

BEFORE THE  
PUBLIC SERVICE COMMISSION OF THE STATE OF NORTH DAKOTA

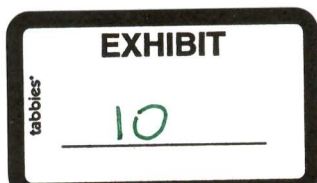
IN THE MATTER OF THE APPLICATION OF )  
NORTHERN STATES POWER COMPANY, A )  
MINNESOTA CORPORATION, FOR ADVANCE )  
DETERMINATION OF PRUDENCE FOR A )  
POWER PURCHASE AGREEMENT WITH )  
GERONIMO WIND ENERGY, LLC )

DOCKET NO. PU-12-059

TESTIMONY  
OF  
CHRISTOPHER A. MAROHL

ON BEHALF OF  
THE NORTH DAKOTA PUBLIC SERVICE COMMISSION  
ADVOCACY STAFF

OCTOBER 15, 2012



53 PU-12-59 Filed: 10/22/2012 Pages: 6  
Exhibit 10

41 PU-12-59 Filed: 10/15/2012 Pages: 6  
Pre-filed testimony of Christopher A. Marohl



1 Advocacy Staff.

2

3 **Q. Please describe the purpose of your testimony.**

4 A. I am providing policy analysis that represents the interests of North Dakota  
5 ratepayers.

6

7 **Q. Please summarize your conclusions and recommendations.**

8 A. Based upon my review of NSP's Application, I conclude that the project is not  
9 needed and the forecasted benefits do not reasonably exceed the forecasted costs.  
10 I recommend that the requested ADP not be granted.

11

12 **Q. Why are we here today?**

13 A. Notwithstanding the terms of a settlement agreement and affirmed by the  
14 Commission requiring the Company to file for an ADP for any new generating  
15 facility or purchase of at least 50 MW,<sup>1</sup> I believe we are here today solely because  
16 of Minnesota's Renewable Energy Statute.<sup>2</sup>

17

18 **Q. Can you please explain?**

19 A. Let us look at the Company as if it were operating without Minnesota's renewable  
20 requirements. There is little projected load growth and the Company has a well-  
21 functioning fleet of generating resources. In fact, the Company expects to operate

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<sup>1</sup> ND PSC Case No. PU-07-776 Doc. 117.

<sup>2</sup> MN Statute 216B.1691.

1 with excess capacity until 2017.<sup>3</sup> In other words, in general, NSP is currently  
2 meeting and forecasted to meet its duty under North Dakota law and general  
3 public utility principles to provide adequate service at just and reasonable rates.<sup>4</sup>  
4 It could be said that this was confirmed with the Company's latest rate increase  
5 application granted in February of 2012 by this Commission.<sup>5</sup> Outside of  
6 requiring renewable energy, why would NSP be seeking this Purchase Power  
7 Agreement ("PPA")?

8 Let me put it another way. You own a car that works perfectly well at a  
9 reasonable cost. You have no need for another car, but decide to lease a brand  
10 new one anyway. The new car requires no fuel, but you can only drive it when  
11 the wind blows. This isn't a prudent action for a majority of people and it isn't a  
12 prudent action for a regulated utility.

13  
14 **Q. Doesn't the Company show that Prairie Rose Wind benefits North Dakota**  
15 **ratepayers?**

16 **A.** No. The Company's own analysis as presented in its pre-filed testimony shows  
17 that the Prairie Rose Wind scenario costs \$23 million more than the alternative on  
18 a net present value basis (aka the costs outweigh the benefits). The Company  
19 says the added cost is minimal and that a few tweaks should be made for lower  
20 wind integration costs and forecasted Renewable Energy Credit ("REC")  
21 revenues to the point where having Prairie Rose Wind could be \$4.5 million  
22 cheaper than without Prairie Rose Wind on a net present value basis.

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<sup>3</sup> ND PSC Case No. PU-10-580 Doc. 8.

<sup>4</sup> ND Century Code Chapter 49-04-01 and 49-04-02.

<sup>5</sup> ND PSC Case No. PU-10-657 and PU-11-55.

1 As the Company makes its adjustments to keep the cost benefit ratio near one, let  
2 us not forget that this project is not needed. Perhaps for cases like the Manitoba  
3 Hydro PPA ADP that this Commission recently approved<sup>6</sup> such a delta is  
4 reasonable, because the project is needed to provide service. However, if a  
5 regulated utility wants to add a project that isn't needed to provide service the  
6 benefits should be forecasted to greatly exceed the costs.

7  
8 **Q. Are there benefits to North Dakota ratepayers from being part of NSP's**  
9 **Integrated System that should be taken into account?**

10 **A.** I agree with the Company's witnesses that outline the benefits of being part of an  
11 integrated system by taking advantage of a diversified customer base, diversified  
12 generation, and economies of scale. From my perspective, the vision of the  
13 various states that NSP operates in has largely been the same in the past; so, the  
14 ability to operate an integrated system worked well. However, the vision of the  
15 various states has diverged.

16 Look at the example of NSP's nuclear power plants that Ms. McCarten  
17 champions as a benefit of operating an integrated system. Minnesota politicians  
18 have prohibited new nuclear generation<sup>7</sup> and gave NSP a more aggressive  
19 renewable energy requirement than the rest of the utilities operating in Minnesota  
20 because of its nuclear plants. These kinds of policies deviate from North  
21 Dakota's understanding of least cost and best practice for ratepayers.

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<sup>6</sup> ND PSC Case No. PU-12-70.

<sup>7</sup> MN Statute 216B.243.

1 We are not seeking to impose our policies or vision on Minnesota constituents,  
2 but seek to keep Minnesota's policies or vision from being imposed on us. As a  
3 matter of fact, disallowing this wind project puts NSP that much closer to  
4 reaching its renewable mandate since Minnesota can have North Dakota's  
5 allocated share of Renewable Energy Credits ("RECs"). To me an integrated  
6 system where one state is calling the shots for everyone is not an integrated  
7 system as much as it is a totalitarian system. This can be seen by the fact that the  
8 Manitoba Hydro PPA, this PPA, and no doubt other agreements are contingent on  
9 being approved by the Minnesota Commission and not the North Dakota  
10 Commission.

11  
12 **Q. Briefly, what is your opinion as to what North Dakota's regulated utilities**  
13 **should do with its RECs beginning in 2015?**

14 A. Since the objective is voluntary and there is no penalty or sanction, I think that the  
15 most prudent thing to do would be to continue the sale of RECs and distributing a  
16 portion of those revenues to ratepayers in recognizing the principle of least cost.

17  
18 **Q. Does this conclude your testimony?**

19 A. Yes.