

Direct Testimony and Schedule
Laura McCarten

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of
Northern States Power Company, a Minnesota Corporation
for Advance Determination of Prudence for a
200 MW Prairie Rose Wind Generation Project and
Power Purchase Agreement with Geronimo Wind Energy, LLC

Case No. PU-12-059
Exhibit____(LM-1)

Policy Testimony

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1 **I. INTRODUCTION AND QUALIFICATIONS**
2

3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Laura McCarten. I am Regional Vice President for Northern
5 States Power Company, doing business as Xcel Energy (“Xcel Energy” or the
6 “Company”), operating in North Dakota.
7

8 Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND EXPERIENCE.

9 A. I am responsible for regulatory, legislative, and customer and community
10 relations activities in North Dakota, South Dakota, and Minnesota. I provide
11 strategic leadership regarding the development and implementation of our
12 initiatives to most effectively serve our retail customers and the communities
13 we serve. My resume is included as Exhibit___(LM-1), Schedule 1.
14

15 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

16 A. I provide support for our request for an Advance Determination of Prudence
17 (“ADP”) for the Power Purchase Agreement (“PPA”) with Prairie Rose Wind,
18 LLC (“Prairie Rose”). In my testimony, I:

- 19 • Address the efforts undertaken by the Company to meet our
20 commitment to procure 200 MW of wind generation in North Dakota,
21 and discuss how those efforts were separate and in addition to securing
22 the Prairie Rose PPA;
- 23 • Describe how the PPA benefits North Dakota customers by providing
24 both low-cost energy and diversification for our generating system.
- 25 • Discuss the benefits to customers of the Company operating an
26 integrated system; and

- 1 • Introduce the other witnesses who provide testimony on behalf of the
2 Company in support of the Prairie Rose project.

3
4 **II. NORTH DAKOTA WIND GENERATION COMMITMENTS**

5
6 Q. WHAT IS THE COMPANY'S COMMITMENT REGARDING NORTH DAKOTA-BASED
7 WIND GENERATION.

8 A. In 2007, consistent with Xcel Energy's history of environmental leadership
9 and in recognition of North Dakota's robust wind resource, we committed to
10 obtain 200 MW of wind generation, at a reasonable cost for our customers, to
11 be located in the state.

12
13 Q. PLEASE DESCRIBE THE COMPANY'S EFFORTS TO DEVELOP WIND GENERATION
14 IN THE STATE?

15 A. We have undertaken substantial efforts toward the development of wind
16 generation in North Dakota. Prior to the commitment we made in 2007, we
17 entered into a purchased power agreement in 2005 with Acciona North
18 America for 12 MW of wind power near Minot, North Dakota. At the time,
19 this was one of the largest wind farms in the state. In 2008, we entered into a
20 contract with enXco Development Corporation ("enXco") for the
21 construction of a 150 MW wind facility ("Merricourt"), which Xcel Energy
22 was to own and operate upon completion. The Commission approved the
23 ADP for Merricourt in August 2009.

24
25 However, for reasons discussed in the Company's April 8, 2011 letter to the
26 Commission, attached hereto Exhibit___(LM-2), the Company decided to
27 terminate our contracts with enXco for Merricourt. Although our agreements

1 with enXco were terminated, we continued to try to resolve our differences
2 with enXco and undertook additional efforts to secure North Dakota wind
3 generation through extensive negotiations for ownership of the 150 MW
4 Border Winds facility. For reasons discussed by Company witness Mr. Kurtis
5 Haeger, the Border Winds negotiations did not ultimately result in an
6 agreement.

7
8 Q. HOW WAS THE PRAIRIE ROSE PPA SELECTED?

9 A. In September 2010, we initiated a wind generation Request for Proposals
10 (“RFP”), which resulted in the selection of the Prairie Rose PPA. This PPA
11 was selected from among many competing wind energy bids – some from
12 North Dakota – as part of our established RFP wind acquisition process.

13
14 Q. WAS THE 2010 RFP PROCESS INTENDED TO SECURE A NORTH DAKOTA
15 PROJECT AS A REPLACEMENT FOR THE MERRICOURT PROJECT?

16 A. No. Our 2010 wind RFP was issued prior to the termination of the
17 Merricourt agreement. We did not exercise our option to terminate the
18 Merricourt project until April 2011. Thus, the Prairie Rose PPA was not
19 intended to be a replacement of the Merricourt, but instead would have been
20 incremental to Merricourt.

21
22 Q. ONCE THE COMPANY DECIDED TO TERMINATE THE MERRICOURT PROJECT,
23 HOW DID IT CONTINUE TO TRY TO MEET ITS 200 MW WIND GENERATION
24 COMMITMENT?

25 A. We considered three options for securing energy from North Dakota wind
26 resources: (1) issue an expedited RFP; (2) secure a North Dakota project at a
27 cost competitive with current market conditions; and (3) pursue North Dakota

1 projects with a longer time frame. We chose the second option to take
2 advantage of the expiring Production Tax Credits (“PTC”) and the favorable
3 pricing we experienced in the 2010 RFP. This path led us to negotiations for
4 the Border Winds project. Our negotiations were extensive, with a goal of
5 providing a utility-owned project, located in North Dakota, with an in-service
6 date by the end of 2012. These negotiations went on until December 2011,
7 when we were informed that the turbines intended to be used for the project
8 had been sold to another developer.

9
10 Q. WHY DID THE COMPANY DECIDE TO ISSUE THE 2010 RFP THAT LED TO THE
11 SELECTION OF THE PRAIRIE ROSE PPA?

12 A. The primary reason we issued the 2010 RFP was to gauge the pricing for wind
13 generation in light of the pending expiration of PTC in 2012, as well as the
14 decreasing price of natural gas. We did not commit to enter into any
15 agreements, but believed the RFP would identify possible resource
16 procurements that could be beneficial to our customers. As evidenced by the
17 results of the 2010 RFP, expiring PTC and the recent drop in natural gas
18 prices resulted in several historically-low-priced proposals for wind generation.

19
20 Q. WHILE CONDITIONS MAY HAVE BEEN FAVORABLE TO EXPLORE WIND
21 GENERATION IN 2010, WHY DID THE COMPANY ENTER INTO A PPA WHEN
22 YOUR UPDATE TO THE RESOURCE PLAN INDICATED NO NEED FOR
23 ADDITIONAL GENERATION UNTIL 2018?

24 A. First, we entered into the Prairie Rose PPA before we updated the Resource
25 Plan. In addition, while the Company does not need additional generation to
26 meet our customers’ near-term needs, we are not precluded from taking action
27 now to cost-effectively meet the long-term needs of our customers. In

1 particular, taking advantage of the favorable market conditions can reasonably
2 be expected to result in lower costs than if we wait beyond 2012, when the
3 PTC may or may not be renewed. The PTC reduces the price of wind-
4 generated electricity by roughly 2¢/kWh on a 20-year levelized basis. Thus, in
5 deciding whether to enter into the Prairie Rose PPA, we considered whether it
6 is in our customers' best interests to secure this low-cost wind generation now
7 or wait until after 2012 when it is unknown whether the price reduction
8 resulting from PTC will exist. We believe our decision is reasonable.

9
10 Q. DOES THE SELECTION OF THE PRAIRIE ROSE PPA INDICATE THAT THE
11 COMPANY HAS A PREFERENCE TO OBTAIN WIND GENERATION FROM SITES IN
12 MINNESOTA?

13 A. No. Our North Dakota wind generation commitment was conditioned upon
14 our ability to secure the power cost-effectively. To that end, the 2010 RFP
15 was: (1) open to all types of ownership structures including power purchase
16 agreements from independent power producers, projects proposing Company
17 ownership of the assets, or any combination; and (2) not restricted to location.
18 In fact, the 2010 RFP resulted in bids for proposed project sites located in
19 Minnesota, North Dakota, South Dakota, Iowa, Illinois, Indiana, and
20 Montana. Had a North Dakota-based project been the most competitive and
21 viable resource bid into the 2010 RFP, it would have been selected, consistent
22 with our commitment. However, a North Dakota-based resource was not the
23 most competitive proposal from the 2010 RFP. Thus, selecting a North
24 Dakota-based resource would have been inconsistent with our commitment
25 and could have adversely affected future RFPs as potential bidders may have
26 reasonably concluded the evaluation of bids was undertaken in a biased
27 manner.

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III. REASONABLENESS OF THE PRAIRIE ROSE PPA

Q. HOW DID THE PRAIRIE ROSE PPA COMPARE TO OTHER PROPOSALS RECEIVED THROUGH THE RFP PROCESS?

A. Based on bids received in the 2010 RFP, the Company focused its evaluation on proposals priced under **[BEGIN TRADE SECRET
END TRADE SECRET]** on a 20-year levelized basis. From this analysis we developed a short list of six proposals. Of the six, the Prairie Rose PPA was the lowest cost, most viable proposal and is currently in an advanced stage of permitting and development. Our final negotiated price for the Prairie Rose project is **[BEGIN TRADE SECRET
END TRADE SECRET]** in year one of the 20 year PPA and **[BEGIN TRADE SECRET
END TRADE SECRET]** on a levelized basis over the life of the contract.

Q. BESIDES ITS FAVORABLE PRICE, DOES THE PRAIRIE ROSE PPA PROVIDE OTHER BENEFITS TO CUSTOMERS?

A. Yes, Mr. Haeger and Company witness Mr. Steven Wishart discuss the overall benefits of the Prairie Rose PPA in addition to its price. For example, the PPA will displace market energy and fossil-fueled generation, thus protecting our customers from potential fluctuations in fuel costs. In addition, renewable energy credits resulting from the Prairie Rose PPA will accrue to our customers in North Dakota.

**IV. ALLOCATION OF WIND GENERATION TO ALL
CUSTOMERS SERVED BY THE NSP SYSTEM**

1 Q. IS THE NEED FOR THE PRAIRIE ROSE WIND PPA SOLELY DRIVEN BY THE
2 RENEWABLE ENERGY STANDARD (“RES”) IN MINNESOTA?

3 A. While the Minnesota RES, as well as the renewable energy obligations in our
4 other service territories, are indeed drivers of our efforts to obtain renewable
5 generation, on a cost basis, the Prairie Rose Wind PPA reasonably competes
6 with non-renewable generation. On a broader level, Mr. Haeger discusses
7 how wind-generation on our system has been a cost effective resource for all
8 our customers. Thus, independent of meeting renewable obligations, the
9 Prairie Rose PPA is a cost-effective approach to meeting our customers’ long-
10 term energy needs.

11

12 Q. WOULD IT BE REASONABLE TO SIMPLY ALLOCATE THE COSTS OF THE PRAIRIE
13 ROSE PPA TO STATE JURISDICTIONS, LIKE MINNESOTA, WHICH HAVE
14 MANDATORY RENEWABLE ENERGY OBLIGATIONS?

15 A. We do not believe so. First, as noted above, the selection of the Prairie Rose
16 PPA was not solely driven by renewable energy requirements in any particular
17 jurisdiction. Rather, the PPA cost-effectively meets our customers’ long-term
18 energy needs independent of renewable obligations while also improving the
19 diversity of our generation portfolio.

20

21 In addition, the Company operates an integrated system that serves customers
22 in multiple states in both the NSP-Minnesota and the NSP-Wisconsin
23 operating companies (the “NSP System”). All of our customers benefit by our
24 operation of an integrated system. Allocating some of the costs of providing
25 service only to one portion of the integrated system would disproportionately
26 provide more benefits to some customers in our system at the greater expense

1 to other customers. Such a result would invalidate the foundation upon which
2 benefits are provided to all our customers in the Company's integrated system.

3
4 Q. EXPLAIN FURTHER WHAT YOU MEAN ABOUT THE BENEFITS PROVIDED BY THE
5 COMPANY'S INTEGRATED SYSTEM.

6 A. The NSP System encompasses five states in the upper Midwest, including
7 Minnesota, North Dakota, South Dakota, Wisconsin, and Michigan.
8 Company assets needed to provide service to our customers in these states are
9 part of a larger, interconnected network of assets owned by other public
10 utilities, cooperatives, and municipal utilities. Connection with this larger,
11 regional network of assets allows us to plan and operate our entire five-state
12 system on an integrated basis. That means, for example, we can plan our fleet
13 of generating plants on a total-system basis, as opposed to attempting to plan
14 on a state-by-state or community-by-community basis. A large, integrated
15 system allows the Company to: (1) reduce the total amount of generating
16 resources needed to serve customers; (2) diversify the fleet of generating
17 resources required to meet our customers' needs; and (3) lower costs and fuel
18 volatility risks by spreading same over a substantially larger and diverse
19 customer base.

20
21 For example, it would not be feasible for Xcel Energy to build and own
22 nuclear power plants if we planned our system on a state-by-state basis. But
23 from an integrated, multi-state perspective, a nuclear plant is economic and
24 thus customers in North Dakota, as well as other jurisdictions, benefit from
25 the low-cost, environmentally-friendly attributes of nuclear power.

26

1 The Company's operation of its integrated system and its ability to make such
2 investments in the future relies on being able to recover costs from each
3 jurisdiction consistent with the benefits received by each jurisdiction.

4
5 **V. PRESENTATION OF WITNESSES**

6
7 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

8 A. In addition to my Policy Testimony, the Company sponsors the following
9 witnesses:

- 10 • *Kurtis J. Haeger*, who testifies regarding: resource planning; our efforts to
11 meet our North Dakota wind generation commitment; the 2010 RFP
12 that led to the selection of the Prairie Rose PPA; and the
13 reasonableness of the Prairie Rose PPA.
14 • *Steven W. Wishart*, who testifies regarding the Strategist resource-
15 planning model and the results applicable to the Prairie Rose PPA.

16
17 Together, these witnesses provide the information and support necessary to
18 evaluate and approve our Petition for an ADP for the Prairie Rose PPA.

19
20 **VI. CONCLUSION**

21
22 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

23 A. The Prairie Rose PPA provides benefits to our North Dakota customers. The
24 Prairie Rose PPA was selected from an objective competitive bidding process,
25 and reflects an opportunity to obtain wind generation at a competitive cost.
26 The reasonableness and benefits of the Prairie Rose PPA are independent of
27 renewable generation goals or standards of any of the five states in which the

1 Company operates. Accordingly, we respectfully request that the Commission
2 grant an ADP for this power purchase agreement.

3

4 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

5 A. Yes, it does.

Laura McCarten

Experience	2008-Present	Xcel Energy	Minneapolis, MN
	Regional Vice President, NSPM		
	<ul style="list-style-type: none"> ▪ For Xcel Energy’s South Dakota service territory, responsible for regulatory and legislative interface and policy development, customer and community relations and public affairs, and provide strategic leadership on initiatives to effectively serve customers. ▪ For Xcel Energy’s North Dakota service territory, responsible for regulatory and legislative interface and policy development, customer and community relations and public affairs, gas business development, and provide strategic leadership on initiatives to effectively serve customers. ▪ For Xcel Energy’s Minnesota service territory, responsible for managing relationships with communities and large customer accounts, gas business development and our HomeSmart service. 		
	2006-2008	Xcel Energy	Minneapolis, MN
	Director, Regional Transmission Development		
	1997-2005	Xcel Energy	Minneapolis, MN
	Director, Minnesota Community Services		
	1994-1997	Xcel Energy	Mankato, MN
	Regional General Manager		
	1992-1994	Northern States Power	Minneapolis, MN
	Manager, Regulatory Affairs		
	1979-1991	Northern States Power	Minneapolis, MN
	Nuclear Generation: Spent Nuclear Fuel Project Manager, Engineer		
Education	1979	University of Wisconsin	Madison, WI
	Bachelor of Science in Nuclear Engineering		
Professional Development	<ul style="list-style-type: none"> ▪ Xcel Energy Leadership Advantage Program (2004) ▪ University of Michigan Business School, Strategic Marketing Planning (1998) ▪ University of Minnesota, Carlson School of Management, Minnesota Management Institute (1996) 		
Community Service	<ul style="list-style-type: none"> ▪ Lignite Energy Council, Board of Directors ▪ Minneapolis Regional Chamber of Commerce, Board of Directors ▪ North Central Electrical League, Board of Directors ▪ Ordway Center for the Performing Arts, Board of Directors ▪ University Enterprise Laboratories, Board of Directors 		