



**Opening Statement of Victor Schock
on behalf of
Advocacy Staff, North Dakota Public Service Commission
Case Nos. PU-17-140. PU-17-141 and PU-17-143**

Good Morning Commissioners. My name is Victor Schock and I am representing Advocacy Staff in this proceeding. I am testifying today in support of the Settlement Agreement between Otter Tail Power Company and Advocacy Staff. This Settlement Agreement grants conditional prudence for the 250MW Astoria natural gas combustion turbine project as well as conditional prudence and a certificate of public convenience and necessity for the 150MW Merricourt wind project.

Based on the analysis completed by both Otter Tail Power Company and our consultant PA Consulting, I believe the Astoria and Merricourt projects are prudent resource decisions that will provide Otter Tail's North Dakota rate payers with the least cost option to serve their future energy and capacity needs. These cases are unique in that Otter Tail is proposing them as a package unlike others we have seen in the past where a utility will propose either a wind project or a combustion turbine project.

The two projects are proposed as a package by Otter Tail in order to replace the capacity and energy currently provided by their Hoot Lake plant as well as a number of capacity purchase agreements. The Hoot Lake plant, which is fired by powder river basin coal, is scheduled to be retired in 2021. The capacity purchase agreements are short term purchases that will expire at the same time the Hoot Lake plant will be retired. This planning allows Otter Tail to maximize economies of scale by building larger new facilities rather than many small ones.

The conditional prudence of these projects is based upon specific total capital costs per project. If the actual costs of either project exceeds the agreed upon amounts Otter Tail would need to come before the commission for a prudence determination of the additional costs. Conversely, if either of the projects actual costs come in lower than the agreed upon amounts, Otter Tail will only receive recovery of the actual project costs. This is in line with traditional ratemaking.

In addition to these provisions, the Settlement Agreement also defines Otter Tail's reporting requirements for the projects. Otter Tail must provide quarterly construction progress reports for both projects until they are placed into service. They must also provide monthly curtailment and negative pricing observations with their monthly fuel cost reports for the Merricourt project once it is placed into service. And finally, they must file an annual letter with the Commission regarding the status of the trade secret information in this docket.

Therefore, I recommend the Commission adopt the Settlement Agreement. I look forward to answering any questions you may have.

Thank you.