

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 THE 200 MW
COURTENAY WIND FARM PROJECT

Case No. PU-15_____
Exhibit ____ (LM-1)

Policy Testimony

May 6, 2015

- 34 PU-15-183 Filed 07/23/2015 Pages: 14
Exhibit NSP-4
Northern States Power Company
- 44 PU-15-181 Filed 07/23/2015 Pages: 14
Exhibit NSP-4
Northern States Power Company
- 45 PU-15-175 Filed 07/23/2015 Pages: 14
Exhibit NSP-4
Northern States Power Company

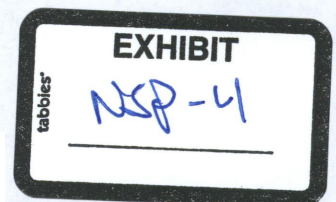


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1 I. INTRODUCTION AND QUALIFICATIONS

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Q. PLEASE STATE YOUR NAME AND TITLE.

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

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND EXPERIENCE.

A. I am responsible for regulatory, legislative, and customer and community relations in North Dakota and South Dakota, and legislative and community relations Minnesota. I provide strategic leadership regarding the development and implementation of our initiatives to cost effectively meet the energy needs of our retail customers and communities we serve. My resume is included as Exhibit___(LM-1), Schedule 1.

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

A. I provide support for our request for an Advance Determination of Prudence (ADP) for the Company's proposed acquisition of the 200 MW Courtenay Wind Farm Project (Courtenay Project). In my testimony, I discuss the following topics:

- Our proposed resource acquisition;
- The prudence of our proposal;
- The regulatory approvals needed for our proposal; and
- Introduce the other witnesses testifying on behalf of the Company.

1 Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED RESOURCE ACQUISITION.

2 A. We are proposing to construct and own the 200 MW Courtney Project, located
3 on the edge of the Missouri Coteau in east-central North Dakota – northeast of
4 Jamestown, North Dakota. The Courtenay Project was slated to be developed,
5 constructed, owned, and operated by an affiliate of Geronimo Wind Energy
6 (Geronimo), a wind-project developer with whom the Company has transacted
7 on several occasions. The Company identified the Courtenay Project for
8 acquisition through its February 2013 Request for Proposals (RFP) for additional
9 wind resources. On July 26, 2013, the Company requested an advance
10 determination of prudence (ADP) for purchasing the output of the Courtenay
11 Project through a power purchase agreement (PPA) in Case No. PU-13-706. On
12 February 24, 2014, the Commission granted the requested ADP.

13

14 Q. WHY IS THE COMPANY NOW PROPOSING TO DEVELOP, CONSTRUCT, OWN,
15 OPERATE, AND MAINTAIN THE COURTENAY PROJECT?

16 A. After the approval of the PPA and initial development activities, Geronimo
17 determined that it lacked the financial wherewithal to complete the Project at the
18 costs assumed in the PPA. This is largely the result of Geronimo's inability to
19 obtain third-party equity or financing because the PPA pricing turned out to be
20 insufficient to attract investors. As a result, Geronimo has fallen behind
21 schedule and is in default under the terms of the PPA. Recently, Geronimo
22 advised Xcel Energy that they had unsuccessfully tried to sell the project to other
23 parties and asked the Company to purchase it and complete construction, and
24 thereby avoid the project potentially failing.

25

1 Q. WHAT DUE DILIGENCE WAS CONDUCTED BY THE COMPANY TO DETERMINE THE
2 FINANCIAL VIABILITY OF THE PROJECT?

3 A. The Company engaged in a detailed investigation to assess the benefits and risks
4 of Company ownership and development of the Courtenay Project. In
5 particular, we examined the work completed to date, analyzed existing
6 contractual provisions, outlined necessary regulatory approvals, conducted a
7 detailed wind study, and overall assessed the Project's financial viability. Based
8 on these efforts, the Company determined that even with the additional costs in
9 the Company's development and ownership, that the Courtenay Project
10 remained a cost-effective North Dakota generation resource. Moreover, the
11 Company's ownership of the Project allows our customers to reap these benefits
12 over a longer period of time than a PPA, thereby providing additional cost
13 savings to customers. Company Witness Mr. Greg Ford provides additional
14 information with respect to our due diligence efforts.

15
16 **II. OVERVIEW OF COURTENAY PROJECT**
17

18 Q. PLEASE DESCRIBE THE COURTENAY PROJECT.

19 A. The Courtenay Project is a 200 MW wind energy generation facility that will be
20 located northeast of Jamestown along the edge of Missouri Coteau in east-central
21 North Dakota. The Project covers 24,900 acres of land in northeastern
22 Stutsman County and will consist of 100-2 MW Vestas wind turbine generators
23 and associated infrastructure. The Project will have an estimated output of
24 807,813 megawatt hours (MWh) per year, assuming net capacity factors of
25 between 43 and 47 percent. The Courtenay Project will interconnect to the

1 Otter Tail Power Company 345/115 kV substation located north of Jamestown.
2 The Commission issued a Certificate of Site Compatibility for the Courtenay
3 Project in Case No. PU-13-64.
4

5 Q. HOW WILL THE COMPANY DEVELOP THE COURTENAY PROJECT?

6 A. We intend to acquire the Project from a Geronimo subsidiary which holds all of
7 the permits, real estate rights, and contracts necessary to develop the Courtenay
8 Project. The structure of the transaction is that we will purchase the Geronimo
9 entity and absorb the assets into the Company. We will then complete
10 development and construct the project directly. The Company will also step into
11 Geronimo's shoes for two other critical contracts, one with the wind turbine
12 supplier and the other with the construction company, North Dakota-based
13 Wanzek Construction. Company Witness Mr. Greg Ford provides additional
14 information with respect to our development of the Courtenay Project.
15

16 Q. WHAT IS THE ESTIMATED IN-SERVICE DATE FOR THE PROJECT?

17 A. The Company must complete construction of the Project and place it into
18 service by December 31, 2016 to take advantage of the federal Production Tax
19 Credit (PTC). Our construction schedule is based on achieving this in-service
20 date. Company Witness Mr. Greg Ford provides additional information with
21 respect to our ability to capture PTCs.
22

23 Q. WHAT ARE THE ESTIMATED COSTS FOR THE PROJECT?

24 A. The construction of the Project is estimated to cost approximately \$300 million.
25 Company Witnesses Mr. Paul Johnson and Mr. Greg Ford provide additional

1 information with respect to the cost of the project.

2
3 Q. WHAT ARE THE BENEFITS OF ADDING THIS RESOURCE TO THE COMPANY'S
4 INTEGRATED SYSTEM?

5 A. Our analysis indicates that, under Company ownership, the Courtenay Project is
6 a cost-effective generation resource that will provide savings to our customers
7 over its service life. In addition, preserving this North Dakota-based generation
8 source is consistent with our commitment to develop generation in this State to
9 diversify the geographic location of our generation resources.

10
11 Q. ARE THERE OTHER NORTH DAKOTA BENEFITS TO CONSTRUCTING THE
12 COURTENAY PROJECT?

13 A. Yes, there are other benefits that will flow to North Dakota as a result of keeping
14 this Project alive. In addition to the lease payments to landowners and tax base
15 provided by this Project, the Company is also utilizing North Dakota based
16 contractor, Wanzek Construction, and labor to build the Project. We estimate
17 that construction of the Project will take place between late summer 2015 and
18 December 2016 and that we will employ 250 to 300 workers at peak construction
19 times. We expect that 40 percent of these workers will be North Dakota
20 residents.

21
22 We also anticipate that an additional approximately ten workers will be required
23 for the ongoing operation and maintenance of the Courtenay Project. This is in
24 addition to the approximately seven additional workers we will need for ongoing
25 operation and maintenance at the Border Winds Project, the Company's other

1 North Dakota wind farm, for which the Commission granted an ADP in Case
2 No. PU-13-742. The Company anticipates that it will coordinate operation and
3 maintenance among its regional wind farms to the extent reasonable under the
4 circumstances.

5
6 **III. PRUDENCE OF THE RESOURCE ADDITION**

7
8 Q. IS THE COURTENAY PROJECT A PRUDENT RESOURCE ADDITION?

9 A. Yes. The Project will provide economic benefits to our customers by adding a
10 new North Dakota-based, cost-effective generation resource to our portfolio. In
11 addition, the Company has structured the contractual agreements for the Project
12 to appropriately balance benefits and risks associated with a Company-owned
13 facility. I note that under North Dakota law, by being located in North Dakota,
14 the Courtenay Project enjoys a rebuttable presumption of being prudent.

15
16 Q. HOW DID THE COMPANY ANALYZE THE COST-EFFECTIVENESS OF THIS PROJECT?

17 A. To assess the cost-effectiveness of the Courtenay Project, we used the Strategist
18 resource planning model. The Strategist Planning model simulates the operation
19 of the NSP System and estimates the total cost of energy over the life of the
20 Courtenay Project on a present value basis.

21
22 Wind generation has a zero marginal cost to produce the next unit of energy
23 because there are no fuel costs. Thus, after capital costs and O&M are
24 accounted for, there are no additional costs to produce the next MWh of energy.
25 As a result, wind generation like the Courtenay Project, often displaces more

1 expensive energy from traditionally-fired power plants elsewhere. The Strategist
2 model accounts for these cost savings and offsets them against the capital
3 investments associated with the Project.

4
5 Company Witness Mr. Paul Johnson provides additional information with
6 respect to the economic analysis of the Courtenay Project.

7
8 Q. WHAT WERE THE RESULTS OF THE STRATEGIST MODELING?

9 A. The results of the Strategist analysis show that as compared to abandoning the
10 Project, the Courtenay Project will result in net savings for our customers under
11 all future scenarios studied. We conservatively estimate that system costs will,
12 over time, be approximately \$97 million lower than they would be without the
13 Courtenay Project on a present value of revenue requirements (PVR) basis,
14 without adjustment for environmental considerations. Moreover, the Company's
15 ownership of the Project will allow these benefits to extend for a longer period
16 of time than would have been available under a PPA.

17
18 Company witness Mr. Paul B. Johnson discusses the Company's Strategist
19 analysis of the Project in more detail in his Direct Testimony.

20
21 Q. ARE THERE RISKS ASSOCIATED WITH THIS PROJECT?

22 A. The development of any wind project comes with certain risks. These risks
23 include failure to qualify for Production Tax Credit (PTC), construction and
24 capital-cost risk, transmission interconnection and deliverability risks, and
25 operational risks. These risks are discussed in greater detail in the Application

1 and in the Direct Testimony of Company witness Mr. Greg Ford.

2
3 Q. HOW HAS THE COMPANY MITIGATED THE PROJECT'S RISKS?

4 A. We have attempted to mitigate these risks through specific contractual terms and
5 conditions. For instance, the interconnection and transmission risks for the
6 Project include: (1) that MISO has filed a Notice of Termination of the
7 Generator Interconnection Agreement (GIA) for the Project for failure to satisfy
8 necessary milestones and (2) Minnkota Power Cooperative, which owns
9 transmission facilities needed to transmit power produced by Courtenay Project,
10 is seeking to require compensation under both its non FERC-jurisdictional Open
11 Access Transmission Tariff and the MISO Tariff. The Company has mitigated
12 these interconnection and transmission risks by requiring resolution of these
13 issues to the Company's satisfaction as a condition precedent to our agreement
14 with Geronimo. Mr. Ford will provide greater detail on these risks and our
15 mitigation measured included in the Project contracts in his Direct Testimony.

16
17 **IV. REGULATORY APPROVALS**

18
19 Q. IS THE TRANSACTION CONTINGENT ON ANY APPROVALS FROM THIS
20 COMMISSION?

21 A. Yes, the Company's obligation to pay Geronimo for the assets is contingent on
22 several regulatory approvals from the Commission due to the structure of the
23 transaction. These include: (1) approval of this ADP; (2) a CPCN and transfer
24 of Certificate of Site Compatibility; and (3) a jurisdictional determination from

1 the Commission that North Dakota Ch. 49-04-06 does not apply.¹

2
3 I note that the Company will take control of the project and its assets prior to
4 receiving all regulatory approvals. The reason for this is to ensure that the
5 Company has control of the assets early to maximize the likelihood of preserving
6 the viability of the project. However, we negotiated terms that provide that we
7 are not obligated to pay for those assets until after we receive regulatory
8 approvals and if the necessary regulatory approvals are not forthcoming, the
9 transaction can be reversed under these circumstances.

10
11 Q. IS THE COMPANY REQUESTING COMMISSION ACTION BY A CERTAIN DATE?

12 A. Yes. Our ability to secure this resource at a favorable rate stems in part from the
13 federal government's December 2014 extension of the renewable energy PTC.
14 Under current circumstances, we are confident the project will qualify for the
15 PTC if we complete construction by the end of 2016. To ensure completion in
16 that timeframe, we plan to commence active construction in the Fall of 2015 and
17 we hope to pour some of the concrete foundations for the wind turbines prior to
18 winter. Therefore, we respectfully request that the Commission issue an order
19 granting the requested approvals by August 31, 2015, if at all possible, to ensure
20 that we have sufficient time to construct and place the Project in-service to
21 qualify for the PTC.

22
23

¹ The Company is also seeking approval from the Minnesota Public Utilities Commission for our ownership of the Project under Minn. Stat. § 216B.1645, subd. 2a.

1 **V. PRESENTATION OF WITNESSES**

2
3 Q. WHO ARE THE OTHER WITNESSES FOR THE COMPANY IN THIS PROCEEDING?

4 A. In addition to my Policy Testimony, the Company sponsors the following two
5 witnesses:

- 6 • *Paul B. Johnson* – who will provide information about the resource
7 planning analysis that was conducted by the Company to evaluate the
8 cost-effectiveness of this resource; and
- 9 • *Greg Ford* – who provides more detailed information with respect to the
10 contracts necessary to acquire and develop the Courtenay Project.
- 11 • *Elizabeth Engelking* – from Geronimo who provides additional context
12 into the reasons why Geronimo decided to sell the project.

13
14 **VI. CONCLUSION**

15
16 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

17 A. The Courtenay Project is a cost-effective North Dakota based generation
18 resource that enjoys a rebuttable presumption of prudence under North Dakota
19 law. As demonstrated in the ADP application and accompanying testimony, this
20 resource addition is prudent because it is cost-effective and the risks associated
21 with the Company's ownership and development, have been appropriately
22 mitigated.

23
24 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

25 A. Yes, it does.

Laura McCarten

| | | | |
|---------------------------------|---|-------------------------|-----------------|
| Experience | 2008-Present | Xcel Energy | Minneapolis, MN |
| | Regional Vice President, NSPM | | |
| | <ul style="list-style-type: none"> ▪ 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. ▪ For Xcel Energy's Minnesota service territory, responsible for managing relationships with communities and large customer accounts, gas business development and our HomeSmart service. ▪ 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. | | |
| | 2006-2008 | Xcel Energy | Minneapolis, MN |
| | Director, Regional Transmission Development | | |
| | 1997-2005 | Xcel Energy | Minneapolis, MN |
| | Director, Minnesota Community Services | | |
| | 1994-1997 | Xcel Energy | Mankato, MN |
| | Regional General Manager | | |
| | 1992-1994 | Northern States Power | Minneapolis, MN |
| | Manager, Regulatory Affairs | | |
| | 1979-1991 | Northern States Power | 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 | | |

