

**TESTIMONY OF DAVID M. SPARBY  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
NORTHERN STATES POWER-MINNESOTA**

**BEFORE THE SUBCOMMITTEE ON CRIME AND DRUGS  
JUDICIARY COMMITTEE  
UNITED STATES SENATE**

**HEARING ON  
METAL THEFT: PUBLIC HAZARD, LAW ENFORCEMENT CHALLENGE**

**JULY 22, 2009**

## **Introduction**

Senator Klobuchar and members of the Subcommittee, thank you for the opportunity to testify today on the issue of metal theft. This is an important issue that has widespread ramifications for public safety and infrastructure reliability. It is also a problem that is likely to continue to grow.

I am David Sparby, President and Chief Executive Officer of Northern States Power Company-Minnesota. NSP-Minnesota serves more than 1.5 million electric customers and 500,000 natural gas customers in Minnesota, North Dakota and South Dakota. Xcel Energy, our parent company, is a major U.S. electricity and natural gas company with operations in 8 Western and Midwestern states. Based in Minneapolis, Xcel Energy provides energy-related products and services to 3.4 million electricity customers and 1.9 million natural gas customers through its regulated operating companies.

I also am appearing today on behalf of the Edison Electric Institute (EEI), of which Xcel Energy is a member. EEI is the trade association of U.S. shareholder-owned electric companies and has international affiliate and industry associate members worldwide. EEI's U.S. members serve 95% of the ultimate customers in the shareholder-owned segment of the industry and represent about 70% of the U.S. electric power industry.

Before I turn to the subject of this hearing, I would like to highlight Xcel Energy's record on environmental leadership, which I know is of interest to many of you. For example:

- Xcel Energy is the leading provider of wind power in the nation, and this summer we were named “Utility of the Year” by the American Wind Energy Association.
- We are ranked fifth among U.S. utilities in solar power capacity and are involved in several efforts to advance emerging technologies, including a demonstration that integrates solar technologies with an existing coal plant.
- We are converting our remaining coal-fired unit in Wisconsin to biomass gasification, making it the largest biomass plant in the Midwest.
- We partner with the Department of Energy’s (DOE) National Renewable Energy Laboratory (NREL) on efforts designed to advance renewable energy technologies—including battery, compressed air and hydrogen conversion storage applications, plug-in hybrid electric vehicles (PHEV), and improved wind forecasting.
- We are completing a \$1 billion voluntary Minnesota Metro Emissions Reductions Project, called MERP, focused on reducing emissions in three urban plants in the Minneapolis/St. Paul area.
- Finally, our SmartGridCity pilot project in Boulder, Colorado, is the nation's first comprehensive demonstration and test of smart grid technologies, which aim to provide greater energy efficiency and conservation, increased use of renewable energy resources, and support for PHEVs and intelligent home appliances.

### **Metal Theft is an Increasingly Serious Public Safety Issue**

Over the past several years, no doubt driven in large part by rising metals prices through mid-2008, and the weakening economy after that, there have been increasing reports of thefts of metals from electric and natural gas utilities, telecommunications providers, homes and businesses. These stolen metals are sold to metal recyclers, who in turn sell them to be processed into other products.

Thieves tend to go where the money is, and rising copper prices, which peaked at more than \$4 a pound in June of last year, seemed to coincide with increasing thefts not only on our system but across the U.S. A National

Insurance Crime Bureau report issued in February of this year found, not surprisingly, an almost perfect correlation between increased metal prices and reported thefts. What has been somewhat surprising is that thefts have not significantly dropped along with metal prices over the last year, probably because of the severity of the economic downturn in many parts of the country. Theft has remained rampant. It also should be noted that prices have begun to increase again in recent months as a result of continued economic growth in China and India and anticipated recovery from the recession in the U.S. and Europe. As the economy recovers and metal prices increase, we can expect that thefts will increase as well.

The theft of copper is a particular problem because of the role it plays in critical infrastructure. In September 2007, the Federal Bureau of Investigation (FBI) issued an Intelligence Assessment finding that

Copper thieves are threatening U.S. critical infrastructure by targeting electric sub-stations, cellular towers, telephone land lines, railroads, water wells, construction sites, and vacant homes for lucrative profits. The theft of copper from these targets disrupts the flow of electricity, telecommunications, transportation, water supply, heating, and security and emergency services and presents a risk to both public safety and national security.<sup>1</sup>

In mid-2006, the National Association of Regulatory Utility Commissioners notified the Department of Energy that theft of copper wire from utilities was becoming a concern. In response, in 2007 the Department of Energy's Office of Electricity Delivery and Energy Reliability (OE) issued an Assessment of Copper Wire Thefts from Electric Utilities (OE Assessment) in order to call the problem to

---

<sup>1</sup> The Intelligence Assessment is available at:  
[http://www.fbi.gov/hq/majorthfts/coppertheft\\_120308b.htm](http://www.fbi.gov/hq/majorthfts/coppertheft_120308b.htm).

the attention of stakeholders and policy-makers.<sup>2</sup> The OE Assessment found that the problem is nationwide, and that there was a “strong correlation between crystal methamphetamine drug abuse and reported metal thefts.”<sup>3</sup> Copper wire thieves also appear more likely to target utilities that are located in cities or suburbs, where scrap dealers are more likely to be located nearby, than in rural areas.<sup>4</sup> The OE Assessment identified the primary utility facility targets for copper wire theft as substations and associated transformers, followed by utility lines and associated transformers, and spools of wire located in utility trucks, at construction sites, or in storage yards.<sup>5</sup>

The Electrical Safety Foundation, in cooperation with the Edison Electric Institute, the National Rural Electric Cooperative Association, and the American Public Power Association, last year developed a survey to measure how metal theft was affecting major utility stakeholders across the country.

Among the results of that survey:

- 95.1 percent of utility companies had experienced copper theft in the past year;
- 86.6 percent had a process in place to track incidences of copper theft;
- Over the previous 12-month period, an estimated 50,193 incidences of copper theft occurred;
- 7,919 of those incidences involved energized equipment;
- The value of copper material stolen in the 12-month period was an estimated \$20,167,738 (including the value of copper material, the

---

<sup>2</sup> The study is available at: <http://www.oe.netl.doe.gov/docs/copper042707.pdf>.

<sup>3</sup> OE Assessment at p. 7.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at page 8.

impact of the copper thefts from utilities nationwide cost \$60,397,818);

- The number of outages due to copper theft was an estimated 456,210 minutes; and
- Thefts were responsible for 52 injuries nationwide and 35 deaths.<sup>6</sup>

Xcel Energy has not been immune from the trends occurring elsewhere, although we have not experienced the same level of thefts experienced by other utilities, such as DTE, based in Detroit.<sup>7</sup> We have noted an increase in substation intrusions for the purpose of illegal removal of metals such as copper and aluminum and the theft of copper grounding wires from poles and other infrastructure. In Minneapolis last year, Xcel Energy faced multiple thefts targeting the copper ground wires attached to each electric pole. Ground wires are necessary to direct electricity from lightning strikes safely into the ground. When a ground wire is removed, the pole absorbs the electricity from a lightning strike, and equipment attached to the pole is damaged or destroyed. In order to reduce the incentive to steal these ground wires, Xcel Energy is now using copper-clad wires instead of all copper wires. These wires have little or no value to recyclers. Other utilities are also adopting specific countermeasures and protective measures to cut down on copper wire thefts.<sup>8</sup>

---

<sup>6</sup> See report of this survey and other instances of metals theft at: <http://www.thetelegraph.com/news/copper-27590-thefts-infrastructure.html>.

<sup>7</sup> In a 2007 press release, DTE reported nearly 250 incidents of thieves taking copper from Detroit Edison power lines and equipment. See "AT&T, Detroit Edison Urge Customers to Help Stop Copper Cable Thefts" (<http://dteenergy.mediaroom.com/index.php?s=43&item=202>.)

<sup>8</sup> The OE Assessment lists several of these countermeasures and protective measures on pp. 13-14.

In several incidents, thieves have broken into Xcel Energy substations to steal copper from transformers and other equipment. These substations are an important part of our system because they perform switching, voltage regulation, surge protection and other functions critical to reliable and safe operation of the electric system.

In September 2005, copper thieves broke into an underground feeder vault near the University of Minnesota campus. They apparently thought that the copper cable they were cutting into was not live. They were wrong. After beginning to cut through the energized feeder cable, they caused an explosion in the vault. Both men were burned severely and the feeder lines going to the University's substation were damaged, causing the substation to fail. The incident resulted in a two-hour power outage at the University of Minnesota Hospitals and Clinics. One of the hospital's emergency generators failed, causing the evacuation of several patient care floors.

In another case, in September 2006, a copper thief broke into an underground feeder vault in Minneapolis. He brought with him a hoist that he set up above the manhole cover leading into the vault and a portable metal saw with many spare batteries and blades. He apparently meant to take a lot of copper from the live feeder vault. He used a small home voltage tester that had given him a false reading that the feeder lines were dead. They were not. When he began to saw into one of the feeders, he caused a substantial explosion, which resulted in a system failure. This failure caused the City of Minneapolis water

treatment plant to shut down for several minutes until an alternate power source was identified.

In another example, we discovered in June that for three years, copper wire had been routinely stolen from our facility in the Twin Cities suburb of Maple Grove for resale to a recycler in the northern Minnesota community of Grand Rapids. The value of the copper taken in this case exceeded \$300,000.

The current economy also seems to have led to an increase in metal thefts. In the City of Minneapolis, there has been a rash of vacant homes being condemned as a result of the copper wiring and natural gas pipes being cut out by thieves. The individuals and banks that owned these properties lost millions of dollars of home values as a result of significant damage. Many of these homes were in such bad shape that they were later torn down. In addition, some homes exploded after the live natural gas lines were cut. These homes filled with gas and were so volatile that they later exploded. The Minneapolis fire chief testified to the Minnesota State Legislature in 2007 that citizens as well as his firefighters were constantly endangered by the conditions of these houses.

Many other utilities have been similarly victimized. In June 2008, thieves stole 300 feet of copper grounding wire from a Southern California Edison substation, forcing workers to shut down the facility and cut power to more than 19,000 customers. In March 2008, nearly 4,000 residents in Polk County, Florida, were left without power after copper wire was stripped from an active transformer at a Tampa Electric Company (TECO) power facility. Monetary losses to TECO were approximately \$500,000. In April 2008, five tornado warning sirens in the



Jackson, Mississippi, area did not warn residents of an approaching tornado because thieves had stripped the sirens of copper wiring, rendering them inoperable.<sup>9</sup>

Unauthorized entry and tampering with or stealing equipment in utility systems is extremely dangerous. Thieves are not the only ones at risk. These thefts also put our employees and customers at risk of death or serious injury. They also threaten the reliability of our system.

Because of this growing problem, Xcel Energy now requires extra vigilance from our employees to look for intrusions and other indications of unauthorized entry at substations and other facilities to ensure that safety has not been compromised. The OE Assessment cited a number of other efforts undertaken by electric utilities to prevent thefts, ranging from appeals to the public for information and rewards for information about thefts<sup>10</sup> to education programs aimed at assisting scrap dealers to identify metal stolen from utility facilities.<sup>11</sup>

### **Federal Legislation is Needed**

The theft of metals for quick cash is a national issue and is one not confined to the utility industry. Abandoned and foreclosed homes, the construction industry and other businesses also are targets. In addition, state and local laws addressing this issue vary in their scope and remedies, thus

---

<sup>9</sup> See, <http://www.networkworld.com/community/node/35946>.

<sup>10</sup> For example, In September 2008 Detroit Edison announced that it would increase from \$1,000 to \$2,500 the amount it would pay for information leading to the arrest of persons stealing copper and from \$2,500 to \$5,000 the amount for information leading to the arrest of persons buying stolen copper. See "Detroit Edison Boosts Rewards for Copper Theft Info" (<http://dteenergy.mediaroom.com/index.php?s=43&item=345>).

<sup>11</sup> OE Assessment at p. 11.

undercutting the effort of any individual jurisdiction. The only effective way to address this nationwide problem is through a uniform federal response.

S. 418, the Metal Theft Prevention Act, would make it easier for law enforcement officials to investigate incidences of metal theft by requiring metal dealers to document their transactions and prohibiting any cash transaction in excess of \$75. The legislation also would allow state attorneys general to bring actions to enforce this Act, in either federal district courts or other courts of appropriate jurisdiction. As a backstop to this authority, the Federal Trade Commission (FTC) would have the ability to enforce this Act. The federal/state partnership envisioned by this legislation pursuant to the FTC Act has worked well over many years in the consumer protection area and we think it represents an appropriate framework for addressing this pressing issue. While a number of states have or are considering legislation to address this problem, we believe that a uniform federal standard would be useful and is called for given the pervasive nature of these thefts. Finally, and importantly, the legislation preserves state and local laws, thus giving law enforcement professionals a variety of tools to address this problem.

We understand that there may be other approaches to this problem, including legislation that would increase penalties for metal theft, establishing a nationwide data base, mandatory reporting of crimes to the FBI and other similar approaches. Regardless of the approach taken, we believe the objective should be to provide law enforcement with as many tools as possible to combat this crime.

I would be happy to answer any questions you might have.