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Direct Testimony and Schedules
Elizabeth M. Engelking

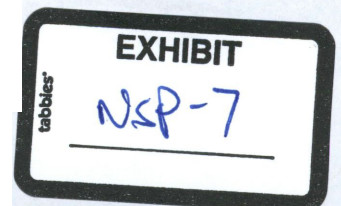
Before the North Dakota Public Service Commission
State of North Dakota

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

Case No. PU-15_____
Exhibit__ (EME-1)

Geronimo Testimony

May 6, 2015



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I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND OCCUPATION.

A. My name is Elizabeth M. Engelking. I am Vice President for Strategy and Policy Geronimo Energy, LLC (Geronimo).

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I received my MBA in finance and economics from the Carlson School of Management at the University of Minnesota in 1986. From 1988-1998, I was employed as a rates analyst with the Minnesota Public Utilities Commission, where I oversaw the implementation of integrated resource planning. In 1998, I joined Great River Energy, where I worked as a transmission analyst and as Manager of Resource Planning. From 2004-2011, I was employed by Xcel Energy in the Resource Planning department.

I joined Geronimo in January, 2012, and currently serve as Vice President for Strategy and Policy. My responsibilities include oversight over regulatory and legislative issues related to Geronimo's energy projects, as well as contributions to the commercial sales of our projects. Specifically, I have been actively involved in the development and sales efforts of the 200 MW Courtenay Wind Farm, LLC development project (Courtenay Project). My resume is included as Exhibit ___ (EME-1), Schedule 1.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying at the request of and on behalf of the Applicant, Northern States Power Company, d/b/a Xcel Energy (referred to herein as Xcel Energy

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1 or NSP). I provide context for the underlying business transaction in which
2 Xcel Energy is purchasing the Courtenay Project from Geronimo. Through
3 this testimony, Geronimo supports Xcel Energy's request for an Advance
4 Determination of Prudence (ADP) for its acquisition of the Courtenay
5 Project.

6

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

8 A. I provide Geronimo's perspective on the status of the Courtenay Project and
9 why it decided to sell the Courtenay Project to Xcel Energy.

10

11

II. TRANSACTION

12

13 Q. PLEASE SUMMARIZE THE CURRENT STATUS OF THE COURTENAY PROJECT?

14 A. The Courtenay Project is a proposed 200 MW wind farm development to be
15 located in Stutsman County, North Dakota. It is proposed to interconnect to
16 Ottertail Power Company's electric system. The development of the project is
17 well advanced and Geronimo has obtained substantially all land rights, state
18 and local permitting and contractual rights necessary to support completion of
19 the project. The Courtenay Project is positioned well to achieve commercial
20 operation by the end of 2016 and as such should qualify for federal
21 production tax credits (PTCs).

22

23 In 2013, Xcel Energy entered into a Power Purchase Agreement (PPA) with
24 Courtenay Wind Farm, LLC for the purchase of the output from the
25 Courtenay Project. The PPA was the subject of a prior ADP application (Case
26 No. 13-706) which was approved on February 26, 2014.

27

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1 Pricing under the PPA included a significant assumption that is relevant to
2 Geronimo's desire to sell the Courtenay Project. When Geronimo entered
3 into the PPA, we assumed that the Courtenay Project would achieve
4 commercial operation by the end of 2014, and, would be eligible to capture
5 certain North Dakota tax credits. The assumption that those North Dakota
6 tax credits would be available to Geronimo and Geronimo would be able to
7 monetize such credits prompted us to offer Xcel Energy a lower PPA price
8 than we otherwise would have done.

9

10 Since Geronimo could not utilize the North Dakota tax credit, the PPA is
11 substantially underpriced.

12

13 Q. WHAT ARE THE IMPLICATIONS OF THE PPA BEING UNDERPRICED?

14 A. It means that the revenue stream under the PPA is insufficient to support
15 completion of the Courtenay Project and provide a reasonable return on the
16 investment to attract equity investor participation in the wind generation
17 industry.

18

19 Q. DID GERONIMO PROBE THE MARKET TO DETERMINE WHETHER IT COULD
20 ATTRACT EQUITY INVESTMENT IN THE COURTENAY PROJECT UNDER THE
21 EXISTING PPA?

22 A. Yes. Geronimo has successfully developed a number of projects throughout
23 the upper-Midwest by obtaining equity investment from various sources. We
24 have had a number of strategic partnerships in the industry and have found
25 this to be a reasonable way for Geronimo to obtain the investment necessary
26 to complete projects in an efficient and timely manner.

27

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1 Using our network of contacts in the industry, Geronimo aggressively
2 marketed the Courtenay Project. Those efforts were all unsuccessful based in
3 part, due to the PPA pricing being insufficient to support further
4 development, construction and financing of the project. Geronimo was
5 advised by some of these entities that, while the Courtenay Project was viewed
6 as a viable development project, the projected revenue under the PPA was
7 insufficient to justify an investment.

8

9 Q. IS IT TRUE THAT THE NORTH DAKOTA INCOME TAX CREDIT FOR WIND
10 ENERGY DEVICES WAS RENEWED DURING THE 2015 LEGISLATIVE SESSION?

11 A. A version of the credit recently became law. However, it is my understanding
12 that the parameters of the credit substantially favors North Dakota taxpayers
13 and makes it difficult or impossible for a non-North Dakota equity investor to
14 take advantage of the credit. As a result, it does not appear that the new
15 North Dakota law would help Geronimo's efforts to market the project to the
16 wind-energy equity community.

17

18 Q. WHAT IS THE STATUS OF THE PPA?

19 A. Courtenay Wind Farm, LLC (the "Seller" under the PPA) is in default of the
20 PPA for its failure to meet critical project milestones and make further
21 payments for Delay Damages that have accrued as a result of its defaults.

22

23 Q. IS COURTENAY WIND FARM, LLC IN DEFAULT OF OTHER MAJOR CONTRACTS
24 RELATING TO THE PROJECT?

25 A. Yes. Courtenay Wind Farm, LLC entered into a Generator Interconnection
26 Agreement (GIA) with Ottertail Power Company (Ottertail) and the Mid-
27 Continent Independent System Operator, Inc. (MISO). Courtenay Wind

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1 Farm, LLC is in default of the GIA for failure to meet material milestones
2 under the GIA. MISO has filed a request with the Federal Energy Regulatory
3 Commission (FERC) seeking the right to terminate the GIA due to those
4 defaults.

5

6 Q. DOES COURTENAY WIND FARM, LLC HAVE THE FINANCIAL WHEREWITHAL
7 TO CURE THE DEFAULTS UNDER THE GIA?

8 A. No.

9

10 Q. HAS GERONIMO REQUESTED THAT XCEL ENERGY ASSIST IT IN CURING THE
11 DEFAULTS UNDER THE GIA?

12 A. Yes. At Geronimo's request, Xcel Energy has been working with Ottertail
13 and MISO in an effort to cure the GIA default. It is my understanding that
14 FERC will determine whether the proposed cure is sufficient and that FERC's
15 decision should be forthcoming by approximately May 24, 2015. I note that
16 FERC accepting the cure to the GIA default is a fundamental condition to the
17 transaction moving forward and if FERC terminates the GIA, Xcel Energy
18 will not be obligated to proceed with the transaction further.

19

20 We have recently learned that Xcel Energy and Ottertail came to an agreement
21 on a cure for Geronimo's defaults under the GIA. As a result, MISO has
22 agreed to withdraw its request for termination of the GIA. We expect that
23 withdrawal to occur soon.

24

25 Q. WHY DID GERONIMO REQUEST THAT XCEL ENERGY PURCHASE THE
26 COURTENAY PROJECT?

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1 A. We felt that Xcel Energy was the logical buyer under the circumstances. Xcel
2 Energy is already the off-taker from the PPA and has included this increment
3 of generation in its resource plans. Xcel Energy has a substantial presence in
4 North Dakota and has stated an interest in diversifying the geographic
5 footprint of its supply portfolio. Xcel Energy has been working with us to
6 cure the GIA default and has shown a substantial interest in preserving the
7 Courtenay Project as a resource on its system. And Xcel Energy has the
8 financial wherewithal to successfully complete the Courtenay Project, despite
9 the difficulties the project has encountered.

10

11 Q. WHAT IS THE PURCHASE PRICE THAT XCEL ENERGY IS PAYING GERONIMO
12 FOR THE COURTENAY PROJECT?

13 A. **[TRADE SECRET BEGINS...**

14

15

16

17

... END

18

TRADE SECRET].

19

20 Q. HOW WAS THIS PURCHASE PRICE DEVELOPED?

21 A. The purchase price represents a substantial proportion of Geronimo's out-of-
22 pocket, third-party costs incurred in the development of the Courtenay
23 Project, such as costs of land acquisition, permitting, purchase of long-lead-
24 time equipment (such as transformers), and the like.

25

26 Q. DOES THE PURCHASE PRICE CONTAIN ANY ACQUISITION PREMIUM OR PROFIT
27 FOR GERONIMO?

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1 A. No. Xcel Energy refused to pay any premium. In fact, the purchase price is
2 actually at a discount from Geronimo's actual costs attributable to the project.

3

4 Q. PLEASE BRIEFLY DESCRIBE THE TRANSACTION STRUCTURE.

5 A. Xcel Energy is purchasing the Courtenay Wind Farm, LLC entity, which
6 means that Xcel Energy will become the owner of that company and all of its
7 assets, rights and liabilities. The acquisition is subject to a number of closing
8 conditions that must be satisfied prior to Xcel Energy taking over the entity.
9 When the transaction closes (anticipated to be in about 30 days) Xcel Energy
10 will then be free to complete development of the project in its own right,
11 either through the Courtenay Wind Farm, LLC or directly through NSP.
12 Geronimo has agreed to remain available to provide assistance in completing
13 the development.

14

15

III. CONCLUSION

16

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

18 A. Yes, it does.

Resume of Elizabeth M. Engelking
Geronimo Energy
7650 Edinborough Way, Suite 725
Edina, Minnesota 55435

EDUCATION

Master of Business Administration, Carlson School of Management
University of Minnesota, 1986

Bachelor of Sciences
College of William and Mary in Virginia, 1982

CURRENT RESPONSIBILITIES

Leads Geronimo's Regulatory and Legislative efforts, and contributes to its commercial strategy. Prior to 2015, led the Geronimo Development team, which is responsible for creating new renewable projects and moving them through all phases of development to construction-ready status. Also lead Geronimo's Regulatory and Legislative efforts, and contributes to its commercial strategy.

EMPLOYMENT

Geronimo Energy January 2012 – Present	Vice President
Xcel Energy October 2008 – January 2012 2004 – October 2008	Director, Resource Planning and Bidding Manager, Resource Planning and Bidding
Great River Energy 2000 – 2004 1998 – 2000	Manager, Resource Planning Transmission Analyst
Minnesota Public Utilities Commission 1988-1998	Public Utilities Rates Analyst

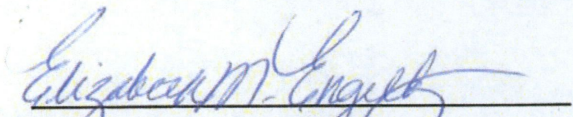
**STATE OF NORTH DAKOTA
BEFORE THE
PUBLIC SERVICE COMMISSION**

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NORTHERN STATES POWER COMPANY
FOR AN ADVANCE DETERMINATION OF
PRUDENCE FOR THE 200 MW
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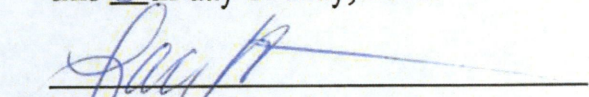
Case No. PU-15-_____

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

Elizabeth M. Engelking, being first duly sworn on oath, deposes and says that she is the Vice President for Development at Geronimo Wind Energy, LLC, that she has read the testimony and schedules submitted in the above captioned matter under her name, that they 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.


Elizabeth M. Engelking

Subscribed and sworn to before me
this 5th day of May, 2015.



Notary Public
My Commission Expires: January 31, 2019

