

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 a 200 MW Power Purchase Agreement
with the Courtenay Wind Project

Case No. PU-13_____
Exhibit ____ (LM-1)

In the Matter of the Application of Northern States Power Company for an
Advance Determination of Prudence for a 200 MW Power Purchase Agreement
with the Odell Wind Project

Case No. PU-13_____
Exhibit ____ (LM-1)

In the Matter of the Application of Northern States Power Company for an
Advance Determination of Prudence for the 200 MW Pleasant Valley Wind Project

Case No. PU-13_____
Exhibit ____ (LM-1)

Policy Testimony

26 **PU-13-743** Filed: 10/31/2013 Pages: 12
Exhibit 2

27 **PU-13-742** Filed: 10/31/2013 Pages: 12
Exhibit 2

July 26, 2013

26 **PU-13-707** Filed: 10/31/2013 Pages: 12
Exhibit 2

26 **PU-13-706** Filed: 10/31/2013 Pages: 12
Exhibit 2

26 **PU-13-708** Filed: 10/31/2013 Pages: 12
Exhibit 2



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Schedules

Resume

Schedule 1

1 I. INTRODUCTION AND QUALIFICATIONS

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 for our proposed acquisition of 600 MW of additional wind generating
18 resources for the NSP integrated system. In my testimony, I:

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

23
24 Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED 600 MW RESOURCE
25 ADDITION.

26 A. We are proposing to add 600 MW of wind generation to our system,

1 representing a mix of purchased and Company-owned resources – providing
2 cost certainty from the fixed price PPAs, and long-term benefits associated
3 with Company ownership. Our proposal will provide substantial and
4 immediate benefits to our customers, which we estimate will conservatively
5 deliver \$180 million of energy cost savings over the term of the agreements by
6 displacing other generation resources. We believe we have reasonably
7 mitigated the inherent risks associated with any new resource development.

8
9 This unique opportunity to secure significant resources at very favorable rates
10 stems from a rigorous and competitive process that we initiated in the wake of
11 the federal government’s extension of the renewable energy Production Tax
12 Credit in January 2013. To realize the cost savings benefits for customers, the
13 projects must meet the PTC eligibility criteria, which requires them to be
14 underway before the end of 2013. For this reason, we respectfully request an
15 Order granting an Advance Determination of Prudence for the proposed
16 projects by November 1, 2013.

17
18 **II. PROPOSED RESOURCE ACQUISITIONS**

19
20 Q. PLEASE DESCRIBE THE COMPANY’S PROPOSED RESOURCE ACQUISITION.

21 A. We are proposing to acquire three wind projects, totaling approximately 600
22 MW of additional generation resources. Our proposal consists of (1) a Power
23 Purchase Agreement for the output of the Courtenay Project, a 200 MW wind
24 farm located in Stutsman County, North Dakota; (2) a PPA for the output of
25 the Odell Project, a 200 MW wind generating facility located near Mountain
26 Lake, Minnesota; and (3) the Company’s purchase and ownership of the 200

1 MW Pleasant Valley wind farm located near our existing Grand Meadow wind
2 farm.

3
4 Q. WHY IS THE COMPANY MAKING THESE RESOURCE ADDITIONS?

5 A. We are making these resource acquisitions to help keep energy prices for our
6 customers as low as possible. We are always seeking opportunities to obtain
7 additional energy resource at advantageous pricing to reduce costs to all of our
8 customers and to comply with regulatory requirements of all of the
9 jurisdictions served by our five-state integrated system. In early 2013, it
10 appeared that conditions in the wind generation market indicated that
11 favorable pricing for wind generation may be available. In light of these
12 market conditions, we probed the market by issuing a Request For Proposal
13 (RFP).

14
15 The RFP identified some of the most competitive pricing made available to
16 the Company for wind generation for some time. In fact, the pricing was
17 sufficiently favorable that many of the proposals would provide cost savings
18 to customers. Consequently, we identified 600 MW of generation to acquire,
19 so that we could capture the cost savings presented by these projects for our
20 customers.

21
22 Q. IS THE COMPANY MAKING THESE PURCHASES TO COMPLY WITH MINNESOTA'S
23 RENEWABLE ENERGY STANDARD (RES)?

24 A. We are proposing these purchases to lower energy costs for customers, with
25 the added benefit of allowing us to extend our compliance with the RES. We
26 believe that this provides a win/win of achieving cost savings while complying

1 with regulatory requirements.

2
3 **III. PRUDENCE OF THE RESOURCE ADDITION**
4

5 Q. ARE THE PROPOSED RESOURCE ADDITIONS PRUDENT?

6 A. Yes. We have proposed a portfolio of projects that will provide both
7 quantitative and qualitative benefits to our customers, and appropriately
8 balances benefits and risks.

9
10 Q. PLEASE SUMMARIZE THE QUANTITATIVE BENEFITS OF THE RESOURCE
11 ADDITIONS.

12 A. We have taken the unique opportunity offered by the market to purchase
13 wind energy resources that will offset higher priced generation on our system
14 and provide savings to our customers. Based on our analysis, we
15 conservatively estimate that our customers will save approximately \$180
16 million on a present value basis over the lives of the three projects, which we
17 believe demonstrates the prudence of our proposal. Company Witness Mr.
18 Steven W. Wishart discusses the impact of these projects in more detail in his
19 Direct Testimony.

20
21 Q. PLEASE SUMMARIZE THE QUALITATIVE BENEFITS OF THE RESOURCE
22 ADDITIONS.

23 A. In addition to the cost savings provided by our proposed resource additions,
24 these projects will increase the diversity of our resource mix and thereby
25 provide a hedge against volatile natural gas prices and potential environmental
26 regulation. The projects will also produce clean energy, and provide related

1 RECs to our North Dakota customers that can be monetized in the future.
2 Mr. Wishart discusses these impacts in more detail in his Direct Testimony.

3
4 **IV. REGULATORY IMPACTS**

5
6 Q. THE COMPANY RECENTLY SUBMITTED AN APPLICATION FOR AN ADP FOR
7 THREE 200 MW NATURAL GAS COMBUSTION TURBINES IN CASE NOS. PU-13-
8 194 AND PU-13-195. DOES THE COMPANY'S PROPOSAL HERE IMPACT THE
9 NEED FOR THOSE COMBUSTION TURBINES?

10 A. No. The resource additions we are proposing in this case are mainly energy
11 resources and will not provide timely capacity for our system to eliminate the
12 need for the combustion turbines we have proposed. However, it may have
13 some impact on the type of resource selected. Mr. Wishart discusses this in
14 his Direct Testimony.

15
16 Q. IS THE COMPANY'S PERFORMANCE OF THE PURCHASED POWER AND
17 PURCHASE AND SALE AGREEMENTS CONDITIONED ON APPROVAL OF THE
18 COMMISSION?

19 A. Yes. All of the relevant agreements contain what is known as a "condition
20 precedent," which requires that the Commission grant an ADP for each of the
21 projects *before* the Company is required to perform under the contracts. We
22 also have the right to waive the condition precedent and move forward with
23 the projects if all required regulatory approvals are not timely attained.

24
25 Q. GIVEN THE INCLUSION OF A CONDITION PRECEDENT OF COMMISSION
26 APPROVAL IN THE PROJECT AGREEMENTS, IS THE COMPANY REQUESTING

1 COMMISSION ACTION BY A CERTAIN DATE?

2 A. Yes. The current PTC legislation requires that a project “commence
3 construction” by the end of 2013 in order to qualify for the PTCs. For the
4 projects comprising our proposal, our counterparties have indicated that they
5 are unwilling to commit significant resources to a project while regulatory
6 approvals are still pending, or if the Company has not waived the regulatory
7 approval condition precedent. Therefore, we respectfully request that the
8 Commission issue an order granting the requested ADPs by November 1,
9 2013, if at all possible, to provide our counterparties sufficient time to qualify
10 for the PTCs.

11
12 **V. PRESENTATION OF WITNESSES**

13
14 Q. WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

15 A. In addition to my Policy Testimony, the Company sponsors the following
16 witness:

- 17 • *Steven W. Wishart* – who provides more detailed information with
18 respect to our resource additions.

19
20 **VI. CONCLUSION**

21
22 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

23 A. The Company has successfully negotiated three agreements for 600 MW of
24 new wind generation resources to be added to our integrated system. These
25 projects will provide both quantitative and qualitative benefits to our
26 customers and appropriately balances benefits and risks.

1

2

We conservatively estimate that our customers will save approximately \$180 million on a present value basis over the lives of the three projects. As a result of their addition to our system, we expect approximately \$25 million in savings annually from avoided fossil fuel generation and other power purchases.

7

8

Qualitatively, the projects will increase the diversity of our resource mix, and thereby provide a hedge against volatile natural gas prices and potential environmental regulation. The mix of PPAs and Company-ownership of these resources will also balance risks and benefits for the Company and our customers, providing cost certainty from the fixed-price PPAs, and the ability to capture potential long-term benefits associated with Company ownership.

14

15

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

16

A. Yes, it does.

**STATE OF NORTH DAKOTA
BEFORE THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR AN ADVANCE
DETERMINATION OF PRUDENCE FOR
A 200 MW POWER PURCHASE
AGREEMENT WITH THE COURTENAY
WIND PROJECT

Case No. PU-13-_____

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR AN ADVANCE
DETERMINATION OF PRUDENCE FOR
A 200 MW POWER PURCHASE
AGREEMENT WITH THE ODELL WIND
PROJECT

Case No. PU-13-_____

IN THE MATTER OF THE APPLICATION
OF NORTHERN STATES POWER
COMPANY FOR AN ADVANCE
DETERMINATION OF PRUDENCE FOR
THE 200 MW PLEASANT VALLEY
WIND PROJECT

Case No. PU-13-_____

VERIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

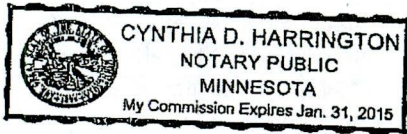
Laura McCarten, being first duly sworn on oath, deposes and says that she is Regional Vice President for Applicant Northern States Power Company, a Minnesota corporation, in the above captioned matters, that the testimony and schedules submitted in the above captioned matters under her name were prepared 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 24th day of July, 2013.



Cynthia D. Harrington

Notary Public
My Commission Expires: 1-31-2015

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 		