



STEPHEN FOSS
OPERATIONS AND SYSTEM INVESTMENTS
EVIDENTIARY HEARING OPENING STATEMENT
Case No. PU-12-813

My testimony discusses the 2013 capital and O&M budgets for the Operations organization, which includes Energy Supply, Transmission and Distribution. Operations is focused on excellence in employee and public safety, continuous improvement, and efficiency. Our goal is to provide the safe and reliable service our customers expect.

While each major function within Operations has a slightly different planning and budgeting process due to the business they manage, overall our processes are extensive and comprehensive and entail significant analysis and review. The 2013 capital and O&M budgets reflected in this rate application include expenditures we expected at the time to incur. Since the original filing we have made changes to some projects and the appropriate adjustments were made and described in Ms. Heuer's rebuttal testimony.

One of these adjustments was to remove the emissions chemicals and avoidable O&M costs at Unit 3 of our largest coal plant, the Sherco facility, for the first nine months of the 2013. As discussed in our status reports to the Commission, the turbine failure in November 2011 caused major damage to the plant. We have managed the massive repair effort with two fundamental objectives in mind: First, doing the job right, so Sherco 3 can provide safe and reliable service for many years to come; and second, protecting the interests of our customers.

The Sherco 3 project work is progressing well. The extensive investigation of the event indicates that the original cause was a failure of the mechanical connections between the low pressure turbine blades and the rotor. The failure was not one we could have predicted or prevented. All major equipment restoration and reassembly work has been completed and we are in the final stages of testing. We expect the plant to be back in service and in use to serve our customers around the end of September.

Maintaining and improving reliability for our North Dakota customers is an important priority for our Operations area. The reliability of our North Dakota operations continues to be the best in the NSP System. As part of our Settlement Agreement in the last rate case, several reliability-based commitments were made, each of which has been completed or is in process, including the establishment of a North Dakota-focused "Reliability Performance Plan" approved in late 2012.

The investments and costs that we have included in the test year for the Operations organization are what we believe to be necessary to maintain the high quality, safe, and reliable service our North Dakota customers expect.

Commissioners, I appreciate the opportunity to be here today, and I will do my very best to answer any questions you or your Staff may have about my testimony in this case. Thank you.