

STATE OF NORTH DAKOTA  
BEFORE THE  
NORTH DAKOTA PUBLIC SERVICE COMMISSION

RECEIVED

NORTHERN STATES POWER COMPANY,  
A MINNESOTA CORPORATION

CASE No. PU-09-678

JUN 10 2010

OTTER TAIL POWER COMPANY

PUBLIC SERVICE COMMISSION

CASE No. PU-09-676

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

REBUTTAL TESTIMONY OF

Timothy J. Rogelstad

On Behalf of

APPLICANTS

NORTHERN STATES POWER COMPANY, A MINNESOTA CORPORATION,

AND

OTTER TAIL POWER COMPANY

May 13, 2010

Joint Exhibit D

55 PU-09-678 Filed 06/10/2010 Pages: 22  
Exhibit 6  
Emineth & Associates Court Reporters

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1 I. INTRODUCTION AND QUALIFICATIONS

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

3 A. My name is Timothy J. Rogelstad and my business address is 215 South  
4 Cascade Street, Fergus Falls, Minnesota 56537.

5  
6 Q. BY WHOM ARE YOU EMPLOYED, WHAT IS YOUR POSITION AND  
7 RESPONSIBILITIES?

8 A. I am employed by Otter Tail Power Company (“Otter Tail”) and my current  
9 position is Manager of Delivery Planning. In this position I am responsible for  
10 transmission planning at Otter Tail. I have been actively involved in CapX2020  
11 since the beginning stages of the initiative. I have also been actively involved in  
12 cost allocation discussions which surround the Brookings Project on behalf of  
13 Otter Tail.

4  
15 Q. HAVE YOU TESTIFIED IN THIS PROCEEDING

16 A. Yes. I submitted Direct Testimony in this proceeding which was filed with  
17 Applicants’ Applications.

18  
19 Q. FOR WHOM ARE YOU TESTIFYING?

20 A. I am testifying on behalf of both Northern States Power Company, a  
21 Minnesota corporation (“Xcel Energy”) in Case No. PU-09-678 and Otter Tail  
22 in case No. PU-09-676.

1 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
2 **PROCEEDING.**

3 A. I have three primary purposes for my rebuttal testimony.

4 • The first is to update the North Dakota Public Service Commission  
5 (“Commission”) on the status of the CapX2020 Group 1 Projects and to  
6 provide updated schedules, cost information and the status of the  
7 various commercial commitments of the CapX2020 utilities.

8 • The second purpose is to respond to portions of the prefiled direct  
9 testimony of Jerry Lein of the Commission staff. I will address Mr.  
10 Lein’s concerns on pages 3-4 about whether the Commission has  
11 jurisdiction to issue an advanced determination of prudence (“ADP”) in  
12 a proceeding pertaining to the construction of transmission.

13 • The third purpose is to address Mr. Lein’s concerns over whether it is  
14 appropriate to grant an ADP specifically for the Brookings County –  
15 Twin Cities 345 kV Project (“Brookings Project”) under the current  
16 circumstances.

17  
18 **II. PROJECT SCHEDULE, COST UPDATES AND BUSINESS**  
19 **ARRANGEMENTS OF THE CAPX2020 UTILITIES**

20 **Q. WHAT ARE THE CURRENTLY PROJECTED IN-SERVICE DATES AND COSTS FOR**  
21 **THE GROUP 1 PROJECTS ?**

22 A. Applicants and the other utilities involved with the CapX2020 Initiative have  
23 continued to review and update the cost estimates and the in-service dates for  
24 the Group 1 Projects. All cost estimates remain consistent with the estimates

1 provided in our Application, slightly adjusted for the years in which the dollars  
 2 are portrayed. The expected in-service dates for the projects are very close to  
 3 the dates set forth in our Application, except for the Brookings Project, which  
 4 are expected to be delayed as a result of ongoing discussions pertaining to cost  
 5 allocation and related issues under the MISO Tariff. We do not expect these  
 6 delays to adversely affect our customers.

7  
 8 **Q. CAN YOU PROVIDE A SUMMARY OF THIS INFORMATION?**

9 **A.** Yes. The following Chart provides an update of the cost and in-service dates  
 10 applicable to the projects:

Project	Application Cost and Dates:		Current Updates	
	Million in 2007 Dollars	In Service Date	Million in installed cost	In Service Date
Brookings	\$650 – 800 (2 <sup>nd</sup> circuit installed)	2 <sup>nd</sup> Qtr 2013	\$725 (entire line 2 circuits installed)	2 <sup>nd</sup> Qtr 2015
Fargo	\$500-750	3 <sup>rd</sup> Qtr 2015	\$570	1 <sup>st</sup> Qtr 2015
La Crosse	\$400-500	3 <sup>rd</sup> Qtr 2015	\$445	2 <sup>nd</sup> Qtr 2015
Bemidji – Grand Rapids 230 kV	\$100-140	4 <sup>th</sup> Qtr 2012	\$108	4 <sup>th</sup> Qtr 2012

11  
 12 Please note that the updated installed costs shown above reflect the value of  
 13 the expenditures in the year the expenditures will be made. The installed cost is

1 the actual cash flow and is not discounted forward or back to a single year. All  
2 project cost estimates are dependent upon a number of uncertainties, such as:  
3 determination of a final route; actual service and product market prices; final  
4 regulatory and agency permit requirements; additional underlying system  
5 upgrades; condemnation; and unforeseen delays.

6  
7 **Q. PLEASE EXPLAIN WHY THE IN-SERVICE DATE FOR THE BROOKINGS**  
8 **PROJECT IS LIKELY TO BE DELAYED.**

9 A. The Brookings Project is an important project for regional system reliability,  
10 adding generator outlet to the system, and providing load serving benefits to  
11 communities along the project. We remain confident that the Brookings  
12 Project will be deployed. However, in order to move beyond the permitting  
13 and preliminary development stage, more clarity around the cost allocation  
14 issue is necessary. We expect the cost allocation issue to be resolved by mid  
15 2011, and as a result, we have moved the projected beginning of physical  
16 construction activities until 2012.

17  
18 We are motivated to resolve the issues above as soon as possible. If resolution  
19 is reached earlier than we currently anticipate, then construction could occur  
20 earlier. We will continue to update the Commission as these issues are  
21 addressed.

22  
23 **Q. DO YOU HAVE ANY FURTHER UPDATES REGARDING INITIAL INSTALLATION**  
24 **OF THE GROUP 1 PROJECTS AS DOUBLE CIRCUITS?**

25 A. Our Application notes that we plan to construct the 345 kV Projects using a  
26 configuration that makes them capable of supporting a second circuit in the

1 future as circumstances warrant. This “double-circuit capable” configuration  
2 provides the CapX2020 utilities with significant flexibility to maximize the use  
3 of rights-of-way and to bring maximum value to all of our customers. We have  
4 done some additional analysis on this issue and can provide the Commission  
5 with this update.

6  
7 The basic configuration of the 345 kV Projects was to install larger poles that  
8 would accommodate the installation of a second circuit in the future as  
9 circumstances warrant. We took a closer look at the potential benefits and  
10 costs of installing the second circuit as part of the initial construction. The  
11 primary costs related to the installation of the second circuit are the added  
12 construction cost and potential permitting. The primary benefits include:  
13 (i) potential reduction in line losses as a result of energizing the second  
14 conductor; (ii) cost savings by avoiding the deployment of construction crews a  
15 second time; and (iii) avoiding the disruption of two cycles of construction.

16  
17 **Q. WHAT CONCLUSIONS DID YOU REACH AS A RESULT OF YOUR ADDITIONAL**  
18 **ANALYSIS?**

19 **A.** The analysis did not find enough benefit to advance the 2nd circuit for the  
20 Fargo and La Crosse Projects as part of the initial construction.

21  
22 With regard to the Brookings Project, the configuration already contemplates  
23 constructing about half the project initially with two circuits deployed and  
24 constructing the other half of the project using larger “double-circuit capable”  
25 poles but not the second circuit. We have taken a closer look at the potential  
26 benefits and costs of installing the second set of conductors during the time of

1 initial construction of the Brookings Project. The benefits of stringing the 2nd  
2 circuit at the time of original construction are line loss reductions, lower  
3 equipment and labor costs, and lessened landowner impacts. The costs of  
4 installing the 2nd circuit at the time of initial construction include additional  
5 labor and equipment costs. The result of our analysis shows that the avoided  
6 line losses outweigh the costs for installing the 2nd circuit for the remaining  
7 portion of the Brookings Project, thus suggesting the 2nd circuit should be  
8 included at the time of original construction for the entire project.  
9

10 **Q. WHAT IS THE STATUS OF CONTRACTUAL COMMITMENTS BY THE CAPX2020**  
11 **UTILITIES FOR THE CONSTRUCTION, OWNERSHIP, OPERATION AND**  
12 **MAINTENANCE OF THE GROUP 1 PROJECTS?**

13 A. The CapX2020 utilities continue to negotiate the final contractual  
14 commitments for the construction, ownership, operation and maintenance of  
15 the Group 1 Projects (the "Project Agreements"). Specifying the owners and  
16 final ownership structure for each of the Group 1 Projects will be necessary  
17 prior to commencement of construction of each individual project. The  
18 project participants have indicated that they are unwilling to commit to  
19 ownership (and associated capital expenditures) until all major regulatory  
20 permits, such as the certificate of need, route permits, federal tariff  
21 requirements have been obtained. Accordingly, this ADP is also an important  
22 outcome that could influence investment decisions.  
23

1 **Q. WHEN ARE THE OWNERSHIP ELECTIONS AND EXECUTION OF FINAL**  
2 **PROJECT AGREEMENTS EXPECTED?**

3 A. We expect to move forward with execution of the Project Agreements for the  
4 Monticello to St. Cloud portion of the Fargo Project sometime this August, if  
5 regulatory certainty is obtained to the satisfaction of the project owners , and  
6 this September for the Bemidji Project. Ownership decisions on the other  
7 Projects will be addressed as permits are approved.

8

9 **III. THE COMMISSION HAS JURISDICTION TO ISSUE AN ADP**

10 **Q. IS IT APPROPRIATE FOR THE COMMISSION TO GRANT APPLICANTS THE**  
11 **ADP THEY ARE REQUESTING?**

12 A. Yes, I believe it is. The ADP process provides an important opportunity for  
13 the Commission to provide valuable feedback to Applicants on the CapX2020  
14 Initiative and a determination whether the Commission believes Applicants'  
15 participation in these projects is prudent in the first instance. Therefore,  
16 Applicants respectfully request that the Commission grant an ADP for the  
17 construction of the CapX2020 Group 1 Projects.

18

19 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE NORTH DAKOTA**  
20 **REQUIREMENTS FOR ISSUING AN ADP?**

21 As a threshold matter, the Commission is authorized to grant an ADP for  
22 transmission facilities pursuant to N.D.C.C. 49-05-16 (the "ADP Statute").  
23 The ADP Statute provides: "A public utility proposing to construct ... [a]  
24 transmission facility ... may file an application for an advanced determination  
25 of prudence regarding the proposal." The statute unambiguously demonstrates  
26 the legislature's intent and determination that it is appropriate for the

1 Commission to consider and decide in advance the prudence of transmission  
2 projects such as the Group 1 Projects.

3  
4 Second, while an ADP provides an opportunity for the Commission's  
5 determination regarding whether particular projects are prudent, general  
6 ratemaking principles preserve the Commission's opportunity to investigate  
7 and determine the prudence of utility investments such as this.

8  
9 Third, I also note that Applicant Xcel Energy has committed to seek ADPs for  
10 projects like these as part of the settlement agreement entered into with Staff  
11 and approved as part of its last rate case before the Commission. (Order  
12 Adopting Settlement, Case No. PU-07-776, December 31, 2008). The Group 1  
13 Projects are transmission projects that fall within the terms of the settlement  
14 agreement.

15  
16 **Q. WHY IS AN ADP IMPORTANT TO APPLICANTS?**

17 A. Applicants prefer that all of our regulators have an opportunity to provide  
18 input early in the process to ensure that they are comfortable with our plans.  
19 The ADP Statute provides an important procedural mechanism for the  
20 Commission to review and provide us formal feedback on important projects  
21 such as the Group 1 Projects.

22  
23 It is important to Applicants to build as much consensus as possible in the  
24 regulatory community that undertaking the Group 1 Projects is reasonable and  
25 prudent. Thus we think that pursuing an ADP is an effective process by which  
26 we can provide the Commission with all relevant information so that it can be

1 informed of our planned capital projects, provide input as to its view of the  
2 prudence of such projects, and offer Applicants' recommendations as to the  
3 best way for us to proceed.  
4

5 **Q. WHY IS SUCH INPUT IMPORTANT GIVEN THAT THE ULTIMATE RECOVERY**  
6 **OF YOUR INVESTMENT WILL BE MADE THROUGH THE MIDWEST ISO**  
7 **TARIFF?**

8 A. The downstream rate treatment of the Group 1 Projects is not the subject of  
9 this proceeding. An ADP proceeding is simply an opportunity for the  
10 Commission to review the prudence of Applicants' proposed project and  
11 capital expenditure plan before Applicants commit to going forward. In this  
12 proceeding, Applicants are requesting that the Commission review our plans to  
13 construct the Group 1 Projects and determine if those plans are prudent. The  
14 Commission has the authority to do so under the ADP Statute and general  
15 ratemaking principles.

16  
17 The downstream rate treatment of such investment will properly be before the  
18 Commission in subsequent rate cases or other proceedings. Issues pertaining  
19 to the proper application of the MISO Tariff may ultimately be addressed in  
20 those proceedings. Future rate treatment does not divest the Commission of  
21 jurisdiction to implement North Dakota's ADP Statute and should not  
22 dissuade the Commission from considering and deciding this ADP request for  
23 Applicants' construction of the Group 1 Projects.  
24

1 Q. FOR THE BENEFIT OF THE COMMISSION, HOW WOULD APPLICANTS LIKELY  
2 HANDLE THE DOWNSTREAM RATE TREATMENT OF THE GROUP 1  
3 PROJECTS?

4 A. Applicants have not yet determined how they would ultimately address the  
5 downstream rate treatment for the Group 1 Projects. However, Xcel Energy  
6 and Otter Tail have included our investment in transmission facilities in our  
7 retail rate base in past rate cases. We expect that we would do so in future ones  
8 as well.

9  
10 Generally, we would submit to the jurisdictional rate making authority of the  
11 Commission, include the North Dakota portion of these transmission assets in  
12 our respective retail rate bases, collect our state authorized rates of return on  
13 our North Dakota allocated portion of total investment and factor in any  
14 Schedule 26 charges or revenues associated with North Dakota customers to  
15 avoid double collection. Xcel Energy and Otter Tail could do so in accordance  
16 with past practice, without waiving our right to claim federal preemption.

17  
18 Q. COULD YOU PROVIDE AN EXAMPLE OF HOW THIS RATE TREATMENT WOULD  
19 WORK?

20 A. Sure. To provide one possible scenario, the Fargo Project has been listed in  
21 the Midwest Transmission Expansion Plan (“MTEP”) Appendix A as a  
22 Baseline Reliability Project (“BRP”). Under the Midwest ISO rate treatment  
23 for a BRP, Xcel Energy and Otter Tail’s revenue requirement for the Fargo  
24 Project would be collected through their respective Midwest ISO Schedule 26  
25 rates.

26

1 Conceivably, as part of this rate treatment, Xcel Energy and Otter Tail could  
2 directly pass through to their retail rate payers the North Dakota portion of  
3 Midwest ISO charges incurred by Xcel Energy and Otter Tail under  
4 Schedule 26. In the alternative, instead of directly passing through their  
5 respective Midwest ISO Schedule 26 charges, Xcel Energy and Otter Tail could  
6 incorporate the North Dakota portion of their respective investment in the  
7 Fargo Project into their North Dakota retail rate base and earn their respective  
8 North Dakota state-authorized rates of return on this investment. The  
9 revenues received from the Midwest ISO associated with the portion of the  
10 transmission investment attributable to North Dakota retail load, and the  
11 charges paid to the Midwest ISO for North Dakota retail load would be part of  
12 the revenue requirements calculation.

13  
14 **IV. WHETHER IT IS APPROPRIATE TO ISSUE AN ADP FOR THE**  
15 **BROOKINGS PROJECT.**

16 **Q. PLEASE SUMMARIZE YOUR RESPONSE TO MR. LEIN'S CONCERNS ABOUT**  
17 **GRANTING AN ADP SPECIFICALLY TO THE BROOKINGS PROJECT.**

18 A. I note that no objection has been made to the Commission granting an ADP  
19 with respect to the Fargo, Bemidji, and La Crosse Projects should the  
20 Commission deem an ADP appropriate at all. Thus, Applicants believe that  
21 the record is clear that these three projects satisfy all of the ADP requirements.

22  
23 We appreciate Mr. Lein's concerns specifically regarding the ultimate allocation  
24 of costs related to the Brookings Project and the difficulties this project creates  
25 in light of the ongoing debate over Midwest ISO cost allocation. However, we  
26 do not believe that such a debate reduces the importance of the Commission's

1 ADP determination. To the contrary, the debate over cost recovery actually  
2 increases the importance of our regulators providing guidance and feedback on  
3 whether and how to proceed with major infrastructure projects. We urge the  
4 Commission to consider and decide the technical merits of the ADP question  
5 for the Brookings Project on the same basis as the other projects, relative to  
6 addressing transmission system improvement. The technical merits of the  
7 Brookings Project were addressed in our Applications. However, we share the  
8 Commission's concerns about the need for a satisfactory cost allocation  
9 methodology for the Brookings Project and avoiding a disproportionate  
10 amount of costs being placed upon our North Dakota customers. Thus, we  
11 urge the Commission to issue an ADP for the Brookings Project, such ADP  
12 could be contingent upon satisfactory resolution of the cost allocation issue.  
13

14 **Q. IF DOWN-STREAM RATE TREATMENT OF APPLICANTS' CONSTRUCTION OF**  
15 **THE GROUP 1 PROJECTS IS NOT A SUBJECT OF THIS PROCEEDING, WHY DID**  
16 **APPLICANTS PROVIDE DETAILED RATE INFORMATION WITH THEIR**  
17 **APPLICATIONS?**

18 A. We believe it is important to build regulatory consensus on major capital  
19 projects like this. We thought it would be helpful to the Commission's  
20 deliberations to understand not only the magnitude of the investments that  
21 Applicants are contemplating but also the potential impact such investment  
22 may have on our North Dakota customers. Further, it is Applicants' goal to be  
23 as transparent as possible in discussing the likely costs for which our North  
24 Dakota customers will be responsible. We therefore provided the Commission  
25 with our best estimates at the time of the possible rate impacts our investment  
26 in the Group 1 Projects may have based on our Midwest ISO tariff so as not to

1 prejudge any Commission determination on the downstream rate treatment of  
2 the North Dakota portion of our investment in the Group 1 Projects in any  
3 subsequent rate proceedings.

4  
5 I note that our estimated cost allocation for the Fargo, Bemidji and La Crosse  
6 projects is not in question and the Commission has substantial certainty  
7 pertaining to the ultimate cost allocation responsibility that will be assigned to  
8 Applicants and that will be available for inclusion in their North Dakota rates at  
9 the appropriate time.

10  
11 What is unknown at this point is precisely how the Midwest ISO will treat  
12 Applicants' investment in the Brookings Project. Mr. Lein correctly points out  
13 that this uncertainty for how the Midwest ISO will ultimately include the  
14 Brookings Project in its tariff, creates some uncertainty of the down-stream rate  
15 treatment of our investment in the Brookings Project.

16  
17 That said, our Application demonstrates the need for all of the Group 1  
18 Projects to: improve overall system reliability; address community service  
19 reliability issues, especially in the Red River Valley area; support generation  
20 expansion in North Dakota and the region; establish a common foundation for  
21 future development; and allow for regional generation to access regional  
22 markets. Further, Applicants have demonstrated that constructing the Group 1  
23 Projects as participants in the CapX2020 Initiative allows for a coordinate  
24 approach to regional transmission development and helps to avoid needless  
25 and costly duplicative transmission investments. Last, the Group 1 Projects  
26 provide a strong foundation for additional transmission development such as

1 extending the Brookings Project to Big Stone or Ellendale to provide additional  
2 outlet for generation or expanding the La Crosse Project to Madison,  
3 Wisconsin to increase access to the Midwest ISO markets further east.  
4

5 Given the need for and benefits of the Group 1 Projects (including the  
6 Brookings Project), I believe that Applicants' construction of them is prudent  
7 at this time independent of the fact that the ultimate allocation of costs  
8 associated with the Brookings Project has not been finalized.  
9

10 **Q. GIVEN THE UNCERTAINTY REGARDING MISO'S TREATMENT OF THE COST**  
11 **OF THE BROOKINGS PROJECT IN ITS TARIFF, DO YOU AGREE WITH**  
12 **MR. LIEN'S RECOMMENDATION THAT THE COMMISSION NOT GRANT AN**  
13 **ADP FOR THE BROOKINGS PROJECT AT THIS TIME?**

14 **A.** We disagree with the recommendation because an ADP provides a decision  
15 about the prudence of proceeding with construction, not the ultimate  
16 downstream rate treatment for those costs. On the current record, there are no  
17 objections regarding the prudence of Applicants' investment in any of the  
18 Group 1 Projects. To the contrary, the record clearly establishes the prudence  
19 of Applicants proceeding with this Project.  
20

21 Mr. Lein's main objection to the Commission granting an ADP for the  
22 Brookings Project is based on timing. For the reasons I mentioned, Applicants  
23 continue to believe that construction of the Group 1 Projects is both  
24 reasonable and prudent and will provide substantial benefits. Applicants are  
25 seeking Commission approval of the Group 1 Projects prior to making  
26 substantial investment decisions for them.

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**Q. DO YOU HAVE ANY SUGGESTIONS FOR HOW THE COMMISSION COULD PROCEED?**

A. Yes. I understand the interest the Commission has in ensuring that a project for which it grants an ADP is prudently administered. The ADP Statute provides a mechanism for yearly Commission review of the progress of a Project deemed prudent and upon such review, the Commission is empowered to retract its ADP should continued development of a Project be imprudent. I believe such a mechanism would allow the Commission to have continued supervisions over the progress of the all the Group 1 Projects, especially the Brookings Project, and ensure that any costs incurred by Applicants are done so prudently. To the extent that the Commission would prefer progress reports more frequently than on a yearly basis, Applicants would certainly be happy to comply.

Further, if the Commission wants us to limit the amount of investment in the Brookings Project until the Midwest ISO cost allocation issues have been clarified, we are willing to consider it. Our current development plan is structured to limit the expenditures in the project to permitting and preliminary development activities. In fact, the participants in the Brookings Project have spent approximately \$17 million through the end of 2009 with regard to the Brookings Project of which approximately \$500,000 is attributable to Xcel Energy's North Dakota customers and \$250,000 is attributable to Otter Tail's North Dakota customers. Moreover, major capital commitments are not scheduled to occur until after there is reasonable certainty around the cost allocation issue.

1  
2 Reasonable restrictions on the amount we can spend in the near term will help  
3 provide the Commission with some comfort that significant costs will be  
4 deferred until more is known about cost allocation while simultaneously  
5 providing Applicants and their CapX2020 partners with the ability to move  
6 forward with development of the project. Additionally, the Commission could  
7 condition an ADP for the Brooking Project on the satisfactory resolution of  
8 the Midwest ISO cost allocation issue.  
9

10 **Q. WHY SHOULD THE COMMISSION GRANT AN ADP FOR THE BROOKINGS**  
11 **PROJECT NOW RATHER THAN WHEN THE MIDWEST ISO'S TREATMENT OF**  
12 **THE BROOKINGS PROJECT HAS BEEN CLARIFIED?**

13 A. As I mentioned, Applicants applied for an ADP at this time because the  
14 CapX2020 utilities are currently negotiating the final project agreements for the  
15 ownership and operation of each of the Group 1 Projects. In other words, we  
16 are now seeking an ADP because we are beginning to make business decisions  
17 that will affect our ultimate amount of investment in the Group 1 Projects.  
18 Although ultimate ownership decisions will be made on a project by project  
19 basis, the amount of investment in one project may affect the amount of  
20 investment in another. We are therefore seeking the Commission's input prior  
21 to making any significant commitments of capital in all of the Group 1  
22 Projects.  
23

24 I also do not think that the uncertainty surrounding the downstream rate  
25 treatment of the Brookings Project makes the proposed project imprudent or a  
26 Commission ADP unripe. As I mentioned before, the ultimate rate impact of

1 Applicants' investment in the Brookings Project is not at issue in this  
2 proceeding, only the prudence of constructing the Brookings Project. That the  
3 ultimate Midwest ISO rate treatment of the Brookings Project has not been  
4 determined does not affect the prudence of constructing the Project itself.  
5

6 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING MR. LEIN'S**  
7 **TESTIMONY REGARDING THE BROOKINGS PROJECT.**

8 A. Yes.

9  
10 Mr. Lein comments that the Brookings Project may not be "optimized" by not  
11 being extended to Big Stone or Ellendale. Applicants agree that further future  
12 connections (such as those mentioned by Mr. Lein) may be appropriate as the  
13 regional transmission system expands.  
14

15 As Applicants made clear in their Application and Direct Testimony, the  
16 Group 1 Projects are intended to provide a foundation for additional  
17 transmission build out. Extending the Brookings Project to Big Stone or  
18 Ellendale is certainly a future possibility but cannot be done without first  
19 constructing the Brookings Project. Please see Applicants' response to  
20 Advocacy Staff Information Request ("IR") 15, attached as Schedule 1.  
21

22 **Q. WHAT EFFECT WOULD DENIAL OF AN ADP HAVE ON APPLICANTS'**  
23 **CONTINUED DEVELOPMENT OF THE GROUP 1 PROJECTS?**

24 A. Commission denial of an ADP for any or all of the Group 1 Projects would  
25 create uncertainty for Applicants as we continue to move forward with their  
26 development. Lack of an ADP would signal that the Commission has some

1 hesitancy surrounding the prudence of our pursuing the Group 1 Projects. As  
2 I mentioned before, Applicants are bringing our request for an ADP shortly  
3 before we make major investment decisions in the Group 1 Projects. To the  
4 extent that the Commission does not deem it appropriate to grant an ADP for  
5 any of the Group 1 Projects, Applicants respectfully request guidance as to  
6 what the Commission would consider a prudent course of action going  
7 forward.

8  
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A. Yes.**

- Non Public Document – Contains Trade Secret Data  
 Public Document – Trade Secret Data Excised  
 Public Document

Joint Applicants (Xcel Energy and Otter Tail)

Case No.: PU-09-676 & PU-09-678

Response To: North Dakota Public Service Commission      Data Request No.      15

Requester: Jerry R Lein

Date Received: March 4, 2010

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Question:

Why does the Brookings project terminate at Brookings SD instead of extending to Big Stone and then on to the Ellendale ND area as per the 2003-2005 MTEP Northwest Exploratory Study? Please discuss the feasibility/potential for an extension of the Brookings project to Big Stone and then on to Ellendale and the system benefits that could be expected from such extensions.

Response:

In addition to the MTEP Northwest Exploratory Study, the CapX2020 Vision Plan also identified extensions to the Ellendale area. The CapX2020 Group 1 Projects represent the initial set of facilities to be constructed that were identified based on the immediate needs of the system. In order for the Ellendale – Big Stone – Brookings project to create maximum benefits, the Brookings Project, or another very similar project would be required. If we built the Ellendale – Big Stone – Brookings without the Brookings Project, a critical link of the transmission system would be missing and the ability to substantially increase export capability from North Dakota would be reduced.

The extension from Brookings to Big Stone and Ellendale will be driven by system need and the most likely need is additional generation interconnections for wind. The Northwest Exploratory study identified two 345 kV transmission lines from Western North Dakota to the Twin Cities. The study at that time identified that with these additions, an additional 2000 MW of generation could be added in North Dakota. By extending the Brookings Project to Big Stone and Ellendale, the transmission plan contemplated in the Northwest Exploratory Study and the CapX2020 Vision Plan would be closer to completion and we would expect an increase in export capability in the hundreds of MW.

Response By: Timothy Rogelstad  
Title: Manager, Delivery Planning  
Department: Delivery Planning, Otter Tail Power Company  
Telephone: 218-739-8583  
Date: March 19, 2010

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