

Rebuttal Testimony
Bria E. Shea

State of North Dakota
before the
North Dakota Public Service Commission

In the Matter of the Application of Northern States Power Company
for an Advance Determination of Prudence for Acquisition of
the 375 MW Mankato Energy Center and the 345 MW Mankato Energy Center II

Case No. PU-18-403

Policy
Exhibit___(BES-2)

June 21, 2019

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1 **I. INTRODUCTION**

2

3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Bria E. Shea. I am the Director, Regulatory and Strategic
5 Analysis, for Northern States Power Company – Minnesota (NSP or Xcel
6 Energy or the Company).

7

8 Q. ARE YOU THE SAME BRIA E. SHEA WHO SUBMITTED PRE-FILED DIRECT
9 TESTIMONY IN THIS PROCEEDING?

10 A. Yes.

11

12 Q. WHAT IS THE PURPOSE OF THE REBUTTAL TESTIMONY YOU ARE SUBMITTING
13 AT THIS TIME?

14 A. To provide information to the Commission regarding the Company's
15 proposed acquisition of the 375 MW Mankato Energy Center (MEC I) and
16 the 345 MW Mankato Energy Center II (MEC II) (collectively, the MEC
17 Facility) in light of the Direct Testimony of Commission Advocacy Staff
18 witnesses Mr. Paul J. Alvarez and Mr. Michael J. Majoros, Jr.

19

20 Q. PLEASE SUMMARIZE THE RECOMMENDATIONS YOU MAKE IN YOUR
21 TESTIMONY.

22 A. I recommend that the Commission approve the Company's request for an
23 ADP for its acquisition of the MEC Facility.

24

25 Q. HOW IS YOUR TESTIMONY ORGANIZED?

26 A. My Testimony is organized as follows:

- 1 • Section II provides information regarding the Company's proposed
- 2 acquisition of the MEC Facility;
- 3 • Section III introduces the Company's other Rebuttal Witness; and
- 4 • Section IV sets forth my conclusions.

5

6 **II. THE COMPANY'S PROPOSED ACQUISITION**

7 **OF THE MEC FACILITY**

8

9 Q. WHY IS THE COMPANY ACQUIRING THE MEC FACILITY?

10 A. We are acquiring the MEC Facility because it provides us with combined

11 cycle capacity and energy at a reasonable price. Given the fundamental

12 changes to the NSP System fleet and the industry in general, and Southern

13 Power Company's desire to sell the facility to raise capital, it is prudent to

14 acquire the MEC Facility.

15

16 Q. WHAT ROLE WILL THE MEC FACILITY HAVE IN THE COMPANY'S RESOURCE

17 MIX AND GENERATION FLEET?

18 A. With the completion of MEC II, the MEC Facility is a two-on-one

19 combined cycle generation facility, offering capacity and energy that is

20 efficient, dispatchable, and low-cost. Given those attributes, the MEC

21 Facility is a flexible, multi-purpose resource that will enable the Company to

22 address a variety of resource planning scenarios that could emerge in the

23 years to come.

24

25 Q. WHY IS THIS FLEXIBILITY IMPORTANT?

26 A. As the Commission is certainly aware, the energy landscape in the region and

27 across the MISO footprint is changing dramatically at rapid speed. To serve

1 our customers effectively, the Company must be ready to address this
2 changing landscape. As the resource mix in the region moves to higher
3 renewable penetration, utilizing the MEC Facility's combined cycle
4 generation to provide baseload power allows us to effectively support these
5 changes.

6
7 Q. WHAT CHANGES TO THE NSP FLEET ARE YOU REFERRING TO?

8 A. As Company witness Mr. P.J. Martin discusses further in his Rebuttal
9 Testimony, the Company will be facing several thousand megawatts of
10 resource retirements in the coming years. This is driving the demand for
11 replacement generation. The MEC Facility is a key component to meeting
12 these future needs.

13
14 Q. IS THE COMPANY PROPOSING ANY ADDITIONAL CHANGES TO ITS
15 GENERATION PORTFOLIO THAT MAKE MEC PARTICULARLY IMPORTANT FOR
16 THE COMPANY'S FUTURE RESOURCE PLANNING?

17 A. Yes. As the Company informed the Commission in an informational filing
18 dated May 20, 2019, the Company will seek approval in its 2020-2034
19 Integrated Resource Plan (IRP) to be filed before the Minnesota Public
20 Utilities Commission to retire a number of dispatchable resources,
21 specifically the Allen S. King plant in 2028 or earlier and Sherco Unit 3 in
22 2030 or earlier. Furthermore, as the Company informed the Commission in
23 its May 20, 2019 filing, the Company is now proposing to offer Sherco Unit
24 2 into MISO on a seasonal basis until its retirement in 2023. Given that
25 backdrop, it is all the more important for the Company to have sufficient
26 dispatchable, low-cost resources. The MEC Facility is such a resource. By
27 acquiring the MEC Facility, the Company will have flexibility in meeting

1 energy and capacity needs over the long term and would have at its disposal
2 a low-cost, dispatchable resource to ensure reliable service to customers.

3
4 Q. WHY ARE RELIABLE, LOW-COST, AND DISPATCHABLE RESOURCES
5 IMPORTANT?

6 A. The Company strives to provide our customers with reliable, affordable
7 electricity. To achieve that goal, the Company requires flexible, reliable, low-
8 cost, dispatchable generation as part of our generation mix.

9
10 Q. ARE THERE ADDITIONAL POTENTIAL SYSTEM BENEFITS STEMMING FROM
11 THIS TRANSACTION?

12 A. Yes. Another benefit of owning these generating units rather than
13 contracting for them through a PPA is their potential to be used for black
14 start of the system.¹ The Company's Inver Hills Generating Plant is currently
15 used for black start of the system. However, Inver Hills is scheduled to retire
16 in the late 2020s and the MEC Facility could potentially provide black start
17 capabilities. While this could be a valuable benefit, the Company has not yet
18 studied its potential due to our lack of ownership. That said, based on
19 reasonable assumptions about plant operation and electrical engineering
20 characteristics, we have reason to believe that the MEC Facility could likely
21 provide black start capability.

¹ Black start is the process of restoring a power station to operation without relying on the external transmission network. Normally, the electric power used within the plant is provided from the station's own generators. However, if all of the plant's main generators are shut down, station service power is provided by drawing power from the grid through the plant's transmission line. But during a wide-area outage, off-site power supply from the grid will not be available. In the absence of grid power, a so-called black start needs to be performed to bootstrap the power grid into operation. Black start plans are required by the North American Electric Reliability Corporation, and the Company's plan is subject to review and approval by MISO. The NSP System takes the lead in restoring the majority of the Minnesota/North Dakota/South Dakota bulk electric system in a black start event, with our neighboring utilities relying on Xcel Energy to have the larger units to stabilize the grid.

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Q. IF THE COMPANY’S PROPOSED ACQUISITION OF THE MEC FACILITY DOES NOT RECEIVE AN ADP, WHAT RISKS WOULD THAT DECISION CREATE?

A. Such a decision would signal to the Company that recovery of the costs of the MEC Facility in North Dakota is in question. Should Xcel Energy ultimately decide to move forward with the acquisition, it may provide the catalyst for regulatory changes that would accommodate the allocation of the costs and benefits of the plant only to those jurisdictions that have approved it. This concept has been the subject of discussion in the pending Resource Treatment Framework case.

Q. WHY DOES THE COMPANY PROPOSE TO PURCHASE THE MEC FACILITY AT THIS TIME?

A. We are proposing to purchase it at this time because the seller has put it up for sale at this time, and there is not any guarantee that it will be available for purchase at a later date. Furthermore, in addition to the uncertainty about the ability to purchase the MEC Facility at a future date, the other options for the future—continuing to operate under PPA with MEC, renewing PPA, greenfield construction of new gas plant—are all more expensive for consumers than the proposed acquisition (as I detailed in my Direct Testimony). Accordingly, the acquisition of the MEC Facility at this time is the most prudent course of action.

III. OTHER COMPANY REBUTTAL WITNESS

Q. WILL ANY OTHER COMPANY WITNESSES BE FILING REBUTTAL TESTIMONY?

A. Yes. The Company is filing Rebuttal Testimony of the following Witness:

- 1 • Mr. Philip Joseph Martin, whose testimony rebuts the Direct
2 Testimony of Commission Advocacy Staff witnesses Mr. Paul J.
3 Alvarez and Mr. Michael J. Majoros, Jr.

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5

IV. CONCLUSION

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7 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

8 A. For the reasons I have stated, the Company's proposed acquisition of the
9 MEC Facility is prudent and the Commission should approve the
10 Company's request for an ADP for this acquisition.

11

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

13 A. Yes, it does.

