

Before the North Dakota Public Service Commission
State of North Dakota

In the Matter of the Application of Northern States Power Company for an
Advance Determination of Prudence for the 150 MW Border Winds Project

and

In the Matter of the Application of Northern States Power Company for
a Certificate of Public Convenience and Necessity For The 150 MW Border
Winds Project

Case Nos. PU-13-____ and PU-13-____
Exhibit ____ (LM-1)

Policy Testimony

August 13, 2013

29	PU-13-743 Exhibit 5	Filed: 10/31/2013	Pages: 12
30	PU-13-742 Exhibit 5	Filed: 10/31/2013	Pages: 12
29	PU-13-708 Exhibit 5	Filed: 10/31/2013	Pages: 12
29	PU-13-707 Exhibit 5	Filed: 10/31/2013	Pages: 12
29	PU-13-706 Exhibit 5	Filed: 10/31/2013	Pages: 12



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Schedules

Resume

Schedule 1

I. INTRODUCTION AND QUALIFICATIONS

1
2
3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Laura McCarten. I am Regional Vice President for Northern
5 States Power Company.

6
7 Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

8 A. I am responsible for regulatory, legislative, and customer and community
9 relations in North Dakota, South Dakota, and Minnesota. I provide strategic
10 leadership regarding the development and implementation of our initiatives to
11 cost effectively meet the energy needs of our retail customers and
12 communities we serve. My resume is included as Exhibit___(LM-1), Schedule
13 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 and Certificate of Public Convenience and Necessity for our proposed
18 acquisition of the 150 MW Border Winds farm for the NSP integrated system.

19 In my testimony, I:

- 20 • Describe our proposed resource acquisition;
- 21 • Discuss the prudence of our proposal;
- 22 • Discuss the regulatory impact of our resource acquisition; and
- 23 • Introduce the other witness testifying on behalf of the Company.

24
25 Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED RESOURCE ACQUISITION.

26 A. We are proposing to add to our system the 150 MW Border Winds Project,
27 located in northeastern Rolette County, North Dakota immediately south of

1 the U.S.-Canadian border, which was identified in our February 2013 Request
2 for Proposals for additional wind resources. On July 26, the Company
3 requested an Advance Determination of Prudence (ADP) for three other wind
4 resources identified through the RFP process – the 200 MW Courtenay and
5 200 MW Odell Power Purchase Agreements, and the Purchase and Sale
6 Agreement (PSA) with RES Americas for the 200 MW Pleasant Valley wind
7 generation facility.

8
9 Q. WHY IS THE COMPANY PROPOSING THIS RESOURCE IN A SEPARATE FILING?

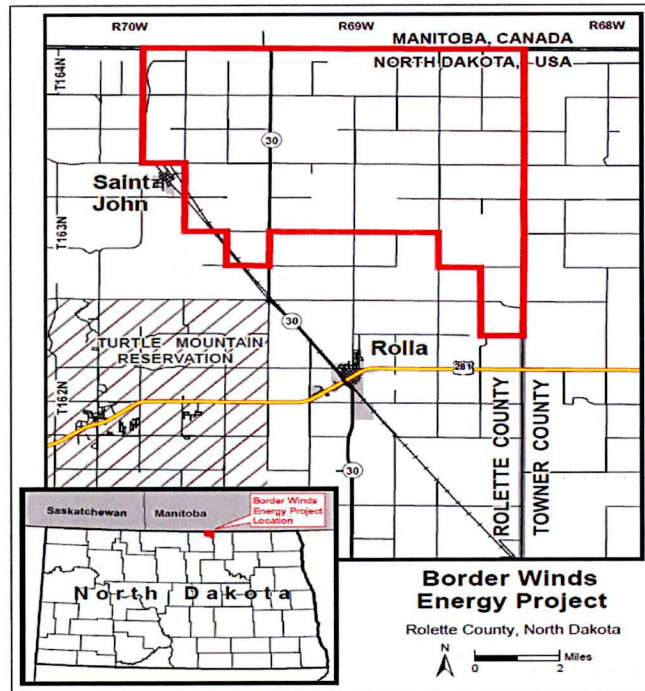
10 A. In our July 26 filing, we noted the Company was conducting discussions with
11 RES Americas (developer of the Pleasant Valley Project) regarding a second
12 build and transfer proposal with attractive pricing, but also with transmission
13 risks which we were in the process of analyzing. This second proposal was
14 the Border Winds Project.

15
16 Since then, the Company has identified the scope of the transmission risks
17 associated with the Project, and entered into a PSA with RES Americas that is
18 structured to protect the Company and our customers from excessive
19 transmission cost. We are therefore requesting the Commission issue an ADP
20 and CPCN for the Border Winds Project.

21
22 **II. PROPOSED RESOURCE ACQUISITION**

23
24 Q. PLEASE DESCRIBE THE BORDER WINDS PROJECT.

25 A. The Border Winds project is a 150 MW wind energy generation facility that
26 will be located on 52.5 square miles of land in northeastern Rolette County,
27 North Dakota, immediately south of the U.S.-Canadian Border.



RES Americas will develop the Border Winds project and upon completion, transfer ownership to Xcel Energy. Xcel Energy will then dissolve the project entity and own and operate Border Winds. Company Witness Mr. Steven W. Wishart discusses the details of the Border Winds Project in more detail in his Direct Testimony.

Q. WHAT IS THE BENEFIT OF ADDING THIS RESOURCE TO THE COMPANY'S INTEGRATED SYSTEM?

A. We are proposing to add Border Winds to our system to help keep energy prices for our customers as low as possible. We are always seeking opportunities to obtain additional energy resources at advantageous pricing to reduce costs to all of our customers and to comply with regulatory requirements of all of the jurisdictions served by our five-state integrated system.

1 Q. IS THE COMPANY PROPOSING THE PROJECT TO COMPLY WITH MINNESOTA'S
2 RENEWABLE ENERGY STANDARD (RES)?

3 A. As I noted in my testimony on the Courtenay, Odell, and Pleasant Valley
4 projects, we are proposing these wind resources to lower energy costs for
5 customers, with the added benefit of allowing us to extend our compliance
6 with the RES. We believe that this provides a win/win of achieving cost
7 savings while complying with regulatory requirements.

8

9 **III. PRUDENCE OF THE RESOURCE ADDITION**

10

11 Q. IS THE BORDER WINDS PROJECT A PRUDENT RESOURCE ADDITION?

12 A. Yes. The Project provides both quantitative and qualitative benefits to our
13 customers, and appropriately balances benefits and risks.

14

15 Q. PLEASE SUMMARIZE THE QUANTITATIVE BENEFITS OF THE RESOURCE
16 ADDITION.

17 A. The energy produced by the Project will often displace more expensive energy
18 from traditionally-fired power plants elsewhere. We conservatively estimate
19 that our customers bills will, over time, be approximately \$45 million lower
20 than they would otherwise be.. And Company-owned projects like Border
21 Winds generally have the ability to deliver such low cost benefits to our
22 customers over a longer term. We believe this demonstrates the prudence of
23 our proposal.

24

25 Q. PLEASE SUMMARIZE THE QUALITATIVE BENEFITS OF THE RESOURCE
26 ADDITION.

27 A. In addition to the cost savings provided by our proposed resource addition,

1 Border Winds increases the diversity of our resource mix and thereby provides
2 a hedge against volatile natural gas prices and potential environmental
3 regulation. The project will also produce clean energy, and provide related
4 RECs to our North Dakota customers that can be monetized in the future. In
5 addition, the Border Winds Project fits with our strategy of having
6 geographically diverse balance of Company-owned wind resources. Mr.
7 Wishart discusses the quantitative and qualitative impacts of the Project in
8 more detail in his Direct Testimony.

9
10 Q. HOW HAS THE COMPANY MITIGATED THE PROJECT'S RISKS?

11 A. We have worked to identify these risks and reasonably mitigate them
12 through prudent contracting practices. These risks include PTC risk,
13 construction and capital risks, transmission cost risks, and operational risks,
14 which are discussed more fully in the Direct Testimony of Mr. Wishart.

15
16 Transmission cost is the largest development risk for this Project. Since the
17 final MISO generator interconnection study work is not complete, we took a
18 conservative approach in the PSA with RES Americas to ensure we retained
19 the flexibility to limit the Company's obligation to proceed depending upon
20 the final determination of transmission costs. We negotiated contract
21 provisions that allow the Company, in its sole discretion, to terminate the
22 development of the Project at various stages in the MISO interconnection
23 process if it becomes apparent transmission costs are too high. As a result,
24 the Border Winds Project will only be added to our system if we are
25 reasonably assured the Project can provide benefits to our customers.

26

1 **IV. REGULATORY IMPACTS**

2
3 Q. DOES THE COMPANY'S PROPOSAL HERE IMPACT THE NEED FOR THE THREE
4 200 MW NATURAL GAS COMBUSTION TURBINES THAT ARE THE SUBJECT OF
5 THE COMPANY'S ADP APPLICATIONS IN CASE NOS. PU-13-194 AND PU-13-
6 195?

7 A. No. The Border Winds Project is mainly an energy resource and will not
8 provide timely capacity for our system to eliminate the need for the
9 combustion turbines we have proposed. However, it may have some impact
10 on the type of resource selected. Mr. Wishart discusses this in his Direct
11 Testimony.

12
13 Q. IS THE COMPANY'S PERFORMANCE OF THE PURCHASE AND SALE AGREEMENTS
14 CONDITIONED ON APPROVAL OF THE COMMISSION?

15 A. Yes. The PSA contains what is known as a "condition precedent," which
16 requires that the Commission grant an ADP for each of the projects *before* the
17 Company is required to perform under the contracts. We also have the right
18 to waive the condition precedent and move forward with the projects if all
19 required regulatory approvals are not timely attained.

20
21 Q. GIVEN THE INCLUSION OF A CONDITION PRECEDENT OF COMMISSION
22 APPROVAL IN THE PROJECT AGREEMENTS, IS THE COMPANY REQUESTING
23 COMMISSION ACTION BY A CERTAIN DATE?

24 A. Yes. Our ability to secure this resource at a favorable rate stems in part from
25 the federal government's extension of the renewable energy Production Tax
26 Credit in January 2013. The PTC extension requires that a project
27 "commence construction" by the end of 2013 in order to qualify for the

1 PTC. RES Americas has indicated it is unwilling to commit significant
2 resources to a project while regulatory approvals are still pending, or if the
3 Company has not waived the regulatory approval condition precedent.
4 Therefore, we respectfully request that the Commission issue an order
5 granting the requested ADP by November 1, 2013, if at all possible, to
6 provide RES Americas sufficient time to qualify for the PTC.

7
8 **V. PRESENTATION OF WITNESSES**

9
10 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

11 A. In addition to my Policy Testimony, the Company sponsors the following
12 witness:

- 13 • *Steven W. Wishart* – who provides more detailed information with
14 respect to the Border Winds Project.

15
16 **VI. CONCLUSION**

17
18 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

19 A. The Border Winds Project provides both quantitative and qualitative benefits
20 to our customers and appropriately balances benefits and risks.

21
22 We conservatively estimate that our customers will save approximately
23 \$45 million on a present value basis over a 25-year period. And generally,
24 Company-owned resources can continue to deliver low cost benefits to our
25 customers over a longer time period.

26
27 Qualitatively, the projects will increase the diversity of our resource mix, and

1 thereby provide a hedge against volatile natural gas prices and potential
2 environmental regulation. The Project also fits with our strategy of having a
3 geographically diverse balance of Company-owned wind.

4

5 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

6 A. Yes, it does.

7

Laura McCarten

Experience	2008-Present	Northern States Power Co.	Minneapolis, MN
	Regional Vice President, NSPM		
	<ul style="list-style-type: none"> ▪ For NSPM'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 providing strategic leadership on initiatives to effectively serve customers. ▪ For NSPM's South Dakota service territory, responsible for regulatory and legislative interface and policy development, customer and community relations and public affairs, and providing strategic leadership on initiatives to effectively serve customers. ▪ For NSPM's Minnesota service territory, responsible for managing relationships with communities and large customer accounts, natural gas business development and our HomeSmart service. 		
	2006-2008	Xcel Energy Services Inc.	Minneapolis, MN
	Director, Regional Transmission Development		
	1997-2005	Xcel Energy Services Inc.	Minneapolis, MN
	Director, Minnesota Community Services		
	1994-1997	Northern States Power Co.	Mankato, MN
	Regional General Manager		
	1992-1994	Northern States Power Co.	Minneapolis, MN
	Manager, Regulatory Affairs		
	1979-1991	Northern States Power Co.	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 		

STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR AN ADVANCE
DETERMINATION OF PRUDENCE FOR
THE 150 MW BORDER WINDS
PROJECT

Case No. PU-13-_____

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR A CERTIFICATE OF
PUBLIC CONVENIENCE AND
NECESSITY FOR THE 150 MW BORDER
WINDS PROJECT

Case No. PU-13-_____

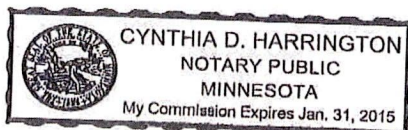
STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Laura McCarten, being first duly sworn on oath, deposes and says that she is the Regional Vice Present for Applicant Northern States Power Company, in the above captioned matter, that she has read the testimony and schedules submitted in the above captioned matter under her name were prepared under her direction, that she knows the contents thereof, and that the same is true and correct to the best of her knowledge and belief.

Laura McCarten

Laura McCarten

Subscribed and sworn to before me this 19th day of August, 2013.



Cynthia D. Harrington
Notary Public

My Commission Expires: 1-31-2015