

Rebuttal Testimony  
Steven W. Wishart

Before the North Dakota Public Service Commission  
State of North Dakota

In the Matter of the Application of Northern States Power Company,  
for Authority to Increase Rates for Electric Service in North Dakota

Case No. PU-12-813  
Exhibit\_\_\_(SWW-2)

**Recovery of Purchased Power Costs**

August 12, 2013

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1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

4 A. My name is Steven W. Wishart. I am the Director of Resource Planning and  
5 Bidding for Xcel Energy Services Inc.

6  
7 Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

8 A. Yes. I filed Supplemental Direct Testimony in support of the reasonableness  
9 of the Prairie Rose Wind, LLC Power Purchase Agreement.

10  
11 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

12 A. My Rebuttal Testimony will address Commission Advocacy Staff and  
13 Consultant recommendations with respect to the Company's recovery of  
14 certain Power Purchase Agreement costs recovered through our Commission-  
15 approved Fuel Cost Rider (FCR).

16  
17 **II. SUMMARY AND ORGANIZATION**

18  
19 Q. PLEASE PROVIDE A SUMMARY OF YOUR REBUTTAL TESTIMONY.

20 A. The Company manages a diverse portfolio of generation resources for its  
21 integrated NSP System, which serves all of our customers in Michigan,  
22 Minnesota, North Dakota, South Dakota, and Wisconsin. Our resource mix  
23 includes nuclear, coal, hydro, natural gas, wind, and various other renewable  
24 resources. Some of these resources are Company-owned generating facilities,  
25 and some are Power Purchase Agreements (PPAs). We have legitimately  
26 incurred the costs associated with our PPAs and have been recovering those

1 costs through our Commission-approved FCR tariff, pursuant to the  
2 Commission's Rules.

3  
4 Staff Consultant Mr. Dante Mugrace recommends that certain long-term  
5 PPAs the Company previously entered into now be excluded from cost  
6 recovery in North Dakota. Disallowing the recovery of these costs would:

- 7 • be contrary to general ratemaking principles;
- 8 • result in North Dakota customers receiving a portion of their energy  
9 and capacity for free;
- 10 • prevent recovery of legitimately-incurred costs of providing utility  
11 service, causing financial harm to the Company; and
- 12 • impair our ability to prudently plan our system.

13  
14 For these reasons, we do not believe adoption of Mr. Mugrace's  
15 recommendations related to PPA cost recovery are appropriate.

16  
17 My testimony also responds to Mr. Mugrace's recommendation that Prairie  
18 Rose Wind costs incurred up to the implementation of final rates in this case  
19 should be disallowed, even though he concludes that the project is acceptably-  
20 priced and reasonable over the long term. I also discuss our agreement with  
21 Advocacy Staff's recommendation to provide a proportionate North Dakota  
22 customer refund stemming from disputed costs related to the St. Paul  
23 Cogeneration PPA

24  
25 Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?

26 A. My testimony is organized into the following sections:



1 these resources, their perceived cost-effectiveness, and belief that their design  
2 only benefits local Minnesota communities.

3  
4 Q. DO YOU AGREE WITH THIS RECOMMENDATION?

5 A. No. The Company appropriately entered into these agreements and followed  
6 all applicable Rules and Tariff requirements in recovering our legitimately-  
7 incurred costs of providing service. To use the benefit of hindsight and  
8 change past practice with respect to existing resources by disallowing the  
9 recovery of these costs would cause financial harm to the Company and result  
10 in our North Dakota customers effectively receiving free energy.

11  
12 To the extent the Commission wants to change its rules with regard to certain  
13 resources, we believe those changes should be prospective and applied to new  
14 resources. To accomplish this, the Company is willing to work with the  
15 Commission and Staff to implement appropriate mechanisms to ensure timely  
16 Commission oversight of new resources we may recover through the FCR.

17  
18 Q. WERE THESE PURCHASED POWER COSTS PART OF THE COMPANY'S CURRENT  
19 RATE REQUEST?

20 A. No. We recover the costs of these PPAs through the FCR, and these costs do  
21 not impact base rates. As Company Witness Ms. Laura McCarten discusses in  
22 her Rebuttal Testimony, we are aware of the Commission's concerns with our  
23 recovery of the costs of certain renewable energy resources and would like to  
24 work with the Commission to address these concerns. Because the FCR  
25 mechanism is separate from base rates, we believe it would be appropriate to  
26 address these issues in a separate proceeding related to our FCR. However,

1 because Mr. Mugrace has raised the issue in this case, we are providing  
2 additional information in this proceeding.

3  
4 Q. PLEASE DISCUSS THE BIOMASS PPAS IDENTIFIED BY MR. MUGRACE IN MORE  
5 DETAIL.

6 A. The four biomass PPAs Mr. Mugrace recommends be excluded from further  
7 recovery represent 120 MW of baseload resources. These biomass resources  
8 were acquired through competitive processes, and their addition to our  
9 resource portfolio was an explicit condition of the continuation of our nuclear  
10 plants, which I discuss further in Section C below.

11  
12 The consultant did not discuss any consideration of the contribution and  
13 customer benefits of our nuclear resources in our generation portfolio, or  
14 provide analysis to support the claim that the price for these the biomass  
15 PPAs is too high.

16  
17 Q. DO YOU BELIEVE DISALLOWING RECOVERY OF THE BIOMASS PPA COSTS IS  
18 APPROPRIATE?

19 A. No. These resources have been and continue to be an important part of our  
20 resource portfolio especially when considered in light of their role to the  
21 continued operation of the 1100 MW Prairie Island nuclear facility. The  
22 Company has appropriately recovered the costs of these resources through  
23 our Commission approved FCR. To the extent the Commission wants to  
24 change the way the Company recovers its costs of renewable resources in the  
25 future, we welcome further discussion of this issue. However, these are  
26 legitimately-incurred costs of the integrated NSP System that provide service

1 to North Dakota customers and we should be able to continue to recover  
2 these costs while those discussions proceed.

3  
4 Q. PLEASE DISCUSS THE WIND AND SOLAR PPAs IDENTIFIED BY MR. MUGRACE IN  
5 MORE DETAIL.

6 A. Mr. Mugrace recommends excluding approximately 200 MW of wind  
7 resources from further cost recovery. The majority of these wind resources  
8 were acquired through competitive processes, and were generally acquired  
9 during the timeframe where there was justified concern over exposure to  
10 natural gas market volatility. Because wind was recognized by the industry as  
11 a valuable hedge against such natural gas price volatility, the average cost of  
12 wind power at that time was higher than in previous years – and certainly  
13 more than the prices we are seeing now.

14  
15 Also identified are two small solar projects totaling less than 3 MW. These  
16 projects represent the Company's initial steps in exploring solar power and its  
17 potential as a viable, cost-effective resource. These projects will provide  
18 valuable information regarding how the technology performs in our region,  
19 and how the power can be integrated into our system. The cost of solar  
20 power has been steadily decreasing over the past several years, and we believe  
21 there is value in making small investments in new technologies that have the  
22 potential to meet significant portions of customer demands in the future. This  
23 strategy has led to the diverse portfolio of resources that our customers enjoy  
24 today.

25  
26 Q. DO YOU BELIEVE DISALLOWING RECOVERY OF THE WIND AND SOLAR PPA  
27 COSTS IS APPROPRIATE?

1 A. No. The recommendation in this case to exclude these PPAs from future cost  
2 recovery to send a signal to the Company due to their price is based on  
3 hindsight. Excluding these costs would also result in free resources being  
4 provided to our North Dakota customers. To the extent the Commission  
5 wishes to change the way the Company recovers its costs of renewable  
6 resources in the future, we welcome further discussion of that issue.  
7 However, these resources are currently generating power, and we should  
8 continue to recover these legitimately-incurred costs of the integrated NSP  
9 System that provides service to North Dakota customers.

10  
11 Q. PLEASE SUMMARIZE THE COMPANY'S RESPONSE TO MR. MUGRACE'S PPA  
12 RECOMMENDATION?

13 A. The retrospective view that the consultant recommends, which would  
14 disallow ongoing recovery of legitimately-incurred costs, is inconsistent with  
15 general ratemaking principles and past Commission practice, which allows the  
16 Company to recover legitimate costs of providing service. Further, it would  
17 result in our North Dakota customers receiving a portion of their energy and  
18 capacity for free, and it would raise policy and practical issues with regard to  
19 the Company's ability to plan its system with an appropriate and necessary  
20 long-term view.

21  
22 As Ms. Laura explains in her Rebuttal Testimony, the Company is aware of  
23 the Commission's concerns regarding renewable resource additions on the  
24 NSP System, and has been working to address them. We welcome ongoing  
25 discussion regarding prospective cost recovery of new renewable resources.

1        **B.     Purchased Power Tariff and Rule Requirements**

2        Q.    PLEASE EXPLAIN HOW THE COMPANY’S RECOVERY OF THE COSTS OF THESE  
3        PPAs THROUGH THE FCR IS CONSISTENT WITH THE COMMISSION’S RULES.

4        A.    As I explained in my Supplemental Testimony, the Commission’s rules (N.D.  
5        Admin. Code § 69-09-02-39) provide for “automatic adjustment clauses” to be  
6        included in utility tariffs that allow for increases or decreases in rates, without  
7        prior hearing, to recover increases or decreases in fuel and purchased energy  
8        costs incurred by an electric utility. These costs include the net costs of  
9        energy from a renewable energy source, including solar, hydropower, wood,  
10       wind power, and biomass.

11  
12       Pursuant to its automatic adjustment clause rules, the Commission has  
13       approved the Company’s FCR, which allows, among other things, for the  
14       Company to include the costs of its purchases of renewable energy in our  
15       rates. The PPAs identified by Staff’s consultant are energy resources that  
16       meet the requirements for recovery of both our Commission approved FCR  
17       and the Commission’s automatic adjustment rules. Therefore, it is reasonable  
18       for the Company to expect to recover the costs of these PPAs through the  
19       FCR.

20  
21       Q.    DOES THE COMMISSION REVIEW PPAs PRIOR TO RECOVERING THEIR COSTS  
22       THROUGH THE FCR?

23       A.    The Commission’s rules do not specifically provide for Commission approval  
24       of purchased power costs prior to their inclusion in the FCR. The  
25       Commission is afforded the opportunity to perform a review when the  
26       Company makes its monthly FCR filings. We are willing to work with the  
27       Commission and Staff to implement other means to facilitate this review.

1        However, if a resource qualifies for recovery under the FCR, the terms of the  
2        approved tariff allow the Company to include these resources for recovery  
3        through that mechanism without pre-review by the Commission. That said, in  
4        response to statutory changes in 2005 and ongoing discussions with the  
5        Commission, we have made commitments to file for an Advance  
6        Determination of Prudence (ADP) from the Commission for PPAs from  
7        generation resources of at least 50 MW, which explicitly affords the  
8        Commission an opportunity to review the Company's purchases from new  
9        resources.

10  
11        We note that the ADP statute, N.D.C.C. § 49-05-16, does not require an ADP  
12        application be filed nor does it specify the necessary timing of an ADP  
13        application. As we have submitted ADP Applications, we have worked to  
14        understand the Commission's expectations regarding the timing of these  
15        filings, and are now providing them within two weeks of making similar filings  
16        in Minnesota, consistent with our commitment to the Commission in Case  
17        No. PU-12-59.

18  
19        Q. DID THE COMPANY FILE AN APPLICATION FOR AN ADP FOR ANY OF THE  
20        PPAs IDENTIFIED BY MR. MUGRACE?

21        A. No. None of the PPAs identified by Mr. Mugrace are above the 50 MW  
22        threshold for which we have committed to file ADPs. Further, some of the  
23        PPAs identified pre-date the ADP statute and the Company's commitment to  
24        utilize it. Consequently, the Company has complied with the terms of our  
25        Commission-approved FCR tariff, and appropriately recovered the costs of  
26        these PPAs through that mechanism.

27

1 Q. CAN YOU PROVIDE SOME EXAMPLES OF HOW THE COMPANY HAS COMPLIED  
2 WITH ITS TARIFF AND THE COMMISSION'S RULES?

3 A. Yes. The biomass PPAs provide a good example. The biomass PPAs  
4 identified by Mr. Mugrace are long-standing agreements that predate both our  
5 commitment to file for ADPs and even the ADP statute itself. The  
6 Laurentian PPA was originally executed in 1998 and then replaced in 2005.  
7 The St. Paul Cogeneration PPA was executed in 2000, replacing a 1998  
8 contract and the Fibrominn PPA was also executed in 2000. This means that  
9 we have been relying on these contracts for more than a decade. At the time  
10 we entered into these contracts, we were no Commission requirement or  
11 statute that would provide for prospective review of these contracts.

12

13 Q. WHAT RECOMMENDATION DOES ADVOCACY STAFF MAKE RELATED TO AN  
14 FCR INCENTIVE MECHANISM

15 A. Advocacy Staff suggests the Commission consider an incentive mechanism  
16 that would reward or penalize the Company for its resource and fuel  
17 procurement costs – and references related discussions with parties in  
18 Minnesota.

19

20 Q. DOES THE COMPANY SUPPORT THIS RECOMMENDATION?

21 A. Our support of such a mechanism would depend on its form. We believe that  
22 any incentive mechanism must: (1) reward desired actions and outcomes; (2)  
23 focus on measurable results; (3) be transparent; (4) limit risks to both our  
24 customers and our shareholders; (5) be subject to evaluation and modification;  
25 and (6) be compatible with the current business climate. The Commission's  
26 own guidelines set forth in Case No. PU-439-94-590, provide additional  
27 characteristics for such an approach.

1 At its core, the FCR is intended to allow recovery of the reasonable cost of  
2 fuel and purchased energy (costs which fluctuate month-to-month); we earn  
3 no return through the FCR. We believe that the Commission currently has  
4 significant authority to review our FCR costs, and that if the Commission  
5 chooses to change its review practice, it should do so prospectively to ensure  
6 that the Company does not rely on long-term settled recovery of costs about  
7 which the Commission may have a concern.

8  
9 As no specific incentive mechanism has been proposed, we cannot provide  
10 specific comments in this case. We are, however, willing to work with the  
11 Commission and Staff to address concerns and develop appropriate processes  
12 for prospective review of our costs. As part of these discussions, we are also  
13 willing to explore a potential incentive mechanism for our overall fuel  
14 procurement and resource costs that balances our interests with those of the  
15 Commission and our customers.

16  
17 **C. System Resource Planning**

18 Q. PLEASE EXPLAIN THE IMPACT THAT MR. MUGRACE RECOMMENDATION HAS  
19 ON THE COMPANY'S RESOURCE PLANNING EFFORTS.

20 A. The PPAs identified by Mr. Mugrace are part of our portfolio of resources we  
21 utilize to serve all of our customers in all of the NSP System jurisdictions –  
22 Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin. We  
23 necessarily assume the availability of these resources to serve all of our  
24 customers when we plan for the future needs of our system.

25  
26 The implication of Mr. Mugrace's recommendation is that at any time after a  
27 resource decision is made – even ten years later – the Commission can choose

1 to disallow the costs of that resource. This creates significant uncertainty for  
2 which there is no remedy. In order to plan our system to ensure safe, reliable,  
3 and cost-effective service to all of our customers, we need some level of  
4 certainty that once a resource decision is made, prudently-incurred costs of  
5 that resource are recoverable. Without such certainty, we cannot reasonably  
6 apply a long-term view to planning for additional resources as our system  
7 grows, which delivers cost benefits to all customers.

8  
9 Q. WHAT ARE THE BENEFITS OF THE COMPANY'S DIVERSIFIED PORTFOLIO OF  
10 LONG-TERM RESOURCES?

11 A. The NSP System provides a well-balanced portfolio of resources that includes  
12 nuclear, coal, hydro, natural gas, and various renewable resources. Our  
13 portfolio is made up of Company-owned generating facilities and both long-  
14 term and short-term PPAs. The balanced resource diversity and long-term  
15 nature of our portfolio protects customers from short-term spikes in energy  
16 and capacity costs.

17  
18 However, it is the assurance of cost recovery that allows us to take this long-  
19 term view of constructing facilities with expected lives of over 30 years, and  
20 entering PPAs with contract terms of 20 years and longer. This benefits our  
21 customers through long-term price stability and mitigation of risks that would  
22 be associated with over-reliance on a single resource type or short-term  
23 resources.

24  
25 Q. PLEASE DISCUSS THE PRACTICAL IMPLICATIONS TO THE COMPANY'S LONG-  
26 TERM PLANNING THAT WOULD RESULT FROM MR. MUGRACE'S  
27 RECOMMENDATION.

1 A. The disallowance recommended by Mr. Mugrace would impact the  
2 Company's ability to plan for the future because any long-term resources  
3 could be denied recovery at any time. Without assurance that we could  
4 continue to fully recover prudently incurred costs of long-term resources, the  
5 Company would be incentivized to take a short-term view to limit our  
6 exposure to retrospective changes in policy.

7  
8 A diverse portfolio of long-term resources is essential in order to provide  
9 customers with reliable service at stable prices. If any resource could be  
10 disallowed at any time, our best strategy might be to only procure resources on  
11 a short-term basis. That way, the Company's exposure to the financial harm  
12 that stems from retrospective policy changes with regard to a specific resource  
13 would be minimized. The action recommended by Mr. Mugrace would set a  
14 precedent to possibly disallow the cost of our resources in the event that  
15 circumstances change from the time we originally procured those resources.  
16 This is not consistent with general standards of prudence review, and we  
17 believe that taking a retrospective view of existing resources would harm both  
18 customers and the Company. As such, we do not believe this is an  
19 appropriate ratemaking practice.

20  
21 Q. DOES THE COMMISSION HAVE THE ABILITY TO DISALLOW COST RECOVERY OF  
22 CERTAIN PPAS?

23 A. Yes. The Commission has the authority to approve or deny resource  
24 additions to the NSP System. However, as I have discussed, this is best done  
25 on a prospective basis, so that the Company can acquire a diverse portfolio of  
26 long-term resources with stable prices for all the states we serve. We are  
27 willing to work with the Commission and its Staff to identify or develop the

1 appropriate mechanisms to accommodate this prospective review of PPAs  
2 and resource additions.

3  
4 Q. WHAT DOES THE COMPANY RECOMMEND IN RESPONSE TO THE CONSULTANT'S  
5 RECOMMENDATION?

6 A. While we acknowledge that the Commission's automatic adjustment rules  
7 allow for Commission review of the costs included in our FCR at any time,  
8 the Company relies on continued recovery of costs so that we may maintain a  
9 long-term diversified portfolio of resources for our customers. We  
10 recommend that the Commission adhere to past practice, which supports  
11 long-standing expectations with respect to resource costs recovered through  
12 the FCR, and take an appropriate view that considers all circumstances of a  
13 particular resource decision.

14  
15 Our biomass PPAs provide a good example. We recognize that our biomass  
16 resources are part of the Commission's concerns with respect to energy policy  
17 issues. However, we acquired these resources as doing so was a specific  
18 condition to the continuation of our nuclear plants from approximately 15  
19 years ago. Accordingly, these agreements are explicitly linked to our ability to  
20 provide safe, reliable, and cost-effective nuclear power to our North Dakota  
21 customers. The agreements stem from Minn. Stat. § 216B.2424, which makes  
22 clear that the Company, as a public utility operating a nuclear plant in  
23 Minnesota, must contract for a minimum of 125 MW of biomass capacity.<sup>1</sup>  
24 Mr. Mugrace's review of our biomass PPAs does not take into consideration  
25 these circumstances, which we believe ultimately benefit our North Dakota

● \_\_\_\_\_  
<sup>1</sup> The biomass mandate was revised in 2003 from 125 MW to 100 MW. 2003 Minn. 1<sup>st</sup> Special Session  
Law Ch. 11.

1 customers through our continued ability to provide cost-effective nuclear  
2 power as part of our portfolio.

3  
4 For these reasons, we do not believe it would be in the interests of customers  
5 or the Company if the Commission were to abruptly reverse course on  
6 existing resources now. To the extent the Commission desires a different  
7 process for new resource additions, we would be willing to work with the  
8 Commission and Staff toward a process that balances the Commission's  
9 objectives with the Company's need for a diverse resource portfolio that  
10 meets its compliance and reliability obligations that ultimately benefits our  
11 customers.

12  
13 **D. Replacement Resource Costs**

14 Q. MR. MUGRACE'S PROPOSAL TO DISALLOW RECOVERY OF CERTAIN COSTS DOES  
15 NOT ADDRESS THE FACT THAT POWER WOULD BE PROVIDED TO NORTH  
16 DAKOTA CUSTOMERS WITHOUT COST. PLEASE EXPLAIN HOW THIS MAKES HIS  
17 PROPOSAL IS INCOMPLETE.

18 A. Mr. Mugrace's proposal to disallow the recovery of certain PPA costs in  
19 North Dakota does not address the fact that the energy and capacity from  
20 these resources will still be used to serve our North Dakota customers  
21 through the integrated NSP System. This action would not allow the  
22 Company to recover its reasonable cost of service, and would instead result in  
23 our North Dakota customers receiving a portion of their energy and capacity  
24 for free.

25  
26 Because he does not identify a mechanism to replace the resources that he  
27 proposes to disallow in North Dakota, his recommendation is incomplete. I

1 also addressed this situation in my Supplemental Testimony in this case with  
2 respect to the effects of the disallowance of the costs of the Prairie Rose Wind  
3 project.

4  
5 Q. WHAT DOES THE COMPANY RECOMMEND IN RESPONSE TO HIS  
6 RECOMMENDATION?

7 A. We believe that retrospective disallowance of legitimately-incurred costs  
8 (abruptly excluding costs for PPAs that are already being recovered through  
9 the FCR) is not consistent with established regulatory practices – and the  
10 precedent created would fundamentally impair our ability to provide the  
11 benefits of a long-term diversified portfolio of resources to our customers.  
12 We believe that the Commission has significant authority to review our fuel  
13 and energy costs and if the Commission chooses to exercise this authority, it  
14 should do so prior to our initial recovery to ensure that the Company does not  
15 rely on long-settled recovery of costs for which the Commission may have  
16 concern. As discussed previously, should the Commission wish to revisit  
17 established FCR procedures, we would be willing to work with the  
18 Commission and Staff to develop regulatory processes that will allow for  
19 timely review of important resource decisions.

20  
21 **IV. PRAIRIE ROSE WIND PROJECT**

22  
23 Q. PLEASE DESCRIBE MR. MUGRACE'S RECOMMENDATION WITH RESPECT TO THE  
24 PRAIRIE ROSE WIND (PRW) PROJECT.

25 A. Mr. Mugrace found that the PRW Project is acceptably priced and reasonable  
26 over the long-term. However, he recommends that the Company not recover  
27 the costs of the Project incurred from the time it was placed into service until

1 the conclusion of this rate case. This recommendation is based on his view  
2 that the ADP was not timely-filed.

3  
4 Q. WHAT IS THE COMPANY'S RESPONSE TO THIS RECOMMENDATION?

5 A. We believe this recommendation is contradictory, and that its basis is  
6 inappropriately retrospective. Adoption of this recommendation would result  
7 in North Dakota customers receiving the long-term benefits of the Project,  
8 but not having to pay the near-term costs. This is inconsistent with cost  
9 allocation principles that require an appropriate sharing of costs between  
10 North Dakota customers and the other customers who share the NSP System  
11 with North Dakota.

12  
13 Further, in justifying his recommendation, the consultant applies a timeframe  
14 for filing of the Company's ADP application that the Company was not aware  
15 of at the time the PRW resource was acquired, and observes that its price is  
16 more expensive than current prices. Prudent ratemaking practices would  
17 evaluate a project and decide if it is reasonable and was prudently acquired.

18  
19 It is appropriate for the Commission to evaluate a proposed project and  
20 decide if the project is reasonable and was acquired prudently and if the  
21 project should be included in our rates. However, we do not believe it is  
22 reasonable or appropriate to review a contract and the underlying bargain and  
23 only approve cost recovery of certain parts that are most favorable while all  
24 customers will receive the full benefits that a project will generate.

25  
26 Finally, I note that the \$1.3 million in savings claimed by Advocacy Staff is  
27 actually reflecting the full cost of the contract and not the net cost of the

1 removal mechanism agreed to by parties. The net impact on the North  
2 Dakota FCR will be much smaller, on the order of only \$300,000.

### 3 4 **V. ST. PAUL COGENERATION PPA**

5  
6 Q. WHAT IS MR. MUGRACE'S RECOMMENDING WITH RESPECT TO THE REFUND  
7 THE COMPANY PROVIDED FOR SOME DISPUTED COSTS UNDER THE ST. PAUL  
8 COGENERATION PPA WHICH WERE REFUNDED TO MINNESOTA CUSTOMERS?

9 A. Mr. Mugrace is recommending that the Company provide a refund to our  
10 North Dakota customers proportionate to the refund the Company provided  
11 to our Minnesota customers. We believe that it would be equitable to refund  
12 the North Dakota a similar portion of the cost differential to our North  
13 Dakota customers.

### 14 15 **VI. CONCLUSION**

16  
17 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

18 A. The Company disagrees with Mr. Mugrace's recommendation to disallow  
19 future recover of the costs of certain PPAs through the Company's  
20 Commission-approved FCR because: (1) we do not believe sending a signal is  
21 an appropriate basis for setting rates; (2) our recovery of these costs is  
22 consistent with our Tariff and the Commission's rules; (3) his  
23 recommendation could incent the Company to deviate from longer term  
24 planning which would expose our customers to more pricing risk; and (4) his  
25 recommendation would lead to our North Dakota customers receiving energy  
26 for which they do not pay and would therefore not allow the Company to  
27 recover its legitimately-incurred cost of service.

1 Further, we disagree with his recommendation with respect to the costs of the  
2 PRW Project. We believe that full recovery of these is appropriate since he  
3 has found the Project costs to be reasonable over the long term.

4

5 Finally, we agree with his recommendation to refund our North Dakota  
6 customers proportionate to the refund the Company provided to our  
7 Minnesota customers related to the St. Paul Cogeneration PPA.

8

9 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

10 A. Yes, it does.

1 STATE OF NORTH DAKOTA  
2 BEFORE THE  
3 PUBLIC SERVICE COMMISSION  
4


5  
6 In the Matter of the Application of Northern )  
7 States Power Company, a Minnesota Corporation )  
8 For Authority to Increase Rates for Electric Service ) Case No. PU-12-813  
9 in North Dakota )

10  
11  
12  
13 **AFFIDAVIT OF**  
14 **Steven W. Wishart**  
15

16  
17 I, the undersigned, being duly sworn, depose and say that the foregoing is  
18 the Rebuttal Testimony of the undersigned, and that such Rebuttal Testimony and  
19 the exhibits or schedules sponsored by me to the best of my knowledge,  
20 information and belief, are true, correct, accurate and complete, and I hereby adopt  
21 said testimony as if given by me in formal hearing, under oath.  
22

23   
24 \_\_\_\_\_  
25 Steven W. Wishart  
26

27  
28  
29  
30 Subscribed and sworn to before me, this 2<sup>nd</sup> day of August, 2013.  
31

32   
33 \_\_\_\_\_  
34 Notary Public

35 My Commission Expires: 3/30/2015  
36

