

Direct Testimony and Schedules  
Laura McCarten

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 POWER PURCHASE  
AGREEMENT WITH AURORA DISTRIBUTED SOLAR, LLC FOR UP TO 100 MW OF  
SOLAR GENERATION

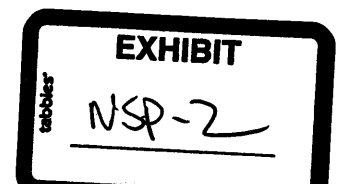
Case No. PU-15\_\_\_\_\_  
Exhibit\_\_ (LM-1)

**Policy Testimony**

February 13, 2015

23 **PU-15-95** Filed: 7/21/2015 Pages: 23  
Exhibit NSP-2

Northern States Power Company



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## Schedules

Resume

Schedule 1



- 1           • Discuss the multi-state review process for our selection of the  
2           Geronimo Solar PPA and the Company’s commitment to timely file  
3           ADPs; and  
4           • Discuss the rate, regulatory and resource planning impacts of this  
5           purchase.

6  
7           The Company respectfully requests that the Commission conclude that this  
8           proposed resource addition is a prudent addition to the integrated NSP  
9           System to help meet an identified capacity need and address other energy  
10          policy objectives which are necessary for Company to implement as part of  
11          its integrated system.<sup>1</sup>

12  
13       Q.    WHO ARE THE WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

14       A.    In addition to my Policy Testimony, the Company sponsors the following  
15          witnesses:

- 16           • *Kurtis J. Haeger* – who provides more detailed information with respect  
17           to our resource planning efforts and proposed additions; and  
18           • *Paul B. Johnson* – who provides information about the Company’s  
19           Strategist model used for resource planning.

20  
21       Q.    IS THE GERONIMO SOLAR PROJECT THE ONLY RESOURCE THE COMPANY IS  
22          PROPOSING TO PURSUE AT THIS TIME?

23       A.    No. To meet the overall 150-500 MW need identified in our 2010 Resource  
24          Plan (Case No. PU-10-580), we are proposing to add three new resources:

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<sup>1</sup> Subsequent and related filings that ultimately resulted in the resource presented in this application include: filings with the North Dakota Public Service Commission (Case Nos. PU-10-580, PU-13-194, PU-13-195) and Minnesota Public Utilities Commission (MPUC Docket Nos. E002/RP-10-825 and E002/CN-12-1240).

1 (1) the Geronimo Solar PPA that is the subject of this Application; (2) Black  
2 Dog Unit 6, a 215 MW (nameplate) combustion turbine that will be owned  
3 by the Company and for which we have already received an ADP from the  
4 Commission;<sup>2</sup> and (3) the output from the 345 MW (nameplate) combined-  
5 cycle natural gas generator being developed by an affiliate of Calpine  
6 Corporation (the Calpine Project PPA), that is the subject of an ADP  
7 application that is being filed separately.

8  
9 **II. DETERMINATION OF NEED**

10  
11 Q. WHAT CAPACITY NEEDS HAS THE COMPANY IDENTIFIED IN THE 2017-2019  
12 TIME FRAME?

13 A. As described in more detail in Company Witness Mr. Kurtis J. Haeger's and  
14 Mr. Paul B. Johnson's Direct Testimonies, we have identified a capacity need  
15 of up to 500 MW in 2019 for our five-state, integrated system.

16  
17 **III. RESOURCE SELECTION PROCESSES**

18  
19 Q. HOW DOES XCEL ENERGY PLAN AND MANAGE ITS INTEGRATED SYSTEM?

20 A. The integrated NSP System serves over 1.8 million retail electric customers  
21 in Michigan, Minnesota, North Dakota, South Dakota, and Wisconsin. We  
22 plan, operate and generally manage the system on an integrated basis to  
23 provide service in all of these states. Because our customers in these five  
24 states are served by the same system, we are able to achieve significant  
25 economies of scale that provide benefits to all of our customers in all of the

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<sup>2</sup> The Company applied for ADPs for Black Dog Unit 6 along with two other CTs that the Company proposed to meet its capacity need: Red River Valley Units 1 and 2. The Commission granted the ADPs in its February 26, 2014 *Order Adopting Settlement* in Case Nos. PU-13-194 and PU-13-195 (Gas CT Cases).

1 states we serve. In fact, we've been able to successfully plan for, and  
2 manage, the integrated NSP System to meet all of our customers' needs for  
3 almost 100 years.

4  
5 Q. IS THE COMPANY SUBJECT TO ANY SPECIFIC REGULATORY PROCESSES TO  
6 PROCURE RESOURCES TO MEET A FORECAST NEED?

7 A. Yes. Each of the states in which we provide electric service has different  
8 regulatory constructs and oversight regimes. Three of our states – South  
9 Dakota, Wisconsin and Michigan – do not put any preconditions on our  
10 resource selection but rather rely on after-the-fact review in rate cases or  
11 other after-the-fact review proceedings.

12  
13 Minnesota requires a form of preapproval of the resources we select, and in  
14 North Dakota we have agreed in previous rate Settlement Agreements to file  
15 our Resource Plans and to request advanced determinations of prudence for  
16 significant investments, as allowed under state law.

17  
18 Q. WHAT IS THE NORTH DAKOTA RESOURCE ACQUISITION PROCESS THAT THE  
19 COMPANY IS OBLIGATED TO IMPLEMENT?

20 A. In North Dakota in Case No. PU-07-776, the Company committed to filing  
21 its resource plans with the Commission so that the Commission and its staff  
22 may provide input into our current plans. We also committed to seek an  
23 ADP for any new resource over 50 MW. Finally, in the settlement of our  
24 last rate case (Case No. PU-12-813), we committed that we must obtain an  
25 ADP before we can recover the costs of the resource through our Fuel  
26 Clause Rider (FCR) mechanism.

27

1 Taken together, the Company views these obligations as creating a resource  
2 pre-approval process in North Dakota that 1) defines the timing  
3 requirements for filing and 2) results in a Commission prudence  
4 determination that is binding in a future rate proceeding.

5

6 I note that the under the structure of the Geronimo Solar PPA we obtain  
7 both the capacity and energy from the project, but the project is structured  
8 so that we make payments based on production (*i.e.* energy). The costs of  
9 this project would be recovered through our FCR.

10

11 Q. WHAT IS THE REQUIRED RESOURCE ACQUISITION PROCESS IN MINNESOTA  
12 THAT IS APPLICABLE TO THE GERONIMO SOLAR PPA?

13 A. In Minnesota, resource acquisitions are to be reviewed in a two-step process.  
14 First, resource needs are determined through the resource planning  
15 proceedings before the Minnesota Public Utilities Commission (MPUC).<sup>3</sup>  
16 Second, the Company undergoes a MPUC-designed competitive acquisition  
17 process (CAP) to select the needed resource(s).

18

19 Q. WHY DOES MINNESOTA HAVE SUCH A DETAILED RESOURCE ACQUISITION  
20 PROCESS FOR XCEL ENERGY?

21 A. Xcel Energy has a long history of procuring new generation resources  
22 through a variety of competitive processes. For at least the last 15 years, the  
23 Company has utilized competitive bidding to probe the marketplace and to  
24 create price competition for the acquisition of long-term generating capacity.  
25 We believe that this is one of the most prudent ways for us to acquire

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<sup>3</sup> Minn. Stat. § 216B.2422. Resource review in South Dakota is handled through a prudence review when the utility files a rate case that proposes adding the resource to rate base.

1 resources and is consistent with the MPUC's encouragement of the use of  
2 competitive bidding consistent with Minnesota law.

3  
4 During our 2004 Resource Plan in Minnesota, the MPUC became concerned  
5 that our competitive bidding processes were not entirely adequate. In  
6 particular, in the situation where Xcel Energy is proposing its own resource  
7 alternative into the process, the MPUC perceived an inherent conflict of  
8 interest in that Xcel Energy is both the evaluator and a bidder. As a result of  
9 this concern, the MPUC called upon us to work with stakeholders to  
10 develop a resource procurement process that would be fair and transparent  
11 to all stakeholders.

12

13 Q. WHAT IS THE BASIS FOR THE MPUC RESOURCE SELECTION PROCESS?

14 A. I am not a lawyer but as I understand it, Minnesota law gives the MPUC  
15 authority to select resources based upon competitive processes. Pursuant to  
16 Minn. Stat. § 216B.2422, subd. 5, the MPUC is empowered to establish a  
17 competitive bidding process to govern Xcel Energy's acquisition of a  
18 resource or resources to meet an identified need.<sup>4</sup> The MPUC implemented  
19 this statutory authority during its review of our 2004 Resource Plan.<sup>5</sup>

20

21 Q. WHAT ARE THE PARAMETERS OF THE PROCUREMENT PROCESS THAT WERE  
22 DEVELOPED IN THE COMPANY'S 2004 RESOURCE PLAN?

---

<sup>4</sup> *In the Matter of Northern States Power Company d/b/a Xcel Energy's Application for Approval of its 2004 Resource Plan*, Docket No. E002/RP-0-1752, ORDER ESTABLISHING RESOURCE ACQUISITION PROCESS, ESTABLISHING BIDDING PROCESS UNDER MINN. STAT. § 216B.2422, SUBD. 5, AND REQUIRING COMPLIANCE FILING at 6-7 (May 31, 2006) (2006 CAP Order).

<sup>5</sup> *In the Matter of Northern States Power Company d/b/a Xcel Energy's Application for Approval of its 2004 Resource Plan*, Docket No. E002/RP-0-1752, ORDER ESTABLISHING RESOURCE ACQUISITION PROCESS, ESTABLISHING BIDDING PROCESS UNDER MINN. STAT. § 216B.2422, SUBD. 5, AND REQUIRING COMPLIANCE FILING at 6-7 (May 31, 2006) (2006 CAP Order).

1 Recognizing the distinction between situations where Xcel Energy is  
2 proposing its own resource alternative from those situations where Xcel  
3 Energy is not proposing a resource alternative, the MPUC developed a two-  
4 track system. This is sometimes referred to as “Track 1” (when no Xcel  
5 Energy project is proposed) and “Track 2” (when an Xcel Energy project is  
6 proposed).

7  
8 Q. PLEASE BRIEFLY DESCRIBE THE TRACK 1 PROCESS.

9 A. The Track 1 process is used in the circumstance where Xcel Energy is not  
10 seeking to construct the resource itself. That process provides that we  
11 proceed through a competitive Request for Proposals (RFP) bidding  
12 process. This is intended to ensure that the Company probes the market for  
13 cost-effective and appropriate proposals under the circumstances. This  
14 Track 1 process has been the primary method we have used to procure new  
15 resources and we have entered into numerous PPAs with third-party  
16 vendors for generation selected through RFPs.

17  
18 Q. PLEASE DESCRIBE THE TRACK 2 PROCESS.

19 A. The Track 2 process applies when the Company seeks to meet its identified  
20 resource need with a Company-owned, self-build project. Under the Track 2  
21 process, the MPUC has prescribed the competitive acquisition process or  
22 “CAP” mechanism. This process requires that we file a certificate of need  
23 for the Company-proposed resource. Then, we solicit and evaluate  
24 competing proposals from third-party vendors. The competing proposals  
25 are evaluated through a contested case process to provide a thorough record  
26 on the relative merits of the proposals. This process is intended to ensure

1 that independent power producers have an opportunity to sponsor  
2 alternative proposals to the Company's self-build proposal.  
3

4 Q. WHAT ARE THE STEPS IN THE TRACK 2 PROCESS?

5 A. The Track 2 process consists of the following steps:

- 6 1. The MPUC approves the resource need to be addressed in the  
7 competitive acquisition process through its resource planning order,  
8 which establishes parameters around size, type and timing;<sup>6</sup>
- 9 2. The Company submits its proposal with the information required in  
10 Minnesota rules and statutes governing certificate of need applications;
- 11 3. On the same date the Company files its proposal, interested  
12 competitors provide their proposals in similar certificate-of-need-like  
13 detail, including proposed contract terms;
- 14 4. After the MPUC determines that the proposal filings are adequate, a  
15 contested case is conducted before an administrative law judge. At the  
16 end of the hearing process the administrative law judge provides  
17 findings and recommendations to the MPUC;
- 18 5. The MPUC considers the developed record, issues its resource  
19 selection, and grants any associated certificates of need; and
- 20 6. In the event the MPUC selects a power provider proposal rather than  
21 the Company's self-build proposal, the Company and selected power  
22 provider have four months to negotiate a power purchase agreement  
23 and bring it back to the Commission for approval.

24

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<sup>6</sup> The MPUC found a need for up to 500 MW of additional capacity in Docket E002/RP-10-825. *In the Matter of Xcel Energy's 2011-2025 Integrated Resource Plan*, Docket No. E002/RP-10-825, ORDER APPROVING PLAN, FINDING NEED, ESTABLISHING FILING REQUIREMENTS, AND CLOSING DOCKET at 7 (March 5, 2013).

1 Q. WHY WAS THE “TRACK 2” PROCESS IMPLEMENTED IN THE SELECTION OF THE  
2 GERONIMO SOLAR PPA AS A RESOURCE FOR THE COMPANY’S SYSTEM?

3 A. One of the other resources being considered in the Minnesota CAP Docket  
4 was the Company’s 208 MW Black Dog Unit 6 project. Our proposal to  
5 consider a self-build and Company-owned project triggered the Track 2  
6 process.

7

8 Q. WAS THE TRACK 2 PROCESS UTILIZED PRIOR TO THAT PROCEEDING?

9 A. No. The Track 2 process was adopted by the MPUC in 2006 as part of our  
10 2004 Resource Plan proceeding in Minnesota. After that time, we had a  
11 number of resource acquisitions that were focused on PPA resources where  
12 the Company did not seek to offer an alternative resource. In addition we  
13 had several competitive bid situations where third party vendors bid  
14 resources that were intended for us to purchase the asset once it was  
15 constructed. Since the Company was not proposing a self-build option in  
16 any of those processes, the Track 2 process was not triggered. As a result,  
17 the CAP Docket was our first opportunity to employ this process and we  
18 did not have a great deal of experience in implementing it.

19

20 Q. WHAT WAS THE OUTCOME OF THE MINNESOTA CAP DOCKET?

21 A. The MPUC selected three capacity resources to meet the identified capacity  
22 need. They were: Black Dog Unit 6, the Calpine Project and the Geronimo  
23 Solar Project.

24

25 In its May 23, 2014 Order explaining its resource selections, the MPUC took  
26 a conservative approach to ensure we have adequate capacity in place for the  
27 Company to meet all of its customers’ requirements. Recognizing that the

1 record in that proceeding contained a variety of forecasts and predictions of  
2 evolving Midcontinent Independent System Operator, Inc., (MISO) capacity  
3 requirements the Company must meet, the MPUC concluded that the  
4 resulting uncertainty warranted selecting resources that delivered enough  
5 capacity to avoid a potential shortfall in its ability to meet customer  
6 demand.<sup>7</sup>

7  
8 In its recent Order of February 5 in the CAP Docket, the MPUC reaffirmed  
9 these selections and approved the Calpine Project PPA. It also ordered the  
10 Company to execute the Calpine Project PPA that is being considered in a  
11 separate Case.<sup>8</sup>

12  
13 Q. WHAT ARE THE BENEFICIAL ENVIRONMENTAL AND SOCIOECONOMIC  
14 POLICIES THAT SUPPORT THE SELECTION OF THE GERONIMO SOLAR  
15 PROJECT?

16 A. The Company's resource portfolio is subject to a number of influences that  
17 support the addition of carbon-free resources such as solar. First, new and  
18 evolving federal air, water and waste regulations make compliance with  
19 environmental regulations more challenging. Second, we are in a time of

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<sup>7</sup> The MPUC also noted that various laws and policies that influence resource planning further supported its finding that we should add generation to our system in the 2017-19 timeframe. These policies include state and federal environmental requirements, Minnesota's solar and wind energy requirements, and MISO's reserve margin requirements. May 23, 2014 Order at 26.

<sup>8</sup> In *the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of Competitive Resource Acquisition Proposal and Certificate of Need*, Docket E002/CN-12-1240, *In the Matter of a Draft Purchase Power Agreement with Geronimo Wind Energy, LLC, d/b/a Geronimo Energy, LLC*, Docket No. E002/M-14-788, and *In the Matter of Draft Power Purchase Agreements with Calpine Corporation and Invenery Thermal Development, and Proposed Price Terms for Black Dog Unit 6*, Docket No. E002/M-14-789, ORDER APPROVING POWER PURCHASE AGREEMENT WITH CALPINE, APPROVING POWER PURCHASE AGREEMENT WITH GERONIMO AND APPROVING PRICE TERMS WITH XCEL, (Feb. 5, 2015)(February 2015 CAP Order). The CAP Docket is discussed in the Gas CTs Case, Supplemental Testimony of James R. Alders (Alders Supp. Testimony) (Nov. 12, 2013) at 12.

1 potentially significant transition with the resources on our system. As  
2 described in our 2015 Resource Plan, the future operation of our Sherco  
3 Units 1 and 2 coal plant is in flux. Further, other power plant retirements  
4 and PPA expirations mean that a substantial proportion of our generating  
5 fleet will need to be renewed or replaced. Mr. Johnson's Direct Testimony  
6 provides additional discussion on this topic. As many of these decisions will  
7 be beyond the Company's control, having new generation available will  
8 provide us with optionality.

9  
10 The purchase of the output of the Geronimo Solar Project helps us satisfy  
11 Minnesota's energy policies pertaining to renewable generation, including  
12 both new solar mandates as well as solar energy goals established by the  
13 Minnesota Legislature.<sup>9</sup> We recognize that some of the requirements and  
14 targets imposed in Minnesota are higher than comparable requirements and  
15 targets in other states we serve. This dynamic creates both opportunities  
16 and challenges as we try to plan for an integrated system that meets the  
17 requirements of all of our customers in all of our jurisdictions.

18  
19 Q. WHAT ARE SOME OF THE IMPLICATIONS OF THIS RESOURCE SELECTION IN  
20 NORTH DAKOTA?

21 A. We believe that our resource choices are reasonable under the  
22 circumstances. When considering the 10,000 MW integrated NSP System,  
23 we believe it is appropriate for us to choose resources that balance the needs  
24 of all of our stakeholders. While this may mean that the size, type and  
25 timing of resource selections may not be exactly consistent with each  
26 jurisdiction's energy policies, the overall effect on the system remains

---

<sup>9</sup> Minn. Stat. Section 216B.1691.

1 consistent with our goal to provide high-quality and cost-effective service to  
2 all of our customers in all of our states. In other words, we believe that the  
3 benefits of the integrated system outweigh the costs and policy choices that  
4 the multi-state system requires us to make.

5  
6 Mr. Haeger discusses the implications of a Commission denial of an ADP  
7 for this resource addition on both our Restack Agreement negotiations and  
8 in the event the resource is not subject to the eventual Restack Agreement  
9 process further in his Direct Testimony.

10  
11 **IV. PROPOSAL TO MEET IDENTIFIED NEED**

12  
13 Q. PLEASE DESCRIBE THE GERONIMO SOLAR PROJECT THAT IS PROPOSED TO BE  
14 ADDED TO THE SYSTEM.

15 A. The Geronimo Solar Project consists of an up-to 100 MW nameplate  
16 dispersed solar project located at up to 24 sites in Minnesota to be  
17 interconnected to various Xcel Energy distribution substations. Each phase  
18 of the project will be from 2 to 10 MW in size and will take advantage of  
19 excess transfer capability at the interconnecting substation. It is  
20 contemplated that the energy from these sites will sink directly in the local  
21 area served by the interconnecting substation and that this energy will  
22 essentially offset the energy needs of the local load affected by the respective  
23 sites.

24  
25 Geronimo's affiliate and the Company entered a 20-year PPA with a single  
26 dollars per MWh price for energy. In exchange for that pricing the  
27 Company receives all of the energy and capacity from the facility. The

1 developer has contractually committed that the project will achieve 71  
2 percent capacity accreditation from MISO, meaning that a 100 MW  
3 nameplate plant will provide 71 MW of MISO accreditable capacity. The  
4 Geronimo Solar Project is scheduled to achieve commercial operation by the  
5 end of 2016, in order for the project to take advantage of the 30 percent  
6 investment tax credit (ITC) and to achieve full capacity accreditation from  
7 MISO in 2017 or 2018.

8  
9 The payment and other terms in the PPA are generally consistent with the  
10 Company's other renewable energy PPAs, except to the extent necessary to  
11 accommodate the specifics of this project. Mr. Johnson provides additional  
12 discussion of the PPA terms in his Direct Testimony.

13

14 Q. WHY IS THIS PROPOSAL A PRUDENT WAY TO ADDRESS THE IDENTIFIED  
15 RESOURCE NEED?

16 A. The Geronimo Solar PPA provides commercially-reasonable terms and  
17 conditions that allow us to add capacity on the system and provides  
18 additional benefits by facilitating our compliance with Minnesota's solar  
19 energy requirements and goals. Mr. Haeger discusses Minnesota's solar  
20 energy requirements and goals as well as the impact of the Geronimo Solar  
21 Project on our compliance with them further in his Direct Testimony. Mr.  
22 Johnson's Direct Testimony provides an analysis of the costs of this  
23 contract.

24

25 Q. ARE THE COMPANY'S OBLIGATIONS UNDER THE PPAs CONDITIONED ON  
26 APPROVAL OF THE COMMISSION?

1 A. Yes. The PPA contains what is known as a “condition precedent,” which  
2 requires that the Commission grant “State regulatory Approval” such as an  
3 ADP for each of the projects *before* the Company is required to perform  
4 under the contracts. We also have the right to waive the condition  
5 precedent and move forward with the projects if all required regulatory  
6 approvals are not timely attained.

7

## 8 V. PRUDENCE OF THE GERONIMO SOLAR PPA

9

10 Q. WHAT IS THE COMPANY’S REQUEST IN THIS CASE?

11 A. Xcel Energy respectfully requests that the Commission find that our 20-year  
12 PPA to purchase the output of the Geronimo Solar Project is prudent and a  
13 reasonable selection under the circumstances.

14

15 Q. WHY DOES XCEL ENERGY THINK IT IS PRUDENT TO PURCHASE THE OUTPUT  
16 OF THIS PROJECT AT THIS TIME?

17 A. The selection of this resource at this time is prudent and in the best interest  
18 of all of our customers on our integrated system. As Mr. Haeger’s Direct  
19 Testimony addresses, even small changes in forecast demand can have a  
20 significant result on our supply requirements. We conclude that it is  
21 appropriate to deploy additional solar resources under the circumstances that  
22 will allow us to meet our customers’ requirements as well as our overall  
23 environmental commitments through our integrated five-state system.

24

25 We have pursued a strategy of shifting our resource portfolio toward lower-  
26 emission options while maintaining our focus on fuel diversity, affordability  
27 and reliability. We think this is a reasonable approach in light of emerging

1 and evolving environmental regulation. Finally, satisfying the energy policies  
2 and goals of Minnesota is reasonable in light of the overall size of our  
3 integrated system and the overall benefits that this system provides to our  
4 customers.

5

6 Q. IS THE COMPANY PURSUING OTHER SOLAR GENERATION AT THIS TIME?

7 A. Yes. In Case PU-14-810, Xcel Energy is requesting an ADP for a portfolio  
8 of 187 MW (nameplate) of solar resources to partially meet the Company's  
9 new Minnesota Solar Energy Standard under Minn. Stat. § 216B.1691, subd.  
10 2f(a)-(c) that requires the Company to serve 1.5 percent of its Minnesota  
11 retail customer load with solar energy by 2020, and establishes a 10 percent  
12 solar energy objective for Minnesota by 2030.

13

14 In that case, we are proposing to purchase the energy from three solar  
15 projects consisting of (1) a PPA for the output of a 62.25 MW solar facility  
16 to be developed near Marshall, Minnesota; (2) a PPA for the output of a  
17 24.75 MW solar facility to be developed near Tracy, Minnesota; and (3) a  
18 PPA for the output of a 100 MW solar facility to be developed near North  
19 Branch, Minnesota. We expect all of these projects to begin operation in  
20 late 2016 to capture the 30 percent ITC benefit.

21

22 Q. HOW DOES THE PURCHASE DESCRIBED IN CASE PU-14-810 RELATE TO THE  
23 PRESENT CASE?

24 A. As described in that case, the proposed 187 MW of solar purchase plus  
25 additional small retail solar installations should be enough to satisfy the  
26 Minnesota Solar Energy Standard. However, to further our carbon  
27 reduction targets and meet the 10 percent by 2030 solar energy goal

1 described under Minn. Stat. Section 216B.1691, we project needing to install  
2 an additional 1,700 MW of utility-scale solar as well as several hundred MW  
3 of small solar. We believe it is an appropriate debate to consider the timing  
4 of the installations necessary to meet our commitments.

5  
6 Q. WHY WOULD THE COMPANY PURSUE GENERATION ABOVE THE SOLAR  
7 ENERGY STANDARD?

8 A. It is appropriate to consider pursuing the minimum amount of solar  
9 generation necessary to meet our legal requirements at this time and  
10 deferring other purchases until later. The Company has recommended to  
11 the MPUC that phasing in solar generation is appropriate and that 187 MW  
12 of utility-scale solar generation is sufficient for the near term. However, we  
13 recognize that there are other goals to be considered, including our need to  
14 substantially reduce CO<sub>2</sub> emissions. Further, while the 10 percent by 2030  
15 Minnesota target is not yet mandatory, we recognize that it is an important  
16 target that our Minnesota regulators and stakeholders expect us to pursue  
17 diligently. As a result, we conclude that the fundamental consideration here  
18 is not whether to pursue additional solar generation but rather the  
19 appropriate timing of such projects.

20  
21 Q. WILL THE SELECTION OF THE GERONIMO SOLAR PROJECT IN MINNESOTA  
22 PROMPT XCEL ENERGY TO REDUCE THE SIZE OF THE 187 MW PORTFOLIO?

23 A. We have previously recommended to the MPUC that, if they decided to  
24 have us pursue the Geronimo Solar PPA, then the 187 MW solar energy  
25 portfolio could be reduced. We are currently analyzing that  
26 recommendation, recognizing that stakeholders have a variety of views on  
27 the timing and extent of our solar investments. We recently filed reply

1 comments to the MPUC in the Solar RFP Docket (Docket No. E002/M-14-  
2 162) in which we provided an update on this issue and recommended that  
3 the MPUC reduce the 187 MW portfolio. We will provide the Commission  
4 with an update as that issue is addressed.

5

6 Q. IT APPEARS THAT THE COMPANY'S CHOICE TO MAKE THIS RESOURCE  
7 ADDITION IS BASED ON THE OUTCOME OF AN MPUC PROCEEDING, IS THIS  
8 COMMISSION REQUIRED TO ACCEPT THE COMPANY'S RESOURCE CHOICES OR  
9 THE COMPANY'S PROPOSED BALANCE OF DIVERGENT POLICY CHOICES?

10 A. No, the Commission retains the authority to reject our requested ADP based  
11 on its own assessment of the record in this Case. However, we are  
12 concerned that it will become increasingly difficult for us to maintain an  
13 integrated five-state system if we can no longer balance the various policies  
14 of our states. We recognize that the Commission may disagree with our  
15 choice to conservatively assess our need and to address our overall  
16 environmental goals, and with our selection of the Geronimo Solar PPA to  
17 meet those needs.

18

19 Q. ARE THERE MECHANISMS AVAILABLE THAT CAN MITIGATE THE IMPACT OF  
20 THE COMMISSION REJECTING THE COMPANY'S REQUEST ON THE  
21 INTEGRATED SYSTEM?

22 A. Yes. As the Commission is aware, the Restack Agreement is designed to  
23 address just such a situation. At a high-level, adding a resource to the  
24 "restack process" will ensure that the Company's North Dakota customers  
25 pay for the marginal cost for the used and useful capacity and energy of any  
26 resource addition that the Company makes but which is denied by this  
27 Commission. We are currently negotiating a "Restack Agreement" with

1 Staff consistent with the settlement of our last rate case (Case No. PU-12-  
2 813). Should the Commission not deem the Geronimo Solar PPA prudent,  
3 we believe that this resource would be available to be included in that  
4 agreement.

5

6 Q. WHAT ADVANTAGES DOES UTILIZING THE RESTACK PROCESS FOR THIS  
7 RESOURCE ADDITION PROVIDE?

8 A. I reiterate that we believe that our resource addition is prudent and  
9 respectfully request that the Commission grant our request for an ADP.  
10 However, in the event that the Commission denies our request, we believe  
11 that the Restack process provides a reasonable short- to mid-term solution  
12 to mitigate the effects of the divergent energy policies between Minnesota  
13 and North Dakota.

14

15 The Restack concept recognizes the used and useful nature of the capacity  
16 and energy of our resource additions to the entirety of the Integrated  
17 System, including North Dakota. By doing so it, it continues to allow us to  
18 plan to meet the needs of all of our jurisdictions on an integrated basis. The  
19 restack process also mitigates the cost impacts of certain policy choices of  
20 other states on our North Dakota customers. By providing this interim  
21 solution, an effective Restack Agreement will allow us the necessary time to  
22 develop more permanent, long-term solutions in the context of an evolving  
23 utility industry and NSP System.

24

25 Mr. Haeger provides additional discussion with respect to the Restack  
26 Agreement and its effects on our integrated planning efforts in his Direct  
27 Testimony.

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## VI. CONCLUSION

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4 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

5 A. The Company respectfully requests that the Commission grant an ADP for  
6 this resource. While we recognize that the competing policies among our  
7 states raise important issues for the Commission to consider, on balance we  
8 believe this resource is a prudent addition to our integrated multi-state  
9 system and it provides a reasonable way for the Company to further  
10 important environmental goals.

11

12 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

13 A. Yes, it does.



## Laura McCarten

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