

**STATE OF NORTH DAKOTA  
PUBLIC SERVICE COMMISSION**

**Otter Tail Power Company  
Advance Determination of Prudence - CapX2020 Group 1  
Application**

**Case No. PU-09-676**

**Northern States Power Company  
Advance Determination of Prudence - CapX2020 Group 1  
Application**

**Case No. PU-09-678**

**PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY**

**of**

**JERRY LEIN**

**PUBLIC SERVICE COMMISSION ADVOCACY STAFF**



**July 15, 2011**

109 PU-09-678 Filed 07/25/2011 Pages: 7  
Exhibit 18  
Public Service Commission

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Exhibit 18  
Public Service Commission

1 **Q. Please state your name and business address?**

2 A. My name is Jerry Lein. My business address is Public Service  
3 Commission, State Capitol, Department 408, 600 E Boulevard Ave., Bismarck,  
4 ND 58501-0480

5 **Q. By whom are you employed, what is your position and**  
6 **responsibilities?**

7 A. I am employed by the North Dakota Public Service Commission as a  
8 Public Utility Analyst. My responsibilities consist primarily of advising the  
9 Commission on utility related matters including electric transmission issues.

10 **Q. Please describe your educational background and work experience.**

11 A. I received my Bachelor of Science in Electrical Engineering in 1985 from  
12 North Dakota State University, where I also completed graduate coursework and  
13 served as an instructor and teaching assistant. In 1988, I began employment as  
14 an analyst with the Public Service Commission focusing primarily on the  
15 regulation of electric and natural gas utilities.

16 In early 1994, I accepted employment with the Public Service Commission  
17 of Nevada. I served as a commission advisor with primary responsibility for  
18 electric transmission issues.

19 In late 1997, I returned to the North Dakota Public Service Commission  
20 where I now serve as the Commission's primary advisor for electric transmission  
21 issues. I have been active in the Midwest Independent System Operator, Inc.'s  
22 (MISO) stakeholder process and in the formation of the Organization of MISO  
23 States (OMS), where I have served as co-chair of the OMS Regional Planning

1 Work Group since 2005. I previously served as an OMS Cost Allocation and  
2 Resource Planning (CARP) negotiator and as North Dakota's advisory staff for  
3 the Upper Midwest Transmission Development Initiative (UMTDI). I am presently  
4 assigned as advisory staff for the Eastern Interconnection States Planning  
5 Council where I serve as vice chair of the Energy Zones Work Group. I have  
6 followed the Cap-X initiative, including the Brookings project, through the MAPP  
7 and MISO planning processes since the beginning of the initiative.

8 **Q. What is the purpose of your testimony?**

9 A. On behalf of Public Service Commission Advocacy Staff, I will present my  
10 recommendations regarding the continued prudence of the Brookings project.  
11 During earlier stages of this proceeding there was uncertainty regarding cost  
12 allocation for the Brookings project. The Commission approved a settlement  
13 agreement between the parties whereby the applicants agreed, among other  
14 provisions, to request a confirmation from the Commission that the Brookings  
15 project continued to be prudent prior to entering into participation agreements  
16 that would commit them to the project.

17 **Q. Will you please summarize your current recommendations?**

18 I recommend the Commission confirm an advance determination of  
19 prudence for the Brookings project conditioned upon final approval by MISO of  
20 the Brookings project as a Multi-Value Project (MVP) and upon final approval by  
21 the Federal Energy Regulatory Commission (FERC) of the MVP cost allocation  
22 methodology.

1 **Q. Please explain your recommendation for conditioning a continued**  
2 **advance determination of prudence for the Brookings project on**  
3 **finalization of MISO's conditional approval?**

4 A. The Federal Energy Regulatory Commission approved, subject to a  
5 pending rehearing, a MISO tariff creating a new category of transmission projects  
6 known as Multi-Value Projects or MVPs.<sup>1</sup> The costs of MVP projects are to be  
7 allocated across the entire MISO footprint on a pro-rata "postage stamp" rate  
8 applied equally to each kWh in the MISO energy market.

9 On June 16, 2011 the MISO Board of Directors conditionally approved the  
10 Brookings project as an MVP subject to the Board of Directors accepting the final  
11 2011 Candidate MVP Study Report, expected in December 2011. As an MVP,  
12 North Dakota customers would pay only a small portion of the cost of the  
13 Brookings project, making it a good deal for North Dakota and the region,  
14 especially when enhanced with two other candidate MVP 345 kV transmission  
15 lines proposed from Brookings, South Dakota to Big Stone, South Dakota and on  
16 to Ellendale, North Dakota that are expected to be approved with the 2011  
17 Candidate MVP Study Report.

18 **Q. What is the 2011 Candidate MVP Study Report?**

19 A. MISO has established a technical studies task force to examine an initial  
20 portfolio of 17 candidate MVPs for inclusion in Appendix A of its 2011 Midwest  
21 Transmission Expansion Plan (MTEP). The task force is presently completing  
22 technical analysis and expects to issue a complete Candidate MVP 2011 Study

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<sup>1</sup> *Midwest Independent Transmission Operator, Inc.*, 133 F.E.R.C. ¶ 61,221 (2010). See also Order Granting Rehearing for Further Consideration dated February 11, 2011, Docket No. ER10-1791-001.

1 Report in September with recommendations on whether to grant MVP status for  
2 each of the candidate projects. The OMS Board is expected to act in December  
3 to either accept or reject the MTEP 2011 report including the Candidate MVP  
4 Final Report.

5 **Q. Please explain your recommendation for conditioning a continued**  
6 **advance determination of prudence for the Brookings project on final**  
7 **approval by the Federal Energy Regulatory Commission of the MVP cost**  
8 **allocation methodology.**

9 A. There are two risks to the MVP cost allocation that need to be considered.  
10 First is the pending rehearing of FERC's December 16, 2010 Order conditionally  
11 accepting MISO's MVP tariff revisions. Second is the risk of a successful court  
12 challenge. This second risk is increased by a recent remand of another FERC  
13 Order approving a "postage stamp" rate design for 500 kV and above facilities for  
14 another Regional Transmission Organization (RTO) known as the PJM  
15 Interconnection, Inc. The court remanded the PJM decision back to the FERC  
16 for a quantification that benefits from the facilities are commensurate with the  
17 pro-rata cost allocation that was approved.<sup>2</sup>

18 **Q. Does this conclude your testimony?**

19 A. Yes. Thank you.

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<sup>2</sup>*Illinois Commerce Commission v. Federal Energy Regulatory Commission*, 576 F.3d 470 (7<sup>th</sup> Cir. 2009).

**CERTIFICATE OF SERVICE**

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I hereby certify that a true and correct copy of the foregoing **Pre-Filed Supplemental Direct Testimony of Jerry Lein** was, on 15 July 2011, electronically provided to the following:

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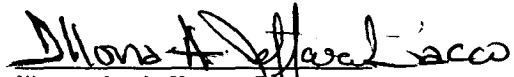
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Dated this 15<sup>th</sup> day of July 2011

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