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May 21, 2010

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VIA FEDERAL EXPRESS

Darrell Nitschke, Executive Director
North Dakota Public Service Commission
State Capitol Building, Dept. 408
600 East Boulevard
Bismarck, ND 58505-0480

**Re: In the Matter of the Application for an Advance Determination of Prudence
for the CapX2020 Group 1 Transmission Projects
Northern States Power Company, Case No. PU-09-678
Otter Tail Power Company, Case No. PU-09-676**

Dear Mr. Nitschke:

Enclosed for filing in the above-referenced matters are an original and seven copies of the Direct Testimony of Ms. Priti R. Patel (Joint Exhibit E).

Applicants are providing Ms. Patel's Direct Testimony as a replacement for the Direct Testimony of Ms. Laura McCarten (Joint Exhibit A). Ms. Patel has recently replaced Ms. McCarten as Director, Regional Transmission Development for Applicant Xcel Energy and will be Applicants' witness at the evidentiary hearings in lieu of Ms. McCarten.

Ms. Patel's testimony is substantively identical to the testimony of Ms. McCarten except for the inclusion of Ms. Patel's personal information (pages 1-2) and updated information related to the regulatory status of the Group 1 Projects (pages 13-16).

Please feel free to contact me if the Commission requires any additional information.

Sincerely,

Zeviel Simpser

ZS/cas
Enclosures

- 39 PU-09-678 Filed 05/21/2010 Pages: 27
Prefiled Direct Testimony of Priti R. Patel
Northern States Power Co. / Otter Tail Power Co.
Zeviel Simpser, Atty., Briggs&Morgan, PA
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Prefiled Direct Testimony of Priti R. Patel
Northern States Power Co. / Otter Tail Power Co.
Zeviel Simpser, Atty., Briggs&Morgan, PA

Direct Testimony and Schedule
Priti R. Patel

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

NORTHERN STATES POWER COMPANY,
A MINNESOTA CORPORATION

CASE No. PU-09-678

OTTER TAIL POWER COMPANY

CASE No. PU-09-676

IN THE MATTER OF THE APPLICATION
FOR AN ADVANCE DETERMINATION OF
PRUDENCE FOR THE CAPX2020
GROUP 1 PROJECTS

TESTIMONY OF

PRITI R. PATEL

On Behalf of

APPLICANTS

NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION,
AND

OTTER TAIL POWER COMPANY

May 21, 2010

Joint Exhibit E

1 I. INTRODUCTION AND QUALIFICATIONS

2
3 Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.

4 A. My name is Priti Patel and my business address is 414 Nicollet Mall, Minneapolis,
5 Minnesota 55401.

6
7 Q. BY WHOM ARE YOU EMPLOYED, WHAT IS YOUR POSITION AND
8 RESPONSIBILITIES?

9 A. I am employed by Northern States Power Company, a Minnesota corporation
10 (“Xcel Energy”), as the Director of Regional Transmission Development. In
11 this position, I am the Co-Executive Director of the CapX2020 Transmission
12 Expansion Initiative (“CapX2020 Initiative”). My current job responsibilities
13 include working with all of the utilities participating in the CapX2020 Initiative to
14 develop the transmission projects that are under consideration in this
15 proceeding, as well as the overall business relationship among the utilities. My
16 resume is attached as Schedule 1.

17
18 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
19 EXPERIENCE.

20 A. I received my Bachelor of Business Administration from the University of
21 Wisconsin – Madison in 1989. Thereafter, I received my Juris Doctor from the
22 Hamline University School of Law in 1992. I then began my legal career as an
23 attorney in private practice. In 1997, I joined the Office of the Minnesota
24 Attorney General as an Assistant Attorney General in the Telecommunications
25 and Energy Division where I advised and represented the Minnesota
26 Department of Commerce on telecommunications and energy matters.

1 In March 2005, I began my career at Xcel Energy as Assistant General Counsel.
2 In that position I served as a regulatory attorney and provided strategic advice,
3 counsel and legal services to various Xcel Energy business units including the
4 transmission function.

5
6 In October of 2009, I began my current position as Director, Regional
7 Transmission Development.

8
9 **Q. FOR WHOM ARE YOU TESTIFYING?**

10 A. I am testifying on behalf of Xcel Energy and Otter Tail Power Company (“Otter
11 Tail”), the joint Applicants for the Application of Advance Determination of
12 Prudence in this proceeding.

13
14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

15 A. The purpose of my testimony is to (i) describe the Group 1 Projects; (ii) provide
16 a status of the current regulatory posture for the Group 1 Projects; (iii) describe
17 the CapX2020 Initiative, the relationship among the entities participating in the
18 CapX2020 Initiative and their related business arrangements; and (iv) introduce
19 Applicants’ witnesses who are providing direct testimony in support of the
20 Application.

21
22 **Q. WHAT IS BEING PROPOSED IN THIS APPLICATION?**

23 A. Applicants seek an advance determination of prudence for their investment in
24 and resultant transmission charges related to the construction of the following
25 four transmission line projects: 1) The Fargo Project; 2) The Brookings Project;
26 3) The La Crosse Project; and 4) The Bemidji Project (hereinafter referred to
27 collectively as the “Group 1 Projects”).

1
2 Applicants, as members of the CapX2020 Initiative (described below) are
3 constructing the Group 1 Projects to meet several regional needs that can be best
4 met by a substantial investment in additional transmission facilities by many
5 utilities in the Upper Midwest. The identified needs are overall system reliability,
6 community service reliability and generation outlet. Further, Applicants believe
7 that the Group 1 Projects will provide a robust foundation upon which to build
8 additional transmission facilities to meet the needs of the upper Midwest in the
9 future. The need for and benefits of the Group 1 Projects are described in more
10 detail in the testimony of Mr. Timothy J. Rogelstad.

11
12 Applicants believe that the Group 1 Projects are a reasonable and prudent way to
13 meet these identified needs. Applicants, and the other CapX2020 Utilities,
14 explored several alternatives to the Group 1 Projects and concluded that the
15 Group 1 Projects were the best solution to these needs. The alternatives
16 explored are discussed in the Application. Further, Applicants believe that their
17 participation in the CapX2020 Initiative is a reasonable and prudent approach to
18 achieve efficient development of transmission infrastructure. By identifying
19 regional needs and developing transmission infrastructure to meet these needs,
20 the CapX2020 Initiative allows regional utilities to avoid building duplicative
21 facilities, makes permitting the projects simpler and allows for economies of
22 scale to provide savings in the procurement and construction of the Group 1
23 Projects.

24
25 **Q. HOW WILL THIS PROPOSAL IMPACT NORTH DAKOTA RATEPAYERS?**

26 A. Applicants are also Transmission Owning members of the Midwest Independent
27 Transmission System Operator, Inc. (“MISO”) and as such will recover their

1 investments in the Group 1 Projects pursuant to the MISO Transmission,
2 Energy Markets and Operating Reserves Tariff ("Tariff") through charges
3 assessed by MISO on users of the transmission system under its functional
4 control. It is the increase in MISO transmission charges due to the investment in
5 the Group 1 Projects by members of the CapX2020 Initiative that will impact
6 our North Dakota customers.

7
8 Because Applicants both plan and allocate costs on a multi-jurisdictional, system-
9 wide basis, the impacts to our North Dakota customers from the Group 1
10 Projects will be a small percentage of our overall investment in and subsequent
11 additional transmission charges resulting from the Group 1 Projects. The costs
12 and ratepayer impacts of the Group 1 Projects are described in more detail in the
13 testimony of Mr. Paul J. Lehman.

14
15 Applicants, in the instant Application, are respectfully requesting that the
16 Commission determine that Applicants participation in the development and
17 construction of the Group 1 Projects is reasonable and prudent.

18
19
20 **II. DESCRIPTION OF THE CAPX2020 INITIATIVE**
21 **AND THE GROUP 1 PROJECTS**

22
23 **Q. WHAT IS THE CAPX2020 INITIATIVE?**

24 A. The CapX2020 Transmission Expansion Initiative is an agreement of regional
25 utilities that the planning, coordination and identification of transmission
26 upgrades and additions necessary to serve increased customer demand can be
27 performed most effectively in a joint and collaborative manner due to the

1 regional nature of the transmission grid. The primary purpose of the CapX2020
2 Initiative is to study, develop, permit and construct transmission infrastructure
3 needed to implement long-term and cost-effective solutions for customers and
4 the upper Midwest region of this country.

5
6 It has been nearly three decades since the electrical network serving the upper
7 Midwest had been expanded by a significant degree, and at the same time the
8 demand for power has continued to grow. Thus, in 2004, a group of regional
9 utilities, including Applicants, began conducting engineering studies to establish a
10 comprehensive plan for the development of transmission infrastructure to meet
11 the increasing demand for electricity in the upper Midwest through the year
12 2020. The Group 1 Projects are a result of their joint efforts.

13
14 **Q. DO THE REGIONAL UTILITIES SEE AN ADVANTAGE TO WORKING TOGETHER**
15 **INSTEAD OF DEVELOPING SEPARATE TRANSMISSION SOLUTIONS TO MEET**
16 **THEIR OWN INDIVIDUAL NEEDS?**

17 A. Yes. By working together, the CapX2020 Utilities believe they are able to better
18 develop improvements to the regional transmission system than would have
19 occurred by each utility developing piecemeal solutions to meet only their needs.
20 Further, a joint approach creates efficiencies in the regulatory process so that
21 each utility does not have to submit separate filings for separate projects that
22 could at times work at cross purposes. The joint approach also allows may
23 different utilities to share the costs involved with such large projects. Last, joint
24 sourcing of services and materials is likely to allow the CapX2020 Utilities to take
25 advantage of certain economies of scale which would not be available to each
26 utility separately. It is likely that absent the joint approach taken by the

1 CapX2020 Initiative, the development of a system-wide solution to meet all
2 identified needs would not have been possible.

3
4 **Q. WHO ARE THE CAPX2020 PARTICIPANTS?**

5 A. Currently, there are 11 utilities that are participating in the CapX2020 Group 1
6 Projects. They are listed below, along with the transmission projects in which
7 they are participating:

- 8 • Central Minnesota Municipal Power Agency (Brookings Project);
- 9 • Dairyland Power Cooperative (La Crosse Project);
- 10 • Great River Energy (Brookings, Bemidji and Fargo Projects)
- 11 • Minnkota Power (Bemidji Project);
- 12 • Minnesota Power (Fargo and Bemidji Projects);
- 13 • Missouri River Energy Services (Fargo and Brookings Projects);
- 14 • Otter Tail Power Company (Fargo, Bemidji and Brookings Projects);
- 15 • Rochester Public Utilities (La Crosse Project);
- 16 • Southern Minnesota Municipal Power Agency (La Crosse Project);
- 17 • Wisconsin Public Power, Inc. (La Crosse Project);
- 18 • Northern States Power Company, a Wisconsin corporation (La Crosse
19 Project); and
- 20 • Northern States Power Company, a Minnesota corporation (all Group 1
21 Projects).

22
23 **Q. PLEASE DESCRIBE EACH OF THE GROUP 1 PROJECTS THAT ARE THE SUBJECT**
24 **OF THIS PROCEEDING.**

25 A. The proposed Fargo Project is an approximately 250-mile long, 345 kV
26 transmission line from a connection near Fargo, North Dakota to Alexandria,

1 St. Cloud and ending at the Monticello Substation in Monticello, Minnesota. All
2 of the line segments to this Project will be constructed as double circuit
3 compatible.

4
5 The proposed Brookings Project is an approximately 200-mile long, 345 kV
6 transmission line from the Brookings County Substation in South Dakota to the
7 new Hampton Substation southeast of the Twin Cities, with intermediate
8 connections near Marshall, Franklin, New Prague, and Apple Valley, Minnesota.
9 The Project also includes a related 35-mile long, 345 kV transmission line
10 between Marshall and Granite Falls, Minnesota. All of the line segments to this
11 Project will be constructed either as double circuits initially or as double circuit
12 compatible as described in more detail in the Application.

13
14 The proposed La Crosse Project is an approximately 150-mile long, 345 kV
15 transmission line from the Hampton Substation southeast of the Twin Cities
16 through Rochester, Minnesota, to La Crosse, Wisconsin, with two related 161 kV
17 transmission lines connecting the new 345 kV transmission line with the
18 Rochester, Minnesota area. All of the 345 kV portions of this project in
19 Minnesota will be constructed as double circuit compatible. Whether the
20 portions in Wisconsin will be constructed as double circuit compatible is under
21 discussion with the Wisconsin regulators and CapX2020 planners, and will be
22 influenced by potential route options in Wisconsin.

23
24 The proposed Bemidji Project is an approximately 68-mile long, 230 kV
25 transmission line from Bemidji, Minnesota to Grand Rapids, Minnesota.
26

1 **Q. WHAT IS A DOUBLE CIRCUIT COMPATIBLE CONFIGURATION?**

2 A. The “double circuit compatible” configuration means that the segments of the
3 Fargo, Brookings and La Crosse Projects will be built on structures sufficient to
4 accommodate a second 345 kV circuit at some point in the future. Only one
5 circuit would be strung upon construction. We would obtain whatever
6 regulatory approvals may be required to string the second circuit, at such future
7 time as the second circuit is required.

8

9 **Q. WHAT ARE THE BENEFITS OF UTILIZING THE DOUBLE CIRCUIT COMPATIBLE**
10 **CONFIGURATION?**

11 A. There are a number of benefits associated with the double circuit compatible
12 configuration. First, constructing the Fargo, Brookings and La Crosse Projects
13 in a double circuit compatible configuration rather than in a single circuit
14 configuration is a more efficient approach to meeting the region’s long-term
15 transmission needs, in that it results in a more robust system that can better
16 accommodate future growth and anticipated long-term needs. When additional
17 capacity is required in the future, a second circuit can be strung on the existing
18 structures at lower cost than rebuilding the structures to accommodate two
19 circuits. Another benefit is that building the line as double circuit capable at time
20 of initial construction should reduce landowner impacts in the future at the time
21 the second circuit is strung.

22

23 The CapX2020 Utilities are currently exploring the cost, technical, and potential
24 regulatory issues surrounding whether it would be more appropriate to install the
25 davit arms and conductor for the second circuit of the Three 345 kV Projects at
26 the time of initial construction. The lines would be operated as a single circuit
27 until future circumstances and regulatory approvals deem the second circuit

1 necessary. CapX2020 planners are analyzing the installation of all davit arms as
2 part of initial construction which may be a lower cost approach because it would
3 mitigate the need for larger structures and would avoid expensive and complex
4 construction on the poles after the first circuit has been energized. As part of
5 the analysis, CapX2020 planners are also considering the potential impacts of
6 installing the second set of conductors as part of initial construction. The
7 potential benefits may include: (i) less impact to landowners because of a single
8 construction period, (ii) lower line losses and operating costs because of the
9 additional conductor and (iii) avoiding complex and perhaps costly construction
10 methods to add a second circuit to structures holding a "live" circuit. The
11 CapX2020 Utilities will continue to analyze the impacts, costs and regulatory
12 issues associated with concurrent installation and will provide additional
13 information in the future.

14
15 Please see the rebuttal testimony of Mr. Rogelstad for additional information
16 related to the double-circuit compatible configuration of the Group 1 Projects.

17
18 **Q. WHAT PROCESS WAS UNDERTAKEN TO DETERMINE THAT THE GROUP 1**
19 **PROJECTS ARE NEEDED?**

20 A. The CapX2020 Utilities undertook various studies including the CapX2020
21 Vision Plan, that supported the conclusion that the region's electrical system
22 would need a series of bulk transmission additions over an extended period of
23 time to maintain reliability over the coming years in light of expected growth in
24 customer demands predicted by the year 2020. The testimony of Timothy
25 Rogelstad provides additional testimony regarding the Vision Plan.

26

1 Resulting from these studies was a determination that the Group 1 Projects are
2 needed, as discussed below.

3
4 **Q. DID THE STUDY PROCESS DESCRIBED ABOVE REVEAL WHY THE GROUP 1**
5 **PROJECTS ARE NEEDED?**

6 A. Yes. The overall study process revealed that the construction of these projects is
7 needed for a number of reasons.

- 8 • First, the Group 1 Projects will strengthen regional transmission by
9 increasing the reliability of the region's transmission system as a whole.
10 This improvement in regional reliability allows the Group 1 Projects to
11 create a foundation for future regional transmission build-out.
- 12 • Second, the Group 1 Projects will alleviate specific reliability concerns on
13 a community level in North Dakota, Minnesota and Wisconsin where the
14 demand for electrical power has reached a level that can no longer be
15 reliably supported by existing transmission lines.
- 16 • Third, the Group 1 Projects will support system-wide growth in demand
17 for electricity. The regional transmission system has not been significantly
18 expanded for decades while load and generation growth has increasingly
19 used up the capability created by the major transmission expansion
20 projects of the 1950s-1970s. New transmission infrastructure is needed to
21 meet this growth and enable Applicants and the other CapX2020 Utilities
22 to meet all their customer's demands and regulatory requirements.
- 23 • Fourth, the Group 1 Projects will increase the capacity for outlet of
24 additional generation sources in the region, allowing for the continued
25 development of new generation, including renewable-based generation.
26 Additional generation is needed to meet growing regional demand. The
27 Group 1 Projects will allow the rich generation resources in the western

1 portion of the CapX2020 Study Region to meet load centers in the central
2 and eastern portions of the upper Midwest.

3
4 **Q. DID THE STUDY PROCESS IDENTIFY ANY BENEFITS RESULTING FROM THE**
5 **CONSTRUCTION OF THE GROUP 1 PROJECTS?**

6 A. Yes. The overall study process revealed that the construction of the Group 1
7 Projects will provide a number of benefits. These include enhanced regional
8 reliability, added export capability, improved access to the MISO market by
9 generators in the western portion of the MISO Transmission System, enhanced
10 valuation of existing generation, increased potential for generation development
11 and added economic development opportunities. Mr. Rogelstad provides
12 testimony further explaining these benefits.

13
14 **Q. DESCRIBE THE ECONOMIC DEVELOPMENT OPPORTUNITIES THAT WILL BE**
15 **CREATED BY THE GROUP 1 PROJECTS.**

16 A. The Group 1 Projects will provide necessary infrastructure to accommodate
17 regional population growth and the economic development that come with such
18 growth.

19
20 For example, construction of the Fargo Project will result in between 36 and
21 86 miles of a new high voltage transmission line in North Dakota as well as new
22 345 kV substation in the Fargo area. This represents an estimated value of \$77
23 to \$151 million of new infrastructure which would yield on the order of \$1.5 to
24 \$3 million, total, in state and local taxes for the first four years the line is in-
25 service. In subsequent years, the Project will yield an estimated \$10,000 to
26 \$20,000 per year in state and local taxes. An estimated 130,000 to 200,00 hours
27 of construction labor will be required, over approximately 20 to 32 months, to

1 complete the work in North Dakota, and these construction workers will have a
2 positive impact the local economy during this time. Further, enhancement of
3 existing generation will strengthen the North Dakota energy industry and the
4 industries that supply fuel and supplies to North Dakota generators. Lastly, the
5 Group 1 Projects will help to spur development of new generation in North
6 Dakota to take advantage of its rich traditional fuel resources and excellent wind
7 conditions.

8
9 Developing North Dakota's wind resources will be a significant vehicle for
10 economic development in the State. A report prepared for the North Dakota
11 Division of Community Services concluded that North Dakota is motivated to
12 become a leader in wind-generated electricity. This motivation includes an
13 opportunity to contribute to the general economic development in the state with
14 short- and long-term jobs, investments, landowner income, operation,
15 maintenance and manufacture. In fact, in April 2005, North Dakota passed
16 legislation designed to accelerate production of wind energy and other renewable
17 resources, as well as to enhance transmission infrastructure necessary to get the
18 energy to market. The Group 1 Projects are a significant first step in expanding
19 the transmission infrastructure necessary for the development of this rich
20 resource.

21
22 The Group 1 Projects, by providing additional energy infrastructure in the
23 region, can provide significant support for economic development in North
24 Dakota.

25
26 **Q. WHAT ARE THE CURRENT ESTIMATES FOR THE COST OF THE GROUP 1**
27 **PROJECTS?**

1 A. The CapX2020 Utilities have currently estimated the Group 1 Projects to cost
2 between:

- 3 \$500 and \$750 million for the Fargo Project;
- 4 \$650 and \$800 million for the Brookings Project;
- 5 \$400 and \$500 million for the La Crosse Project; and
- 6 \$100 and \$130 million for the Bemidji Project.

7
8 These estimates include the costs of configuring segments of certain projects as
9 double circuit compatible.

10
11 As with any project in the middle of permitting stages, the final costs of the
12 Group 1 Projects will not be known until the Projects are completed. The
13 projected costs listed above are simply estimates. Given the size and scope of
14 the Group 1 Projects, the largest regional transmission project in the upper
15 Midwest in decades, there are novel and unique issues that still need to be
16 resolved in order to better estimate Project costs.

17
18 **Q. WHAT IS THE REGULATORY STATUS OF THE GROUP 1 PROJECTS?**

19 A. On August 16, 2007, Xcel Energy and Great River Energy, on behalf of
20 themselves and the other CapX2020 Utilities, filed an Application for Certificates
21 of Need with the Minnesota Public Utilities Commission, to construct the Fargo,
22 Brookings and La Crosse Projects in Minnesota. On May 22, 2009, the
23 Minnesota Public Utilities Commission (“Minnesota Commission” or “MPUC”)
24 granted Certificates of Need for the Fargo, Brookings and La Crosse Projects in
25 the double circuit compatible configuration and imposed conditions upon the
26 Certificate of Need for the Brookings Project. The conditions, modified by the

1 MPUC's August 10, 2009 Order on reconsideration, require Xcel Energy and
2 Great River Energy to:

- 3 • Enter into power purchase agreements or commit to
4 utility-owned renewable generation projects within
5 the timeframe of the Minnesota Renewable Energy
6 Standard milestones, coordinated with the proposed
7 in-service dates of each segment of the Brookings
8 Project unless such action fails to conform to Xcel
9 Energy's and Great River Energy's resource
10 requirements as accepted or approved in their most
11 recent Integrated Resource Plan or the Renewable
12 Energy Standard report and is excused by a future
13 order of the MPUC.
- 14 • Commit to submit network (firm) transmission
15 service requests to MISO's Open Access Same Time
16 Information System ("OASIS") for the amount of
17 new renewable generation purchased under the first
18 condition, above.
- 19 • Make a compliance filing detailing the projected
20 amount of the new transmission capacity by Xcel
21 Energy and Great River Energy and addressing how
22 much capacity will be enabled by the Brookings
23 Project and the type of MISO Transmission Service
24 being sought to serve the renewable generated
25 electricity to be carried by the Brookings Project.
26 The filing should recognize that MISO allocation
27 and restriction of MISO managed transmission

1 capacity is beyond the scope and authority of the
2 Minnesota Public Utilities Commission.

- 3 • Designate the renewable commitments as Network
4 Resources pursuant to the MISO Tariff, as necessary
5 for the compliance of these conditions.

6 (collectively referred to as the “Brookings Project Conditions”).
7

8 Otter Tail Power Company, Minnesota Power and Minnkota Power Cooperative,
9 on behalf of themselves and other CapX2020 Utilities, filed applications with the
10 Minnesota Commission for a Certificate of Need (March 17, 2008) and Route
11 Permit (June 4, 2008) for the Bemidji Project. As part of those proceedings, a
12 joint federal/state Environmental Impact Statement is being developed by the
13 Rural Utilities Services of the U.S. Department of Agriculture and Office of
14 Energy Security of the Minnesota Department of Commerce. The MPUC
15 approved the certificate of need for the Bemidji Project on July 14, 2009 and is
16 expected to approve the route permit by June 2010.
17

18 On December 29, 2008, Great River Energy and Xcel Energy, on behalf of
19 themselves and other CapX2020 Utilities, filed an Application with the
20 Minnesota Commission for a route permit for the Brookings Project. Great
21 River Energy and Xcel Energy anticipate filing an application for a Facilities
22 Permit with the South Dakota Public Utilities Commission for the South Dakota
23 portion of the Brookings Project in the near future.
24

25 On April 8, 2009, Xcel Energy and Great River Energy, on behalf of themselves
26 and other CapX2020 Utilities, filed an Application for a Route Permit for the
27 Monticello to St. Cloud, Minnesota portion of the Fargo Project with the

1 Minnesota Public Utilities Commission. Xcel Energy and Great River Energy
2 filed a Route Permit Applications for the remainder of the Fargo Project on
3 October 1, 2009.

4
5 Applicants anticipate that the North Dakota filing of the application for a
6 Certificate of Public Convenience and Necessity as well as applications for
7 Corridor Compatibility and Route Permits to the North Dakota Public Service
8 Commission will be made soon.

9
10 Applicants anticipate that an application for a Certificate of Public Convenience
11 and Necessity, which address both need and routing for the Wisconsin portion
12 of the La Crosse Project, will be filed with the Wisconsin Public Service
13 Commission in the Spring of 2011.

14
15 Applicants will provide updates regarding the current status of all regulatory
16 filings to the Commission and additional updates as further regulatory filings are
17 made for each of the Group 1 Projects.

18 19 20 **III. CAPX2020 INITIATIVE BUSINESS ARRANGEMENTS**

21 22 **Q. WHAT IS THE BUSINESS RELATIONSHIP AMONG THE CAPX2020** 23 **PARTICIPANTS?**

24 A. Currently, there are 11 utilities that are participating in the Group 1 Projects.
25 Nine of those utilities have formalized their commitment to the overall
26 CapX2020 Initiative through the execution of a Participation Agreement,
27 discussed below. The CapX2020 Utilities are working together in a collaborative

1 manner to jointly develop each of the Projects. Their relationship to one another
2 during the development phase is memorialized in Project Development
3 Agreements (“PDAs”), also discussed below.
4

5 **Q. WHAT IS THE PURPOSE OF THE PARTICIPATION AGREEMENT?**

6 A. The purpose of the Participation Agreement is to memorialize the agreement of
7 nine regional utilities that planning, coordination and identification of
8 transmission upgrades and additions necessary to serve increased customer
9 demand and regional energy policies can be performed most effectively in a joint
10 and collaborative manner due to the regional nature of the transmission grid.
11 The Participation Agreement reflects their formalized commitment to the
12 CapX2020 Initiative.
13

14 **Q. WHAT IS THE PURPOSE OF THE PROJECT DEVELOPMENT AGREEMENTS?**

15 A. The purpose of the Project Development Agreements, or PDAs, is to
16 memorialize the agreement of the signatories to the PDAs to jointly develop and
17 fund the development work for the three 345 kV transmission line projects and
18 one 230 kV transmission line project in a collaborative manner (“Development
19 Phase”). There are four PDAs – one for each Project. During the Development
20 Phase, the Participants for each Project have agreed to determine the
21 recommended alignment of the proposed Project configuration; determine the
22 scope of a given project; estimate the cost and schedule; obtain the required State
23 and Federal regulatory approvals and consents; and engage in other necessary
24 project-related studies and analyses. Each signatory has agreed to absorb a
25 specified percentage of the development costs associated with a given Project.
26 The Participants have designated a “lead” utility or a “Development Manager”
27 responsible for obtaining major permits and developing and implementing the

1 project if construction is authorized for each project. Great River Energy serves
2 as Development Manager for the Brookings Project; Otter Tail serves as
3 Development Manager for the Bemidji Project; and Xcel Energy serves as the
4 Development Manager for the Fargo and La Crosse Projects.

5
6 As Development Managers, Xcel Energy, Otter Tail and Great River Energy will
7 determine the conceptual design, determine the recommended
8 interconnection/termination points, determine the recommended configuration,
9 determine the scope and estimate project cost and schedule, obtain permits and
10 make or undertake necessary related studies and analyses. Other utilities may
11 assist the Development Managers in some of the duties outlined above. The
12 Development Managers will report progress to each project's Management
13 Committee, which consists of one representative from each project's
14 participating utilities. It is anticipated that the Development Manager will
15 become the Construction Manager and execute the implementation plan
16 developed during the development phase.

17
18 **Q. DO THE PROJECT DEVELOPMENT AGREEMENTS REQUIRE PARTICIPANTS TO**
19 **OWN THE PROPOSED TRANSMISSION FACILITIES?**

20 A. No. The PDAs address only the terms and conditions involving the
21 Development Phase of the Group 1 Projects. The PDAs do not create
22 commercial arrangements that result in the ownership of the transmission lines.
23 The PDAs have, however, established a procedure through which the CapX2020
24 Utilities may elect ownership of individual Projects at the end of the
25 Development Phase. Once State, Federal and other regulatory decisions are
26 made pertaining to each Project, each signatory will have the right to invest in
27 (and correspondingly own) a particular Project up to the level of its specified

1 percentage. If a Participant does not elect to invest in a Project, the PDAs have
2 established procedures by which other participants, including third parties, may
3 take on the non-elected investment share.

4
5 **Q. SO PARTICIPATING CAPX2020 UTILITIES MAY ELECT NOT TO OWN ANY PART**
6 **OF THE GROUP 1 PROJECTS?**

7 A. Yes. Any of the CapX2020 Utilities, including Applicants, has the opportunity to
8 assess its investment position at the end of the regulatory approval process and
9 elect not to own any portion of the Projects for which it has entered into a PDA.
10 The other CapX2020 Utilities that are participating in that particular Project may
11 then elect to assume ownership of the ownership share of the CapX2020 Utility
12 electing not to take an ownership stake in that Project.

13
14 **Q. DO XCEL ENERGY AND OTTER TAIL EXPECT TO PARTICIPATE IN ALL OF**
15 **THE GROUP 1 PROJECTS?**

16 A. Xcel Energy intends to participate in all four Group 1 Projects. Otter Tail plans
17 to participate in the Fargo, Bemidji and Brookings Projects. It has elected,
18 however, not to participate in the La Crosse Project. Otter Tail chose not to
19 invest because it prefers to own facilities closer to its already existing
20 transmission facilities. Because each utility has a finite amount of resources
21 available for investments in the Group 1 Projects, Otter Tail has determined that
22 it would spend its available resources on the Projects closest to its customers.

23
24 That said, because Otter Tail serves load in the MISO pricing zones to which the
25 costs of the La Crosse Project will be allocated, Otter Tail will incur costs and
26 receive benefits from the La Crosse Project. Paul Lehman provides a more in-

1 depth discussion of MISO's cost allocation methodologies in his Direct
2 Testimony.

3
4 **Q. HOW WAS THE INVESTMENT LEVEL DETERMINED IN EACH PROJECT?**

5 A. Through a consensus-based and collaborative process, each owner was given the
6 opportunity to invest in one or more of the Projects. Generally, each utility
7 desired to achieve a total investment percentage comparable to what it would
8 end up paying to MISO for use of the lines. In addition, each entity had
9 different criteria for which projects they wanted to invest in.

10
11 **Q. HOW IMPORTANT IS IT TO KNOW HOW MUCH EACH COMPANY IS INVESTING
12 IN EACH PROJECT?**

13 A. It is important to make sure there is enough capital to complete a particular
14 Project. But, it is more important that there is enough capital to complete all of
15 Group 1 Projects. As Mr. Lehman will discuss, the customers of the utilities will
16 be assigned the charges through which the CapX2020 Utilities that are
17 Transmission Owning Members of MISO will recover their costs of each of the
18 projects pursuant to MISO's cost allocation process, which is independent of
19 who invest in the particular project.

20
21 **Q. IDENTIFY THE CURRENT POTENTIAL OWNERSHIP PERCENTAGES FOR THE
22 GROUP 1 PROJECTS.**

23 A. The current potential project development percentages, which are non-binding
24 ownership percentages at this stage, are set forth below:

Table 1
Expected Ownership Shares of the CapX2020 Group 1 Projects

Transmission Owner	Fargo Project	Brookings Project	La Crosse Project	Bemidji Project
Central Minnesota Municipal Power Agency ("CMMPA")		2.2%		
Dairyland Power Cooperative ("DPC")			11.0%	
Great River Energy ("GRE")	25.0%	16.5%		13.0%
Minnesota Power ("MP")	14.7%			9.3%
Missouri River Energy Services ("MRES")	11.0%	5.1%		31.5%
Otter Tail Power Company ("OTP")	13.2%	4.1%		20.0%
Rochester Public Utilities ("RPU")			9.0%	
Southern Minnesota Municipal Power Agency ("SMMPA")			13.0%	
Wisconsin Public Power, Inc. ("WPPI")			3.0%	
Xcel Energy	36.1%	72.1%	64.0%	26.2%
Total	100.0%	100.0%	100.0%	100.0%

1 **Q. HAVE THE CAPX2020 PARTICIPANTS ENTERED INTO ANY CONTRACTUAL**
2 **COMMITMENTS TO CONSTRUCT, OWN, AND/OR OPERATE AND MAINTAIN**
3 **THE GROUP 1 PROJECTS?**

4 A. No. The CapX2020 Utilities are in the process of negotiating the terms and
5 conditions relating to construction management, ownership, and operations and
6 maintenance of the Group 1 Projects. Participants will elect ownership and sign
7 final agreements after State, Federal and other regulatory decisions relating to
8 each Project have been made.

9
10
11 **V. WITNESSES**

12
13 **Q. YOU HAVE IDENTIFIED SEVERAL INDIVIDUALS WHO ARE PROVIDING**
14 **TESTIMONY IN THIS PROCEEDING. COULD YOU PROVIDE A SUMMARY OF THE**
15 **TESTIMONY THEY ARE PROFFERING IN THIS PROCEEDING?**

16 A. Witnesses providing testimony in support of the Application are:

17
18 **Priti Patel:** Testimony regarding the Group 1 Projects, the CapX2020 Initiative,
19 the relationship among the entities participating in the CapX2020 Initiative and
20 their related business arrangements;

21
22 **Tim Rogelstad:** Testimony regarding the regulatory context, principles of
23 transmission planning and the study work that has been done and is currently
24 underway in connection with the CapX2020 Initiative, as well as regional and
25 North Dakota specific benefits of the Group 1 Projects; and
26

1 **Paul Lehman:** Testimony regarding cost allocation and cost recovery of
2 transmission facilities through the MISO Tariff.

3
4 Our witnesses adopt those portions of the Application that fall within their areas
5 of competence and are available to answer questions relating to those areas.

6
7 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

8 A. Yes.

PRITI R. PATEL

PROFESSIONAL EXPERIENCE:

DIRECTOR, REGIONAL TRANSMISSION DEVELOPMENT

Xcel Energy, Minneapolis, Minnesota

October 2009 to present

- Serve as Co-Executive Director of the CapX2020 Transmission Capacity Expansion Initiative.
- Support Coordinated, effective and efficient execution of the Group 1 Projects.
- Maintain and foster communication among CapX utilities regarding project implementation and resolution of issues.
- Support inter-project collaboration and issue resolution.
- Responsible for anticipating changes in and developing responses to transmission and related energy policy and coordinating and directing inter-utility teams that support transmission planning, policy and project needs.

ASSISTANT GENERAL COUNSEL

Xcel Energy, Minneapolis, Minnesota

March 2005 to October 2009

- Served as a regulatory attorney and provided strategic advice, counsel and legal services to the following Xcel Energy business units: Transmission (CapX2020 project), Customer and Enterprise Solutions (SmartGrid), Energy Markets, Gas Distribution, Sales - C&I, and NSPM State Regulatory Matters.

ASSISTANT ATTORNEY GENERAL

TELECOMMUNICATIONS AND ENERGY DIVISION

The Office of the Minnesota Attorney General, St. Paul, Minnesota

October 1997 to March 2005

- Provided legal advice and counsel to the Minnesota Department of Commerce before the Minnesota Public Utilities Commission (MPUC) and the Office of Administrative Hearings (OAH) on both telecommunications and energy matters.
- Represented the Department's interests in resolving disputes and working collaboratively with other state agencies and opposing counsel where appropriate.
- Provided counsel and legal guidance to Department management and staff on a variety of other regulatory, data practices and legislative matters.

LITIGATION ATTORNEY

Meagher & Geer, P.L.L.P., Minneapolis, Minnesota

September 1992 to October 1997

- Represented insurance companies and design professionals (architects and engineers) in personal, commercial and professional liability cases.

EDUCATION:

HAMLIN UNIVERSITY SCHOOL OF LAW, St. Paul, Minnesota
Degree: Juris Doctor, May 1992

UNIVERSITY OF WISCONSIN-MADISON, Madison, Wisconsin
Degree: Bachelor of Business Administration, May 1989
Major: Personnel Management and Industrial Relations

FELLOWSHIPS:

Hubert H. Humphrey Institute of Public Affairs, Minneapolis, MN (2003-2004)
Awarded a Humphrey Institute Policy Forum Fellowship

BAR ADMISSIONS:

U.S. District Court for the District of Minnesota, 1992
State of Minnesota, 1992

PROFESSIONAL AFFILIATIONS / COMMUNITY AFFAIRS:

Citizens League, Board of Directors; Executive Committee, 2003 - 2006.
YWCA of St. Paul, Board of Directors, 1996 - 2003
ACTs of St. Paul, Board Chair, 2001 - 2003