

Witness Testimony
before the
House Committee on Energy and Commerce
Subcommittee on Energy and Power

“American Energy Security and Innovation:
the Role of a Diverse Electricity Generation Portfolio”

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Thank you, Chairman Whitfield, Ranking Member Rush, and members of the subcommittee for the opportunity to testify at today’s hearing.

My name is Ben Fowke, and I am chairman, president and chief executive officer of Xcel Energy, a public utility holding company headquartered in Minneapolis, Minnesota. We serve 3.4 million electric customers and 1.9 million gas customers in eight states throughout the Upper Midwest, Colorado, the panhandle of Texas and New Mexico.

The topic of today’s hearing could not be more important at this critical juncture for the energy sector.

We all share the goal of satisfying the country’s growing energy demands in the least expensive, most reliable, and cleanest way possible. Xcel Energy has been successful in pursuing a strategy that has reduced customer risk and promoted clean energy while maintaining reliable service at a competitive price. Fuel diversity is an important part of that strategy. Our system is a strong example of an “all of the above” strategy.

Xcel Energy owns a power generation fleet that includes more than 17,000 megawatts of electricity from sources including coal, natural gas, nuclear, wind, hydro, biomass and solar. We are unique among utilities in our commitment to renewable energy.

Today, we have about 4900 MW of wind on our system. We are also leaders in energy efficiency and innovative state emission reduction and fleet modernization programs.

Our strategy has put us on track to reduce our carbon dioxide emissions by over 20% from 2005 levels by 2020. At the same time, we’ve been able to maintain power prices at or below the national average.

We are achieving these remarkable results by maintaining a robust, diverse system. Although clean energy plays an important role in our electric system, we continue to rely on coal and nuclear power to provide the low-cost base on which our system depends.

These reliable energy sources have not stood in the way of our environmental achievements: Our company has been able to achieve significant emissions reductions despite the recent addition of Comanche 3, a large coal plant in Colorado. We are also in the process of extending and uprating our three nuclear plants for another 20 years of service. Coal and nuclear energy remains critical to the efficiency and reliability of our system.

For that reason, we have been proactive in seeing the need either to invest in coal fleet improvements or to retire and repower aging coal plants through programs like the Colorado Clean Air-Clean Jobs Act and the Minnesota Emission Reduction Project. Like many utilities, we have taken advantage of low natural gas prices to serve growing customer demand and allow replacement of aging coal plants. However, because of our renewable portfolio, we've been able to avoid becoming too reliant on the natural gas market. Wind energy acts as a natural hedge against fuel price risk, reduces our emissions and meets our customers' interest in clean energy

In fact, wind is key to our strategy. We recently contracted for wind power in Colorado at a price that is competitive with natural gas-fired generation even at today's low gas prices.

As a result, we're now integrating wind at levels that we never before imagined – up to 57% of our energy in Colorado in the peak hour. Our annual average wind energy will reach 20% this year in Colorado and 14% in Minnesota. The integration of these renewables is manageable, but it is not free. At the penetration rates we have achieved, and look to expand, our customers bear increasing costs of ensuring system reliability.

With the help of the wind development community, we are working to modify federal renewable policy to ensure some benefit flows directly to utilities responsible for integrating wind on their systems and, by extension, their customers. Importantly, these changes – which we call the Customer Renewable Credit – would constitute just a small fraction of the current cost of federal incentives flowing to renewable energy.

Much of our diversification strategy results from our long-standing desire to prepare for federal regulation of carbon dioxide emissions. Without passing judgment as to the wisdom of such regulation, we do believe there are principles that should guide government action in this regard. These principles include the belief that:

- Legislation is better than regulation;
- State flexibility is key;
- And Early Action Credit is essential

Because future legislation is uncertain, we are preparing for EPA's regulation of carbon dioxide from existing power plants. We hope that the EPA will allow states to develop diverse emission reduction strategies like those that have been successful in Colorado, Minnesota, and elsewhere.

For my company, it is most critical that any carbon dioxide regulation gives credit to states and energy companies that have already acted early to address carbon issues. Many customers are already paying for clean energy programs and should be rewarded for having done so.

With these approaches to policy, the nation can assure continued diversity of its energy resources and achieve what Xcel Energy has been working toward in our states for more than a decade: clean energy and environmental improvement at a competitive price.

Thank you for this opportunity. I am happy to take any questions you may have.