Direct Testimony

Witness Vern Laning

Before the Public Service Commission of
The State of North Dakota

In the Matter of the Application of
Basin Electric Power Cooperative
For A Route Permit for The Antelope
Valley Station Raw Water Pipeline

Case No. PU-04-109
February 3, 2005

DESCRIPTION OF FACILITY

1. Q. Mr. Laning, would you please give us your name, business address and your present occupation?

   A. My name is Vernon Laning; my business address is 1717 East Interstate Avenue, Bismarck, North Dakota. My current position is Vice President – Plant Operations with Basin Electric.

2. Q. What other positions have you held at Basin Electric?

   A. I started as a Mechanical Engineer in 1974 at the Leland Olds Station. I became Plant Manager at Leland Olds Station in 1980; in 1986 I was named the Mine Manager at the Glenharold Mine. In 1991 I went to the Antelope Valley Station as Plant Manager. In 1999, I moved to headquarters in Bismarck as Vice President of Operations.

3. Q. Mr. Laning, would you please review your employment prior to coming to work for Basin Electric Power Cooperative?

A. I was at Fort Knox, Kentucky in the U.S. Army as a Project Test Officer. We tested proposed new equipment for the Armor Branch of the Army.

4. Q. Would you please state your educational background?

A. I attended North Dakota State University and received a Bachelor of Science Degree in Mechanical Engineering in 1970.

5. Q. Would you please describe the nature and function of Basin Electric Power Cooperative?

A. Basin Electric Power Cooperative is a cooperative corporation organized and existing under the laws of the State of North Dakota. It is also authorized to do business in the states of South Dakota, Montana, Colorado, Wyoming, Nebraska and Iowa.

Basin Electric was organized in 1961 as a regional bulk wholesale electric power supplier for rural electric cooperative systems in eight states of the Missouri River Basin Region. The 120 rural electric distribution cooperative members of Basin Electric supply the electric power needs of approximately 1.2 million people in the Basin Electric service area.

The primary function of Basin Electric is to plan, design, construct and operate the generation and transmission facilities necessary to meet the wholesale electric power requirements of its member systems over and above their allocations of power from the Western Area Power Administration (Western). These Western allocations are static and constitute approximately one-third of their supply.

6. Q. Briefly describe the water pipeline facilities that Basin Electric proposes to construct per this proceeding.

A. Basin Electric proposes to construct 8.9 miles of 42-inch

underground steel or ductile iron pipeline from our present intake structure at Lake Sakakawea through a generally south direction to our Antelope Valley Station located north of Beulah, North Dakota.

7. Q. What is the estimated cost of this project?

A. Labor and material costs for the pipeline are estimated to be $12,000,000.

8. Q. There is an existing raw water pipeline for AVS. Why are you building a second line?

A. We have experienced three pipeline failures in recent years. These failures were indicated by a drop in water pressure at the AVS water plant and subsequently finding water flowing to the surface above the pipeline. We evaluated the condition of the pipeline by performing tests and internal inspections of the existing pipe. Those tests have indicated weaknesses in some

portions of the pipeline where further failures could occur. We considered partial replacement of the existing pipeline; however, the time required to take the line out of service, dig up and repair a portion of the pipe, refill the pipeline, refill the storage ponds and then repeat that cycle for all of the portions of the pipeline requiring work would have taken approximately 10 years. This made the construction of a new pipeline the preferable alternative. The Antelope Valley Station only has approximately 10 days worth of water storage on site if the water storage ponds are full to start with. If a series of pipeline failures were to occur, without sufficient time to refill the ponds, the power plant, as well as the gasification plant, would have to be taken out of service due to lack of water.

9. Q. What are your plans for the existing pipeline?

A. The present pipeline will provide emergency back-up service. This will be possible through the addition of isolation valves at each end of the pipeline so that either the existing or proposed

pipeline can be put in operation very quickly. Should a significant failure occur in the new pipeline, we would place the old pipeline back in service within a few hours.

10. Q. Mr. Laning, I would like to ask you a series of questions relating to certain Commission Policy Criteria.

What is Basin Electric's policy with respect to maximizing potential benefits through location and design of its facilities?

A. Basin Electric believes the route we have proposed for this project maximizes benefits by staying within the existing corridor and, for the most part, parallels the existing route. In addition, due to improved terrain, the proposed route will reduce the number of vent and drain valves.

11. Q. And what is Basin Electric's policy concerning the training of available labor in this state for the general and specialized skills required?

A. Basin Electric has a long-standing policy of recruiting and training workers from North Dakota. We have established several on-the-job training programs for operations and maintenance personnel, and also maintain close contact with the universities and vocational schools in this state and the region.

Basin Electric has been directly involved in a program at Bismarck State College for training power plant workers and employees of Basin Electric and serves on the advisory committee for the power plant technology school.

Basin Electric recently made a $2 million commitment to Bismarck State College to enhance the power plant technology program to help train workers which we will need as our existing employees retire.

12. Q. What is Basin Electric's policy with respect to utilization of

available labor in this state?

A. It is Basin Electric's practice to hire qualified North Dakota workers. Basin Electric includes qualified North Dakota companies on its bidders lists for materials and construction work.

The contractor hires the actual labor force used on our construction projects. Many of the construction personnel are highly trained in this specialized area of construction; however, certain portions of the construction sequence do not require specialized training. We anticipate that for these tasks, the contractor will probably employ some local people along the line.

13. Q. Mr. Laning, what efforts has Basin Electric made to economize the costs of construction and operation?

A. Basin Electric is continually reviewing design features to

minimize construction costs consistent with reliability and safety considerations and at the same time design a pipeline which will have the least impact to the environment and our plant operations.

14. Q. Mr. Laning, would you please tell the Commission what type of commitment Basin Electric has to North Dakota consumers regarding this project?

A. Basin Electric is contractually committed to meet all of the supplemental requirements of the 17 rural electric cooperatives in North Dakota, which are Basin Electric's members. We have an obligation to continue to meet those demands at least through the year 2039.

15. Q. What is Basin Electric's policy regarding labor relations?

A. Basin Electric's management has always maintained an equitable and fair relationship with labor.

16. Q. What is Basin Electric's position on the monitoring of the environmental impact?

A. Basin Electric's policy is that environmental impacts should be monitored and steps taken to mitigate and alleviate those impacts that have adverse effects. The Application discusses expected impacts and the mitigation techniques and strategies proposed.

After the pipeline is placed in operation, Basin Electric will conduct weekly pipeline inspections to insure no problems exist along the route.

17. Q. Mr. Laning, what is the policy of Basin Electric regarding the utilizing of existing and proposed right-of-way?

A. Basin Electric strives to avoid duplication of facilities where we believe there is a reasonable alternative. In this particular case,

we have made efforts to route the new pipeline within the old right-of-way as much as possible, but some deviation was necessary to avoid crossover of the structures and to take advantage of improved terrain conditions.

18. Q. What is the anticipated in-service date for this new pipeline?

A. We hope to have the new pipeline operational by the summer of 2006. We believe this is necessary to ensure the reliability of adequate water supply for both the Antelope Valley Station and Dakota Gasification Company's Synfuels Plant.

19. Q. Does this complete your direct testimony?

A. Yes.