



Opening Statement of Brad Tollerson in Support of Settlement Agreement

Good morning Commissioners and staff. My name is Brad Tollerson. I am employed by Otter Tail Power Company as the Vice President of Planning & Strategy. I filed Direct Testimony in this proceeding regarding the Astoria natural gas plant project and the Merricourt wind project. I am here today to support the Settlement Agreement between Advocacy Staff and Otter Tail granting prudence for these projects.

Astoria is an approximately 250MW simple-cycle unit planned for the intersection of the Northern Border Natural Gas line and the newly constructed Big Stone to Brookings 345kV transmission line. The Astoria plant will be built to serve a load-following function and peak capacity needs. Otter Tail will develop and manage the construction of the Astoria project.

Merricourt is a 150MW wind generation facility located in Dickey and McIntosh counties of North Dakota. The Merricourt project is being developed by EDF Renewable Energy. Otter Tail has entered into contracts to purchase the development assets and retain EDF to construct the facility.

The two-part plan conforms to the Commission's "need plus least cost" planning standards. The projects are needed due to forecasted load growth, expiring capacity purchase agreements, and the retirement of Hoot Lake Units 2 and 3—an approximately sixty-year old coal plant located near Fergus Falls, Minnesota.

Astoria will fulfill the company's demonstrated capacity need and backstop our energy requirements using proven, dispatchable, simple-cycle technology that maximizes unit flexibility while reducing the company's long-term exposure to natural gas commodity price risk relative to combined-cycle natural gas generation.

Merricourt will help fulfill OTP's demonstrated energy needs. The Company's economic analysis of the Merricourt Project indicates that it will save Otter Tail's customers approximately

\$112 million over its life. The low-cost energy provided by the Merricourt Project will reduce Otter Tail's reliance on potentially volatile energy markets and provide a hedge against future fuel price fluctuations, including for natural gas.

Otter Tail appreciates the work of Advocacy Staff and the thorough analysis done by Mr. Heidell. The Settlement Agreement recognizes that these projects are prudent viewed separately and uniquely advantageous when viewed as a two-part plan to meet our customer's electric needs. The Settlement Agreement is consistent with the recommendations of Mr. Heidell. It reasonably balances risk and responsibility along traditional rate making principles.

The Company has taken reasonable steps to manage and mitigate risks associated with the projects, and is fit, willing, and able to assume ownership and operate both projects. The Company asks that the Commission approve the Settlement Agreement. This concludes my opening statement. I look forward to answering any questions you may have.