/or costs is inappropriate. The critical and necessary public safety services cannot continue to be provided. The City cannot support, in accordance with the plans developed by Xcel Energy, the State of Minnesota, Federal Emergency Management Agency, and the NRC, a response effective or proportionate with an incident at the PINGP. As such, it is not a matter of the incremental responsibility and costs that result from granting the additional dry cask storage and the accompanying 20 year continued operation, it is that with these a response will not be provided as documented in the PINGP Emergency Response Plans.

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C. Incremental Costs and Revenues from Xcel Energy and Other Sources.

Again, it is not appropriate to evaluate this in incremental costs or revenues. Xcel Energy, under Minn. Stat. § 12.14, provides approximately \$65,000 annually on a reimbursement basis to cover the direct costs associated with the City's radiological emergency preparedness. The radiological emergency preparedness is required of the City as it is host to the PINGP. This extremely limited funding serves as a reimbursement to the City for the direct costs associated with planning, organizing and performing the NRC's required annual radiological emergency preparedness drills and exercises which simulate an event occurring at the PINGP. However, as previously mentioned, in the event there is a real incident, the City is not in a position to provide the response or respond in accordance with the various Emergency Response Plans. Furthermore, the ability to provide an adequate emergency response will continue to diminish over time as the resources that the City receives diminish. Accordingly, the issue that warrants consideration is overall financing requirements of the City's critical and necessary public safety services.

Regarding revenue, the primary sources of revenues for the City include property taxes and state-paid local government aids, including local government aid and utility transitional aid. While there may be an increase in the property taxes paid by the PINGP to the City if the Certificate of Need for the additional dry cask storage is granted and the PINGP continues in operation for 20 years, it is still unknown what this amount will actually be. There has been no determination by the Minnesota Department of Revenue ("DOR") on the valuation of the installed improvements and equipment nor has the DOR determined valuation reductions for obsolescence or what value will be exempted as pollution control equipment. In addition, any property tax increase attributable to the granting of the Certificate of Need for the additional dry casks storage will be short lived as the improvements will quickly depreciate reducing the property taxes paid by the PINGP and thus,

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again, eroding the City's ability to provide the necessary response to an incident at the PINGP.

D. Minnesota Statutes and/or Rules Regarding Basic Levels of Municipal Services. Overall, the State can evaluate the economics and other concerns associated with the operation of a nuclear power plant. This evaluation of certain economics and other impacts are reflected in certain statutes and rules regarding the applications that are currently pending before the Commission. The relevant considerations for the Public Utilities Commission ("PUC") are setout under Minn. Stat. §§ 116C.83 and 216B.243, in general, and under Minnesota Rule 7855.0120, C and D, in particular.

Minnesota Rule 7855.0120, in general, weighs the socioeconomic consequences of granting, or not granting, the Certificate of Need. Minnesota Rule 7855.0120C(2), in particular, requires the Commission to examine the socioeconomic and environmental impacts relative to the proposed additional dry cask storage, its indefinite storage on-site, and 20 years of continued operations. In measuring the socioeconomic and environmental impacts, the DEIS refers to the Emergency Response Plans in place and how the same will operate to contain any incident at the PINGP. As a result of this containment, the socioeconomic and environmental impacts are minimized. This end result, then, is that the costs associated with any incident or release, from a socioeconomic and environmental aspect, are greatly diminished and would generally support the granting Xcel Energy's requested Certificate of Need.

However, here, that is not the case. The City has detailed how it is unable to provide the necessary response under the Emergency Response Plans. Indeed, the City has projected that its ability to respond will continue to erode in the future as a result of the diminishing revenues. The loss of revenues will result in the loss of personnel and equipment to respond to an incident. The end result of this is that an incident will not be contained, mitigated, or

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remediated in a timely or appropriate fashion and the socioeconomic and environmental impacts will not be diminished. The potential socioeconomic impact, for the City alone, not including the Prairie Island Indian Community's interests including, but not limited to its Treasure Island Casino, consist of, at a minimum, the City's total 2009 real estate taxable market value of \$1,740,227,400, and its annual tourism with a direct economic impact of \$59,900,000. This does not include any losses from indirect impacts including economic development, loss of access to the Red Wing airport, loss of market for products from the region due to stigma effects, loss of tourist revenue in other areas of the region due to stigma effects, prolonged and costly litigation, loss of confidence and stability of local governance or other indirect impacts of a release. Accordingly, the costs associated with an incident that is not appropriately contained, mitigated and remediated must be factored as part of Xcel Energy's Certificate of Need.

Minnesota Rule 7855.1020C(4) examines the socially beneficial uses of the output including its uses to protect or enhance environmental quality. Here, without an appropriate Emergency Response Plan, the benefit of additional dry cask storage for an indefinite period of time and the 20 years of continued operations must be balanced against the lack of containment, mitigation, or remediation that would occur following an incident at the PINGP. To date, this factor has not been taken into consideration and must be appropriately weighed. However, again, unless an Emergency Response Plan is and can be met, this, again, does not weigh in favor of Xcel Energy.

Evaluating these factors as a whole, it is clear that the various elements or considerations required under Minnesota Rule 7855.0120C do not weigh in favor of granting the Certificate of Need. Without proper funding to support the Emergency Response Plans, the socioeconomic and environmental costs and risks are simply too great and the Certificate of Need must be denied.

1 In addition to these provisions and the balancing of criteria, the impact of the  
2 lack of Emergency Response Plan must be considered pursuant to Minn. Stat.  
3 § 216B.243 subd. 3a(b). Under Section 216B.243 subd.3a(b), Xcel Energy is  
4 obligated to address the impacts of continued operations over the period for  
5 which approval is sought. Here, that period is twenty years. Without an  
6 effective Emergency Response Plan, the impacts are almost immeasurable.  
7 From a socioeconomic perspective, the loss to the City will be not only the  
8 \$60 million per year in tourism but also the value of its tax base of \$1.7  
9 billion. This does not take into account any of the other business losses or the  
10 losses associated with the Prairie Island Indian Community and its business  
11 operations or the other going-concerns within the City. From an  
12 environmental perspective, the costs will be extraordinary. These costs have  
13 not, in any meaningful way, been considered by Xcel Energy or weighed in  
14 the Draft Environmental Impact Statement.

15  
16 **III. Response to Mr. Charles Bomberger**

17  
18 Q: On page 17 of his rebuttal testimony, Mr. Bomberger testifies that the level of  
19 emergency services at PINGP will require will not change by increasing the number  
20 of casks at the ISFSI. Do you agree with that assessment?

21  
22 A: No. Mr. Bomberger misses the point. If the Certificate of Need for Additional Dry  
23 Cask Storage is granted, the PINGP will continue operations for 20 years. As such,  
24 the City must continue to provide the necessary support services relative to the  
25 Emergency Response Plans in place.

26  
27 The City is facing a deficit in which it will be obligated, if not this year, then next, to  
28 cut fulltime and part-time personnel that are necessary for the City to provide the  
29 level of services required under the Emergency Response Plans. As such, Mr.  
30 Bomberger's testimony and his conclusion that these services will not change is  
31 simply immaterial. The City will simply not be able to provide the services that are

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called out.

Q: Mr. Bomberger indicates that there is a process already in place for the City to request additional funding relative to the Emergency Response Plans. Do you agree with his conclusion?

A: No. Under Minn. Stat. § 12.14, which is the radiological emergency preparedness statute and which has already been previously discussed in this testimony, the City is able to obtain financing or funding for the annual exercise associated with the same. In other words, this fund is available for the City and its annual operations simulating an incident at the PINGP. This fund is not available for the type of necessary infrastructure that is required of the City to deliver under the Emergency Response Plans in place.

Q: Has the City ever been denied funds?

A: No. However, the City has never submitted, nor is it entitled to submit, any requests for monies to support the general infrastructure in order to meet the Emergency Response Plans. Typically, the costs associated solely with radiological emergency preparedness.

Q: Mr. Bomberger indicates that the City had previously affirmed its responsibilities under the Emergency Response Plans. Why is this affirmation no longer possible?

A: As is detailed in my testimony in these dockets, the City has continued to watch the PINGP's contribution to the local tax base erode. The utility valuation rule changes promulgated by the Department of Revenue, the re-characterization and subsequent exemption of significant operating equipment as pollution control devices, legislative changes, and legal challenges initiated by Xcel Energy have resulted in a significant erosion of the PINGP's contribution to the local tax base. In addition, with the significant reduction in state-paid local government aids including LGA and recent

1 legislative attempts to eliminate utility transition aid at the State level, the City is  
2 financially strained to the point that there will be a significant reduction in the critical  
3 and necessary public services including layoffs of policemen, fireman, and  
4 ambulance personnel. As a result of these layoffs, the City cannot meet or provide  
5 the appropriate response under the Emergency Response Plans.  
6

7 **IV. Response to Mr. Rheinberger**  
8

9 Q: In his rebuttal testimony, Mr. Rheinberger sets out an analysis of determining who is  
10 responsible for calculating the amount of taxes paid by utilities and the application of  
11 the basic formula for Xcel Energy. Do you agree with this assessment?  
12

13 A: Yes. In general, the framework provided by Mr. Rheinberger is correct. However,  
14 before addressing the specifics of his testimony, it should be noted that Mr.  
15 Rheinberger's testimony in this matter is for the most part identical to his testimony  
16 filed in the EPU Docket. As such, I adopt and include in this testimony my  
17 Surrebuttal Testimony filed in the EPU Docket.  
18

19 With Mr. Rheinberger, there are a couple of items where, in his testimony, there is  
20 incomplete information. First, it is not accurate to assume that Xcel Energy had no  
21 part in influencing the DOR's decision to undertake the rule making process in  
22 Chapter 8100 or actively pursued property tax reductions in other venues. During  
23 my time at the City and as a board member of the Coalition, I have been well aware  
24 of Xcel Energy's large and active involvement in actions at the State, State Agencies  
25 and courts to reduce its property taxes.  
26

27 Second, as part of its investment in plants such as the PINGP, Xcel Energy has  
28 actively challenged the DOR in the courts to utilize property tax exemptions, such as  
29 pollution control exemptions, to exempt its replacement, upgrades or installation of  
30 equipment and other items from the property tax. Accordingly, while Xcel Energy  
31 contends that there may be millions of dollars worth of investments of equipment

1 into the PINGP as a result of the continued operations associated with the additional  
2 dry cask storage, these investments will not result in a straight line corresponding  
3 increase in the property taxes paid to the City.  
4

5 Q: What can you tell me about the Revenue Stabilization Agreement?  
6

7 A: This was an agreement under which Xcel Energy provided payments to utility host  
8 cities such as Red Wing to lessen the significant impact of the DOR rule change.  
9 According to the DOR, the rule change would result in a 27% reduction in electric  
10 utility valuation with a corresponding reduction in the property taxes paid by the  
11 PINGP and a resultant 11% decrease in the City's tax capacity. These property tax  
12 reductions were on top of the other cuts in state-paid local government aids and other  
13 revenues that the City lost during that same time frame. The Stabilization Agreement  
14 was only in place until such time that the State provided utility transition aid. Under  
15 the Revenue Stabilization Agreement the City received \$18,605.  
16

17 Q: Mr. Rheinberger concludes that under the utility transition aid and property taxes  
18 from the PINGP, the City would receive more in 2010 than it will have under  
19 previous utility valuation rules. Do you agree?  
20

21 A: No. The Revenue Stabilization Agreement was limited to the differential in property  
22 taxes paid to the City by the PINGP in 2007, before the rule change went into effect,  
23 and the property taxes paid to the City by the PINGP in subsequent years, after the  
24 rule change went into effect. The utility transition aid considers the impact of the  
25 DOR's rule change upon all utility property within the City of Red Wing and  
26 employs a different basis for stabilization than the Revenue Stabilization Agreement  
27 had. The utility transition aid is codified in Minn. Stat. § 477A.16 and sets forth the  
28 mechanics for calculating the utility transition aid. The calculation for determining  
29 the receipt of utility transition aid is based on the positive difference, if any, by which  
30 the local unit's old rule utility net tax capacity exceeds its total tax capacity of utility  
31 property for taxes payable in the current year. The mechanics of the statute therefore

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ensure that the receipt of utility transition aid is contingent upon a reduction in utility tax capacity resulting from the rule change.

In addition, there is the assumption by Mr. Rheinberger that the utility transition aid will continue uninterrupted. This is a false assumption. The utility transition aid was targeted for elimination during the most recent State legislative session as a means of assisting the State in addressing its \$6.4 Billion deficit. While it is uncertain at this time whether or not the utility transition aid will be unallotted by Governor Pawlenty, the uncertainty regarding the utility transition aid is sure to continue into the future.

Q: Mr. Rheinberger submitted exhibits and tables which accompany his testimony illustrating the impact on property taxes paid by the PINGP under different scenarios including the granting the license extensions, with the granting of the request for additional dry cask storage, and without the granting of the additional dry cask storage and impact each scenario will have on property taxes. Do you agree with his assessment?

A: No. There are certain assumptions made by Mr. Rheinberger that may not hold true. First, there is an assumption that the continued operations and improvements to the PINGP will be a straight line increase in local property taxes. As previously discussed, there has been no determination by the DOR on the valuation of any improvements to the PINGP nor has the DOR determined valuation reductions for obsolescence or what value will be exempted from property taxation as pollution control equipment. In addition, any property tax increase attributable to the granting of the Certificate of Need will be short lived as the improvements will quickly depreciate reducing the property taxes paid by the PINGP.

Further, the tables illustrate the hypothetical property taxes from 2009 through 2017. The tables end in the year 2017, the year in which Xcel Energy projects local property taxes to reach their highest level. Ending the tables in 2017 tends to leave the reader with the assumption that the property taxes will continue at the 2017 level

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into the future. Again, property taxes paid to the City will be reduced over the years and will erode the City's ability to provide the necessary and critical public services needed to respond to an incident at the PINGP. To assist the end users in understanding the complexities of the issues the analysis should illustrate the hypothetical property taxes through the proposed license extensions for the PINGP (2033 and 2034). For this docket, this should extend up to the time that the casks are removed from the PINGP site (permanent temporary storage and 200 years according to the DEIS). The table should also illustrate the continued erosion of property taxes in order to fully evaluate the impact of the additional dry cask storage, the indefinite time period it will remain on site, and 20 years of continued operations of the PINGP. In short, the assumptions show the best case scenario and do not illustrate the reality of how the property taxes will rapidly decrease after 2017. With this additional property tax information there can be a fuller evaluation of the impact of the Certificate of Need and the longer-term consequences upon the City of granting the same.

Q: Does this conclude your testimony?

A: Yes

**Before the Minnesota Public Utilities Commission  
State of Minnesota**

**In the Matter of the Application of Northern States Power Company d/b/a/ Xcel  
Energy for a Certificate of Need Authorizing and Extended Power Uprate and  
Additional Dry Cask Storage at the Prairie Island Nuclear Generating Plant**

**MPUC Docket Nos. E-022/CN-08-509  
E-002/CN-08-510  
E-002/GS-08-690  
OAH Docket No. 7-2500-19797-2**

**Direct Testimony of Roger Hand  
on behalf of the City of Red Wing, Minnesota**

**April 30, 2009**



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**I. Introduction and qualifications**

Q: Please state your name, occupation, and business address.

A: My name is Roger Hand. I am the Emergency Management Director for the City of Red Wing. My business address is 430 West 6<sup>th</sup> Street, Red Wing, Minnesota 55066.

Q: On whose behalf are you providing this testimony?

A: I provide this testimony on behalf of the City of Red Wing, Minnesota (the "City").

Q: What are the purposes of your testimony?

A: The purpose of this testimony is to address, in part, the City's continuing ability to respond to an event that occurs at the Prairie Island Nuclear Generating Plant ("PINGP") that is owned and operated by Northern States Power Company d/b/a Xcel Energy. This testimony is submitted in conjunction with other testimony from the City including that of Marshall Hallock. Mr. Hallock, in his testimony, identifies the specific ability of the City to continue to support the necessary fire, ambulance, and police support for any event at PINGP. My testimony will focus on the current status and role of the City in the event of an occurrence at the Plant.

Q: Please describe your professional and academic background.

A: I retired in March 2004 from the Red Wing Police Department after serving 32 years in a variety of patrol and supervisory positions. During my tenure I served as a patrol officer, patrol supervisor (Lieutenant), Captain supervising patrol and investigations, Asst. Chief, and as Special Operations Director under a Public Safety concept employed from 1996 through 2004. While serving as Special Operations Director, I was tasked with developing and maintaining a cooperative work climate between the

1 Police, Fire, and Building Officials within the City. One of my ongoing duties  
2 while serving in these different positions was to serve as liaison and Assistant EOC  
3 Operations Chief (Incident Commander under NIMS) to the City of Red  
4 Wing/Goodhue County Emergency Operations Center. I am a 1990 Graduate of the  
5 FBI National Academy in Quantico, Virginia

6  
7 In my role as the Emergency Management Director for the City of Red Wing, I work  
8 directly under the supervision of the Council Administrator, and provide general and  
9 technical supervision to participants during nuclear, natural, and/or man-made drills,  
10 exercises or actual disasters. I am responsible for, among other things, developing,  
11 updating and maintaining emergency plans to protect the City; developing mutual aid  
12 agreements with other agencies to promote reciprocal emergency management aid;  
13 developing, revising and updating emergency calling trees; testing of emergency  
14 plans by conducting drills and exercises; coordination and recruitment of volunteer  
15 personnel; evaluating drills and exercises to analyze problems and revise plans as  
16 appropriate; coordinating general operations of local emergency management  
17 functions including utilizing of personnel, equipment, supplies, and facilities;  
18 assisting private firms with disaster planning; and maintaining records as required. I  
19 assist the Mayor and/or other city officials in the event of an occurrence at the Prairie  
20 Island Nuclear Generating Plant (PINGP) that requires an emergency and/or  
21 coordinated response and act as one of the EOC Incident Commanders. A Mutual  
22 Aid Agreement between the City of Red Wing and Goodhue County exists where  
23 each Emergency Management Director may respond and assist or direct in place of  
24 the other in case of emergency events within the "others" jurisdiction. The City of  
25 Red Wing and Goodhue County operate a joint Emergency Operations Center (EOC)  
26 in which each Emergency Management Director acts as EOC Incident Commander to  
27 allow for 24 hour coverage.

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29 **II. Role of the City in the event of an occurrence?**

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31 Q: What is the role of the City in the event of an occurrence at the plant?

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A: The City of Red Wing, pursuant to the Emergency Response Plan for the Prairie Island Nuclear Generating Plant, a copy of which is attached to the testimony of Marshall Hallock as Exhibit 2 (MH-2) is obligated to provide the first response for any occurrence at the plant. This obligation is for the normal fire and medical service and, in the event of an incident where there is a release or contamination, to provide first responder support. While Xcel Energy has a fire brigade and suppression equipment located within the plant's facility, this capability is only for containment until outside fire assistance arrives. In the event that there is an incident, it is the City, under the Emergency Response Plan, that is obligated to respond and provide primary containment/suppression services.

Q: What is the Emergency Response Plan?

A: The Emergency Response Plan is a cooperative project and/or plan to address an incident at PINGP. The plan was created with the assistance and/or guidance provided by the Federal Emergency Management Agency, the United States Nuclear Regulatory Commission, Minnesota Division of Homeland Security and Emergency Management, and the Prairie Island Nuclear Generating Plant. It is part of and operates within the provisions of the Minnesota Emergency Operations Plan as well as the NRC guidelines regarding certain actions within a radius of the plant in the event of an incident. This response is, in all ways, the first and initial response to an incident and the best response in time, depending upon the circumstances, to contain an incident and/or address contamination.

Q: What is an example of the type of service that is provided?

A: The City is obligated to provide all means and manner of response and/or support in the event of an incident. For example, it is the Red Wing Police Department that is obligated to first respond and coordinate and handle certain matters relative to traffic control and access, as well as response to possible intrusion occurring

1 outside the plant controlled area. While the Goodhue County Sheriff and the  
2 Minnesota State Patrol will assist and provide other certain services the response  
3 initially is by the Red Wing police. For any incident involving fire, chemical spill,  
4 or radiological release or worker contamination, the Red Wing Fire Department  
5 and/or ambulance service are the first responders. While Goodhue County will  
6 provide support through its sheriff's department, there is not a Goodhue County fire  
7 department and/or ambulance that can service the same in a timely manner. Under  
8 the Emergency Response Plan, the City is the primary provider of fire and/or  
9 ambulance services.

10

11 Q: What type of special training is necessary for a specific incidence at PINGP?

12

13 A: The City's police, ambulance, and fire departments all go through extensive  
14 training to handle incidents of all sorts that may occur at the plant. This includes  
15 accidents as well as potential acts of malice. The fire department is equipped with  
16 specific and special equipment that will allow it to respond to an occurrence or  
17 event where there is a release of radiation. This equipment enables the ambulance  
18 crews or fire fighters to protect themselves while assisting the individuals who may  
19 be affected or addressing the situation that is causing the release. This equipment,  
20 training, and other support items are part of the Emergency Response Plan and  
21 necessary to respond to an incident at a nuclear facility in accordance with NRC  
22 regulations. Indeed, there is a lot of time, effort, and money that goes into training  
23 the fire department, ambulances, and other first responders from the City in the  
24 event of occurrence.

25

26 Q: Do any of the other local fire departments or ambulance services participate in the  
27 training at the power plant in coordination or conjunction with the City?

28

29 A: No. To my knowledge, the City is the only local entity that actually has the  
30 necessary equipment to respond to an incident and the necessary training to utilize  
31 the same. The City has, in fact, committed to this training and has agreed to serve

1 as the primary responder. This affirmation or commitment was completed last year  
2 and is documented by a letter dated September 10, 2008, a copy of which is  
3 attached to Marshall Hallock's testimony as Exhibit 1 (MH-1).

4  
5 Q: Other than the Goodhue County Sheriff, who else is to respond to an incident at  
6 PINGP?

7  
8 A: Under the Emergency Response Plan, as well as other plans, the obligation to  
9 respond will be with the State and Federal governments. Those entities, after the  
10 City has exhausted its resources, would supplement or provide the necessary  
11 response to address an occurrence or incident at the plant. However, that response  
12 would come after appropriate containment and decontamination procedures would  
13 be initiated and/or completed by the City.

14  
15 Q: What would be the effect if there was a delay or a lessened response by the City?

16  
17 A: The timing is crucial because the failure to contain any sort of incident would allow  
18 that incident to expand and potentially harm the environmental area in and around  
19 the plant and further potentially harm an area much larger. Relative to humans,  
20 those immediately affected would not receive the necessary support, help or  
21 protective action recommendations and may face contamination procedures as set  
22 forth in the Emergency Response Plan and therefore may suffer any sort of  
23 additional harms or maladies associated with prolonged exposure.

24  
25 In addition, the potential lack of containment could impact and affect those outside  
26 the general area of the plant when the incident or occurrence can not be reasonably  
27 and timely contained.

28  
29 Q: What is your understanding as to why the City can not continue to provide the level  
30 of service?

31

1 A: This issue is more directly dealt with by Marshall Hallock. However, it is my  
2 understanding that Xcel Energy, while supplying certain equipment and making  
3 specific payments to offset costs associated with training and other items, has  
4 sought to and been successful in the reduction of its tax base for the plant, how its  
5 equipment is characterized and other factors which has resulted in less payments to  
6 the City in the form of taxes used to support the police, ambulance, and fire  
7 departments. As a result, the City has not received the traditional or even a portion  
8 of the benefit of having a facility like the plant in its borders. Due to the loss of  
9 revenue, the City is looking at cutting back on fulltime police officers and currently  
10 only has half of the necessary firemen needed or projected for the City. As a result,  
11 while the City may maintain, through training, a state of readiness, it will not have  
12 the ability to respond in a timely and effective fashion in the event that there  
13 actually is an event or incident at the plant due to lack of adequate funding to  
14 maintain a sufficient force and to provide the necessary equipment to service all of  
15 Red Wing, not just the plant. Without the sufficient resources to service all of Red  
16 Wing, the City will not be able to respond to an incident at the plant in a timely and  
17 effective fashion.

18  
19 Under the current applications pending before the NRC and the Minnesota Public  
20 Utilities Commission, Xcel Energy is seeking to extend the life of the plant for  
21 another twenty years. This means another twenty years of operation at an active  
22 double reactor plant that is located within the City of Red Wing. With the uprate,  
23 Xcel Energy is seeking to put more stress on an aged nuclear power plant. This  
24 will require the City to continue in its state of readiness to meet not only events at  
25 the plant but any other time after that where spent fuel is stored outside the same.

26  
27 To effectively respond, the City needs to have not only the specialized training and  
28 equipment to respond to an incident, but the basic equipment (i.e. fire truck or  
29 ambulance) to respond to an incident as well. If Xcel Energy is not supporting the  
30 police, ambulance, and fire departments at a basic level, then the services simply  
31 cannot be effectively provided.

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Q: How can this situation be remedied?

A: Xcel Energy needs to provide a mechanism in which to receive appropriate payments to maintain its state of readiness. As such, the City should have a condition placed upon Xcel's applications to provide the necessary financial support to the City to continue its operations.

Q: Does that complete your testimony?

A: Yes.

**Before the Minnesota Public Utilities Commission  
State of Minnesota**

**In the Matter of the Application of Northern States Power Company d/b/a/ Xcel  
Energy for a Certificate of Need Authorizing an Extended Power Uprate at the  
Prairie Island Nuclear Generating Plant**

**MPUC Docket Nos. E-022/CN-08-509  
OAH Docket No. 7-2500-19797-2**

**Surrebuttal Testimony of Roger Hand  
on behalf of the City of Red Wing, Minnesota**

**May 29, 2009**

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**I. Introduction and qualifications**

Q: Please state your name, occupation, and business address.

A: My name is Roger Hand. I am the Emergency Management Director for the City of Red Wing. My business address is 430 West 6<sup>th</sup> Street, Red Wing, Minnesota 55066.

Q: Are you the same Roger Hand who provided direct testimony on behalf of the City of Red Wing (the "City") in this proceeding?

A: Yes.

Q: What is the purpose of your surrebuttal testimony?

A: I am offering surrebuttal testimony relative to the rebuttal testimony offered by Dr. Steve Rakow on behalf of the Minnesota Office of Energy Security, Department of Commerce ("OES") and the rebuttal testimony offered by Charles R. Bomberger and Joseph P. Rheinberger on behalf of Northern States Power Company d/b/a Xcel Energy ("Xcel Energy").

**II. Response to Dr. Steve Rakow**

Q: In his rebuttal testimony, Dr. Rakow focuses on incremental responsibilities and costs to the City and how the same would be impacted in the event that the certificate of need for an extended power uprate is granted. Do you agree with his assessment?

A: No. The incremental cost/benefit analysis regarding the City is not the proper focus. The proper focus is on the City's continued ability to provide the necessary and critical public services including police, fire and ambulance. The issue the City

1 is facing today is that it will no longer have the resources to provide an adequate  
2 response to an incident at the Prairie Island Nuclear Generating Plant ("PINGP").  
3 What this means is that the Emergency Response Plans currently in place, whether  
4 that is for Xcel Energy, the State, FEMA, Home Land Security, or the Nuclear  
5 Regulatory Commission ("NRC"), the City will not have the capacity or ability to  
6 respond in accordance with such.

7  
8 It is not possible to examine this on an incremental cost basis because this is part of  
9 the overall delivery of public services. The delivery here is unique because of the  
10 special circumstances of having two nuclear reactors located within the City limits.  
11 The uniqueness of these facts will continue for the indefinite period of time since  
12 there is no dispute by any of the parties that the spent fuel is not going to be  
13 removed from the site anytime soon.

14  
15 Accordingly, the responsibilities are not incremental and must be taken in the  
16 context of the overall delivery of the public services. Indeed, during the annual  
17 operations training the entire police, firefighter and ambulance crews are mobilized  
18 as well as numerous other City employees in Administration, Public Works,  
19 Engineering, and Planning to provide the necessary services. With the projected  
20 shortfalls there will be a loss of personnel and equipment that will not allow a  
21 response according to the Emergency Response Plans.

22  
23 Q: How does the question of the City's ability to provide basic services relate to the  
24 request by Xcel Energy in this proceeding?

25  
26 A: The Public Utilities Commission ("PUC") has a number of factors that it must  
27 weigh in order to determine whether a Certificate of Need should be granted.  
28 These provisions are set out under Minn. Stat. § 216B.243, in general, and under  
29 Minnesota Rule 7849.0120, C and D, in particular.

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31 Minnesota Rule 7849.0120, in general, weighs the socioeconomic consequences of

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granting, or not granting, the Certificate of Need. Minnesota Rule 7849.0120C(2), in particular, requires the Commission to examine the socioeconomic and environmental impact relative to the proposed Extended Power Uprate (“EPU”).

In measuring these socioeconomic and environmental impacts, the Draft Environmental Impact Statement refers to the Emergency Response Plans in place and how the same will operate to contain any incident at the PINGP. This analysis is key because without this containment the costs associated with any incident would be much greater and could shift that factor away from a positive benefit if the EPU is granted. As presented, there is an assumption that the Emergency Response Plans will work as specified. That presumption is no longer valid and the Commission must weigh the impact, from an economic basis, this will have in this proceeding.

Minnesota Rule 7849.0120C(4) examines the socially beneficial uses of the output including its uses to protect or enhance environmental quality. As set forth above, without an Emergency Response Plan in place, any improvement in environmental quality or benefit that Xcel Energy or the OES has identified must be weighed against the lack of containment, mitigation, or remediation that would occur following an incident at the PINGP. This analysis has not been done by Xcel Energy and must be completed. Regardless, it is clear that Xcel Energy does not meet the criteria setout under Minnesota Rule 7849.0120C.

Under Minnesota Rule 7849.0120D, Xcel Energy must establish that the operation of the PINGP complies with relevant policy, rules, and regulations of state and federal agencies and local governments. Here, there is no compliance with the Emergency Response Plans that are in place and part of the state, federal, and local government programs relative to the PINGP’s operations. Accordingly, until this can be remedied, this factor weighs against Xcel Energy and the granting of the EPU.

1 In addition to these provisions and balancing of criteria, the same impact of a lack  
2 of an Emergency Response Plan must be considered in evaluating the criteria under  
3 Minn. Stat. § 216B.243 sub.3 (12) which requires an assessment of the risk of  
4 environmental costs over the expected useful life of the plant, including proposed  
5 means of allocating costs associated with that risk. Without an effective Emergency  
6 Response Plan in place, the environmental risk costs are almost immeasurable.  
7 There will not be an effective response to contain, mitigate, and remediate any  
8 incident. In addition, as is detailed in the testimony and surrebuttal testimony of  
9 Mr. Hallock, the costs associated with continued operation of the plant have been  
10 unduly placed upon the City and its taxpayers. This is both from an effort to  
11 diminish the risk (i.e. fire, police, ambulance) including the costs to maintain the  
12 same, and environmental costs associated with the PINGP in the event of an  
13 incident. These costs, and more appropriately, the costs of public safety, must be  
14 reallocated and absorbed as a whole by those ratepayers that benefit from the  
15 continued operation of the PINGP.

16  
17 Q: Dr. Rakow recommends that the City provide certain information relative to this  
18 proceeding that will clarify the City's position. Do you agree that this information  
19 is relevant?

20  
21 A: Yes, in part. The City is doing this through the testimony of Mr. Marshall Hallock.  
22 However, it is important to consider this information appropriately. It cannot be  
23 viewed through incremental costs/benefit analysis, but rather through the overall  
24 ability of the City to continue to deliver the critical and necessary public services in  
25 accordance with the Emergency Response Plans. Other than this point, Mr.  
26 Hallock appropriately responds to Dr. Rakow's requests, so I defer to the  
27 statements provided by him regarding the additional information Dr. Rakow seeks.

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29 **III. Response to Mr. Charles R. Bomberger**

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31 Q: Mr. Bomberger contends that your assertion that the EPU will put more stress on an

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aged nuclear power plant is unfounded. Do you agree?

A: No. Mr. Bomberger's assertions are based on statements that are not supported in the record. First, he indicates that because the NRC governs certain licensing aspects of the PINGP, the State has no basis for determining whether the EPU is in its self-interest. The Commission should rightfully determine whether the economic risks associated with the EPU are in the public's best interests. Here, with the un rebutted assertion that the City no longer can support the Emergency Response Plans, the economic risks associated with the EPU are greatly increased and need to be re-evaluated by Xcel Energy.

Second, Mr. Bomberger contends that because of the ongoing investment into the PINGP and its safety record, one could conclude that it will continue to operate in a safe and efficient manner. As is pointed out by Mr. Hallock, the opposite conclusion could also be drawn. Recently, Xcel Energy has failed to meet certain critical performance criteria resulting in multiple white findings from the NRC. The NRC announced on May 13, 2009, that based on its performance assessment of the PINGP and related findings of low to moderate safety significance the NRC was classifying Unit 1 of the PINGP in the Regulatory Response Column of its assessment matrix. What this means is that the NRC downgraded the PINGP's performance and removed the PINGP from the list of top performing nuclear power plants as a result of the critical performance issues at the PINGP and that the NRC will be enhancing their oversight of the PINGP. It should be noted that the vast majority of the nuclear power plants in the United States are rated in the Licensee Response Column, or top performing classification, of the NRC's performance matrix. Accordingly, based on recent NRC assessments and findings, one could conclude the opposite of Mr. Bomberger: there will be increased incidents at the PINGP.

**IV. Response to Mr. Joseph P. Rheinberger**

Q: To which issue raised by Mr. Rheinberger do you wish to respond?

1 A: None. It does not appear that Mr. Rheinberger directly addresses any of his  
2 comments to the issues that I raised in my direct testimony. The details regarding the  
3 history of personal and utility property taxes is not something I am familiar with and  
4 therefore have no basis to respond to the same. However, as a general matter it is my  
5 understanding that the City will not have sufficient funds to continue to provide the  
6 necessary and critical public services required under the Emergency Response Plans.  
7 For any specific surrebuttal to Mr. Rheinberger's testimony I defer to Mr. Hallock.

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9 Q: Does this conclude your testimony?

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11 A: Yes.

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**Before the Minnesota Public Utilities Commission  
State of Minnesota**

**In the Matter of the Application of Northern States Power Company d/b/a/ Xcel  
Energy for a Certificate of Need Authorizing Additional Dry Cask Storage at the  
Prairie Island Nuclear Generating Plant**

**MPUC Docket Nos. E-002/CN-08-510  
OAH Docket No. 7-2500-19797-2**

**Surrebuttal Testimony of Roger Hand  
on behalf of the City of Red Wing, Minnesota**

**May 29, 2009**

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**I. Introduction and qualifications**

Q: Please state your name, occupation, and business address.

A: My name is Roger Hand. I am the Emergency Management Director for the City of Red Wing. My business address is 430 West 6<sup>th</sup> Street, Red Wing, Minnesota 55066.

Q: Are you the same Roger Hand who provided direct testimony on behalf of the City of Red Wing (the "City") in this proceeding?

A: Yes.

Q: What is the purpose of your surrebutal testimony?

A: I am offering surrebutal testimony relative to the rebuttal testimony offered by Dr. Steve Rakow on behalf of the Minnesota Office of Energy Security, Department of Commerce ("OES") and the rebuttal testimony offered by Charles R. Bomberger and Joseph P. Rheinberger on behalf of Northern States Power Company d/b/a Xcel Energy ("Xcel Energy").

**II. Response to Dr. Steve Rakow**

Q: Dr. Rakow identifies his belief that that City will have additional incremental responsibilities imposed upon it if the Certificate of Need for additional dry cask storage is granted. Do you have an idea of what those incremental responsibilities would be?

A: No. The issues here should not involve incremental costs or responsibilities. The incremental costs/benefit analysis is not appropriate when evaluating the City's ability to support the Emergency Response Plans that are in place for the Prairie

1 Island Nuclear Generating Plant ("PINGP"). With the current funding  
2 mechanisms, the City is looking at cuts and losses to personnel in both the police,  
3 fire and ambulance departments. These losses will inhibit or, if these are to  
4 continue, prohibit the City's ability to respond in a meaningful fashion to an  
5 incident at the PINGP. Thus, it is not the incremental responsibility or cost, but  
6 rather whether the City can meet its responsibility as contemplated at all.

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8 Q: On what basis should the Commission consider the City's position?

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10 A: In the Certificate of Need proceeding for dry cask storage, there are a number of  
11 factors relating to economic costs that the Commission should consider. First,  
12 under Minn. Stat. § 216B.243 Sub.3b (b), the impacts of the continued operations  
13 of the PINGP for the period of time in question (20 years) must be addressed or  
14 evaluated. With the City providing testimony that it can no longer provide an  
15 effective response under the Emergency Response Plans in place for the PINGP,  
16 there are serious issues raised regarding the costs associated with and the impact of  
17 the continued operations of the PINGP. This has not been addressed by Xcel  
18 Energy.

19

20 Second, there are considerations under Minnesota Rule 7855.0120 regarding the  
21 socioeconomic and environmental risks associated with the additional dry casks  
22 and continued operation of the PINGP. Specifically, under Minnesota Rule  
23 7855.0120C, the Commission is obligated to weigh the consequences of granting  
24 the Certificate of Need and the impact on any socioeconomic and environmental  
25 risks. The Commission is to consider the effects of the proposed facility, or a  
26 suitable modification thereof, upon the natural and socioeconomic environments  
27 compared to the effects of not building the facility (C)(2); and the socially  
28 beneficial uses of the output including its uses to protect or enhance environmental  
29 quality (C)(4). Under Minnesota Rule 7855.0120C, the lack of an effective  
30 response by the City creates a situation where this factor does not weigh in favor of  
31 Xcel Energy. Unless the City's issues are addressed, there will not be an

1 appropriate response under the Emergency Response Plans and, consequently,  
2 difficulty or delay in the containment, mitigation, and remediation of any incident.  
3 This prompt and necessary response serves to lessen any economic risks associated  
4 with an incident and, correspondingly, lessen the economic risks on a  
5 socioeconomic and environmental basis.

6  
7 In addition to Minnesota Rule 7855.0120C, the issues raised by the City directly  
8 impacts Minnesota Rule 7855.120D. Under that Rule, Xcel Energy must  
9 demonstrate that the operation of the facility will not violate any relevant policies,  
10 rules, or regulations of state, federal, and local governments or agencies. Here,  
11 Xcel Energy cannot meet this criterion. The Emergency Response Plans are  
12 developed in coordination with a number of state and federal agencies and local  
13 governments. These plans are required by the Nuclear Regulatory Commission and  
14 by the State of Minnesota to outline and detail a response in the event of an  
15 incident at the PINGP. Since the City can no longer effectively respond to these  
16 Emergency Response Plans and, any response will be further diminished over the  
17 continued years of operation of the PINGP, Xcel Energy has failed to establish that  
18 it complies with these policies and is effectively maintaining an Emergency  
19 Response Plan.

20  
21 Without proper funding to support the City and the delivery of these critical,  
22 necessary public services in response to an incident at the PINGP, it cannot be  
23 assumed that there will be a sufficient containment, mitigation, or remediation.  
24 Accordingly, the concerns and issues raised by City directly impact socioeconomic  
25 and environmental factors that the Commission must consider.

26  
27 Q: Dr. Rakow provides a series of recommendations or information that he would like  
28 to see from the City. Does the City have a response?

29  
30 A: Yes. The response on behalf of the City is set forth in Mr. Marshall Hallock's  
31 testimony. I want to again emphasize that the issue is not the incremental

1 cost/benefit analysis that Dr. Rakow seeks to employ, but rather is something much  
2 more fundamental. Specifically, the issue here is about the City's ability to meet its  
3 obligations under any Emergency Response Plans currently in place or those that  
4 will be developed in the future for the PINGP. With pending cuts in the funding  
5 for such critical and necessary public services, it is clear that the Emergency  
6 Response Plans will not function as envisioned.

7

8 **III. Response to Mr. Charles Bomberger**

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10 Mr. Bomberger describes a process through which the City of Red Wing may apply  
11 for and receive funding for radiological emergency preparedness. Do you agree

12 Q: with this assessment?

13

14 No. What Mr. Bomberger implies is that any cost associated with preparedness for  
15 a response at the PINGP is and should be paid for under Minn. Stat. § 12.14. This

16 A: simply is not the case.

17

18 It is my understanding that Minn. Stat. § 12.14 was established for the direct costs  
19 associated with radiological emergency preparedness and that that funding source is  
20 extremely limited in its application. The funding is generally sought by Red Wing  
21 on a reimbursement basis for actual costs incurred by the City's in its participation  
22 in the performance of the annual drills on the Emergency Response Plans for the  
23 PINGP. There is no funding available under Minn. Stat. § 12.14 for the  
24 infrastructure which is necessary to deliver the critical and necessary public service  
25 response to an incident at the PINGP. For example, the City cannot submit the  
26 costs for a fire truck, fire station, or the payroll of public safety personnel, all of  
27 which are necessary to respond to an incident at the PINGP.

28

29 Has the City ever been denied monies requested for costs incurred under Minn.  
30 Stat. § 12.14?

31 Q:

1 Based on my understanding, no. In fact, over the last couple of years the City has  
2 under-spent.

3 A:

4 How is it that the City, at this time, has determined that it cannot deliver or provide  
5 the necessary and critical public services under an Emergency Response Plan?

6 Q:

7 The response to this question is better set forth in the surrebuttal testimony of Mr.  
8 Marshall Hallock on behalf of the City. However, the simplest reason is this: the

9 A: City's financial circumstances have dramatically changed. In a confluence of  
10 events including the Minnesota Department of Revenue rule changes discussed by  
11 Mr. Joseph Rheinberger, significant reductions in property taxes paid by the PINGP  
12 and reductions in state-paid local government aids, the City finds itself on the verge  
13 of cutting necessary and critical public services. These reductions include, but are  
14 not limited to, cutting fulltime fire, ambulatory and police personnel and reducing,  
15 or otherwise indefinitely deferring, the acquisition of critical and necessary public  
16 safety equipment the City needs to deliver necessary public services. All of these  
17 events have culminated over the last two or three years and while the City was  
18 optimistic about its ability to meet its obligations, it no longer feels that it can do  
19 so. While the City did, within the last year, affirm its responsibility to provide such  
20 services under the various Emergency Response Plans, this affirmation must now  
21 be viewed in light of the harsh reality of the cuts the City is forced to consider.

22

23 **IV. Response to Mr. Joseph Rheinberger**

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25 Mr. Rheinberger raises a number of issues relative to personal and real property  
26 taxes and the history of the Minnesota Department of Revenue rule changes. Do

27 Q: you wish to provide a response to his comments?

28

29 No. The items that Mr. Rheinberger addresses are not within the scope of my  
30 duties on behalf of the City of Red Wing. I am the Emergency Management

31 A: Director and ensure that the City has the ability to meet its obligations under any of

1 the Emergency Response Plans it currently participates in. Instrumental to each of  
2 these plans are a significant number of individuals and equipment. Based on my  
3 understanding of the City finances and the unreliable revenue sources flowing to  
4 fund the same, the City is no longer in a position to support the fire, ambulance,  
5 police, public works and other personnel as it had relied upon in the past to  
6 effectuate a response to an incident at the PINGP. As such, the Emergency  
7 Response Plans in place to address and incident at the PINGP will not be fully  
8 functional and the City's ability to respond to such will continue to erode until such  
9 time the City has the requisite financing to meet the obligations imposed on it as  
10 the host city to a nuclear facility.

11

12 Does this conclude your testimony?

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14 Q: Yes.

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16 A:

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