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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 the 151.2 MW Dakota Range III Wind Facility

Case No. PU-18-430

Policy

Exhibit___(BES-2)

June 12, 2019

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I. INTRODUCTION

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- Q. PLEASE STATE YOUR NAME AND TITLE.
- A. My name is Bria E. Shea. I am the Director, Regulatory and Strategic Analysis, for Northern States Power Company – Minnesota (NSP or Xcel Energy or the Company).
- Q. ARE YOU THE SAME BRIA E. SHEA WHO SUBMITTED PRE-FILED DIRECT TESTIMONY IN THIS PROCEEDING?
- A. Yes.
- Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?
- A. The purpose of my Rebuttal Testimony is to respond to the Direct Testimony of Commission Advocacy Staff Witness James A. Heidell filed in this docket and to address a number of the policy issues discussed in Mr. Heidell’s testimony regarding the Company’s request for an Advance Determination of Prudence (ADP) for a power purchase agreement (PPA) between the Company and Dakota Range III for a new wind generation facility (Dakota Range III).
- Q. PLEASE SUMMARIZE THE RECOMMENDATIONS YOU MAKE IN YOUR REBUTTAL TESTIMONY.
- A. In my testimony I recommend that the Commission (1) adopt Mr. Heidell’s recommendation to approve the Company’s ADP for Dakota Range III, and (2) reject Mr. Heidell’s two proposed conditions on approval.

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1 Q. HOW IS YOUR TESTIMONY ORGANIZED?

2 A. My Testimony is organized as follows:

- 3 • Section II provides an overview of Mr. Heidell's testimony and the
- 4 Company's responses to Mr. Heidell's recommended conditions;
- 5 • Section III discusses the prudence of Dakota Range III in light of Mr.
- 6 Heidell's testimony;
- 7 • Section IV discusses the load impacts of the Google data center;
- 8 • Section V discusses other issues raised in Mr. Heidell's testimony;
- 9 • Section VI discusses the impacts on customers and the Company if
- 10 the Commission rejects the Company's request for an ADP;
- 11 • Section VII introduces the Company's Rebuttal Witnesses; and
- 12 • Section VIII sets forth my conclusions.

13

14 **II. RESPONSE TO MR. HEIDELL'S RECOMMENDATIONS**

15

16 Q. PLEASE SUMMARIZE MR. HEIDELL'S RECOMMENDATIONS.

17 A. Mr. Heidell's testimony provides his assessment of the impacts on North
18 Dakota customers of the Dakota Range III PPA and the Company's
19 associated agreement with Honeycrisp Power, LLC, a subsidiary of Google,
20 LLC (Google), to provide electric service to Google's proposed data center
21 to be located at the Company's Sherburne County Generating Station
22 (Sherco) property in Becker, Minnesota (Google ESA). Mr. Heidell
23 recommends that the Company's ADP be approved, subject to certain
24 conditions.

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1 Q. DOES THE COMPANY AGREE WITH MR. HEIDELL'S CONCLUSION?

2 A. The Company agrees with Mr. Heidell's recommendation that the ADP be
3 approved. However, the Company does not agree with Mr. Heidell's
4 proposed conditions on approval of the ADP.

5

6 Q. WHAT CONDITIONS DOES MR. HEIDELL RECOMMEND ON THE
7 COMMISSION'S APPROVAL OF THE ADP?

8 A. Mr. Heidell recommends the Commission condition approval of the ADP
9 on two requirements:

10 1. Mr. Heidell recommends that North Dakota customers receive
11 financial compensation for their share of the Renewable Energy
12 Credits (RECs) associated with the project; and

13 2. Mr. Heidell recommends that North Dakota customers be held
14 harmless for any RECs that the Company may have to purchase to
15 satisfy its commitments under the Google ESA (Cover RECs).

16

17 Q. WHAT IS THE COMPANY'S RESPONSE TO MR. HEIDELL'S RECOMMENDED
18 CONDITION THAT NORTH DAKOTA CUSTOMERS BE COMPENSATED FOR
19 THEIR SHARE OF THE RECS?

20 A. The Company respectfully disagrees with this recommendation as it is
21 inconsistent with the purpose of acquiring Dakota Range III and the
22 Company's request for an ADP. As Mr. Heidell notes, Dakota Range III is
23 proposed as a system resource; however, we are proposing that it serve the
24 system with energy only and are not allocating RECs to specific jurisdictions.
25 Rather, the resource addition is being procured as an inducement to Google
26 to construct its data center in the NSP System assigned, exclusive, service

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1 territory. Consequently, the use of the RECs produced by Dakota Range III
2 must be consistent with our obligations under the Google ESA.

3
4 By reducing the system average cost of fuel, Dakota Range III will generate
5 savings for North Dakota customers even without RECs. As described in
6 my Direct Testimony, the RECs themselves will be *[TRADE SECRET*
7 *BEGINS* *TRADE SECRET ENDS]* to meet the Company's
8 obligations under the Google ESA. Dakota Range III and the Google ESA
9 are tied to each other, and the Company is requesting an ADP so that it may
10 meet its obligations under the Google ESA. This linkage is recognized in
11 the Google ESA, as the Commission granting an ADP for Dakota Range III
12 is a condition precedent to the Company's obligations under the Google
13 ESA.

14
15 Q. WHAT DOES THE COMPANY PLAN TO DO WITH THE DAKOTA RANGE III
16 RECS IF THE GOOGLE LOAD DOES NOT COME ONLINE?

17 A. If the Google data center load does not materialize, and the Company's
18 obligations under the Google ESA are terminated, the Company will allocate
19 the Dakota Range III RECs to all NSP System customers consistent with
20 past practice, and those attributable to North Dakota will continue to be
21 sold annually and the proceeds passed on to customers as the Commission
22 has previously directed.¹

¹ Case No. PU-10-019.

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1 Q. WHAT IS THE COMPANY’S RESPONSE TO MR. HEIDELL’S RECOMMENDED
2 CONDITION THAT NORTH DAKOTA CUSTOMERS BE HELD HARMLESS FOR
3 ANY COVER RECS?

4 A. The Company understands Mr. Heidell’s position in this regard but
5 ultimately disagrees with this recommendation. The Google load is system
6 load that benefits every NSP System customer. Consequently, to enjoy the
7 benefits of that load, all customers should pay the associated costs.

8

9 Q. IS MR. HEIDELL’S SECOND RECOMMENDED CONDITION NECESSARY?

10 A. No. Under the structure of the Google ESA, the Company is authorized to,
11 and intends to, *[TRADE SECRET BEGINS*

12 *TRADE SECRET ENDS]* “Cover
13 RECs.” Thus, the incremental cost of any Cover RECs that the Company
14 may need to meet its obligations under the Google ESA *[TRADE*
15 *SECRET BEGINS* *TRADE SECRET ENDS]*.

16 Consequently, Mr. Heidell’s condition is moot and does not need to be
17 addressed or adopted by the Commission.

18

19 **III. PRUDENCE OF DAKOTA RANGE III**

20

21 Q. IN LIGHT OF MR. HEIDELL’S TESTIMONY, IS THE DAKOTA RANGE III PPA
22 PRUDENT?

23 A. Yes, the proposed Dakota Range III PPA remains prudent on its face. The
24 PPA will result in cost savings to North Dakota customers under all
25 scenarios, demonstrating that it is a least cost resource.

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1 There is nothing in Mr. Heidell’s testimony that would change this
2 assessment. In fact, Mr. Heidell’s testimony demonstrates potentially larger
3 benefits of the Dakota Range III PPA than analyzed by the Company. As
4 demonstrated in the Rebuttal Testimony of Company Witness Philip J.
5 Martin, Dakota Range III produces cost savings for North Dakota
6 customers with or without the addition of the Google data center load to the
7 NSP System. Consequently, the record in this proceeding clearly supports
8 the prudence of the resource addition.

9
10 Q. IS THE DAKOTA RANGE III PPA LEAST COST?

11 A. Yes. There is no dispute in the record about the resource addition itself,
12 which will benefit North Dakota customers because the Company will
13 purchase power under the PPA at below market prices, thereby lowering
14 average fuel and purchased power costs on the Company’s system. As Mr.
15 Heidell noted, this qualifies the PPA as “least cost” in the eyes of the
16 Commission.

17
18 Q. PLEASE EXPLAIN FURTHER.

19 A. The Company’s analysis indicates cost savings in all scenarios, thereby
20 demonstrating the resource addition is least cost and prudent. Mr. Heidell
21 acknowledges that the Company conducted its modeling correctly and that
22 the Company estimated the net cost savings to North Dakota customers
23 from adding Dakota Range III to be \$22 million on a present value of
24 revenue requirements (PVRR) basis. Further, Mr. Heidell’s own estimates,
25 using different projections for natural gas and MISO clearing prices, found

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1 the net cost savings of the PPA to be up to \$48 million PVRR. Therefore,
2 the PPA’s net cost savings alone illustrate its prudence.

IV. LOAD IMPACTS OF THE GOOGLE ESA

3
4
5
6 Q. DID MR. HEIDELL ADDRESS THE IMPACT OF THE GOOGLE LOAD ON THE
7 PRUDENCE DETERMINATION OF THE ADP?

8 A. Yes. Mr. Heidell raised the relevant issue that in addition to the cost savings
9 from Dakota Range III, North Dakota customers will also be allocated the
10 costs of supporting the Google load.

11
12 Q. DO YOU CONCUR THAT IT IS APPROPRIATE TO ANALYZE THE IMPACT OF THE
13 GOOGLE LOAD WHEN ASSESSING THE PRUDENCE OF DAKOTA RANGE III?

14 A. The Company is adding Dakota Range III as a low-cost energy resource to
15 the system. Therefore, it is important to analyze the resource addition itself
16 on a standalone basis. That said, Dakota Range III is being brought onto
17 the system due to the Company’s need to procure incremental new
18 renewable generation under the terms of the Google ESA. Consequently,
19 additional analysis regarding the impact of the Google load is reasonable –
20 although not necessary – to help ensure that the Commission can make a
21 fully informed decision regarding the prudence of the Dakota Range III
22 resource addition.

23
24 The Company takes issue, however, with Mr. Heidell’s characterization of
25 the Google data center as “discretionary” load, with the implication that it is
26 not necessary or beneficial to all of our customers. In the current era of

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1 slow load growth, and potentially declining load growth, the Company has
2 made it a priority to attract these types of large projects to the Company's
3 system, as have other utilities across the United States. We believe that load
4 growth is generally beneficial to our existing customers, and efforts to attract
5 load help provide these benefits to all of our customers. Beyond the
6 economic development benefits to the community immediately surrounding
7 any large new load, material load growth brings savings to all NSP System
8 customers by spreading system costs over high sales volumes. Adding
9 system load through the Google ESA or in any other fashion fundamentally
10 benefits customers system-wide.

11
12 Q. PLEASE DESCRIBE THE LOAD LEVELS OF THE GOOGLE ESA.

13 A. The Google ESA allows for Google to have data center load up to
14 *[TRADE SECRET BEGINS* *TRADE SECRET ENDS]*. We
15 believe that this load level is *[TRADE SECRET BEGINS*
16 *TRADE SECRET*
17 *ENDS]*. Google will be considered in-service at load levels of *[TRADE*
18 *SECRET BEGINS* *TRADE SECRET ENDS]* and has indicated
19 a very high likelihood that they will achieve at least *[TRADE SECRET*
20 *BEGINS* *TRADE SECRET ENDS]*. In
21 negotiations with Google, we believe a load range of between *[TRADE*
22 *SECRET BEGINS* *TRADE SECRET ENDS]* and *[TRADE*
23 *SECRET BEGINS* *TRADE SECRET ENDS]* by the
24 *[TRADE SECRET BEGINS* *TRADE*
25 *SECRET ENDS]* the Google ESA is a reasonable estimate. I note that
26 Google expects to be a very high load factor customer, with load factors

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1 averaging approximately *[TRADE SECRET BEGINS* *TRADE*
2 *SECRET ENDS]* percent.

3
4 Q. IS THE ADDITION OF THE GOOGLE LOAD TO THE SYSTEM GUARANTEED?

5 A. No. Google may not come online at all *[TRADE SECRET BEGINS*
6 *TRADE SECRET ENDS]*. This is why
7 the standalone cost savings of Dakota Range III are important to consider
8 when assessing the prudence of the resource addition.

9
10 Q. WHAT IS THE CURRENT STATUS OF THE GOOGLE TRANSACTION?

11 A. The Google ESA and ancillary documents have been executed. Google is
12 still working with the Company and the host communities on additional
13 development items that we hope will be completed in the coming months.
14 With respect to regulatory approvals, the Minnesota Public Utilities
15 Commission approved the Google ESA on May 14, 2019 (MPUC Docket
16 No. E002/M-19-39), and the Company has received all necessary approvals
17 from the Federal Energy Regulatory Commission.

18
19 Q. WHAT ARE THE IMPLICATIONS OF THE GOOGLE DATA CENTER LOAD?

20 A. The addition of the Google data center load will increase system-wide costs
21 to serve the additional load. However, when the impact of the additional
22 sales to Google are accounted for, the load will reduce costs for all of our
23 existing customers. As discussed by Mr. Martin in his Rebuttal Testimony,
24 the Company performed an additional analysis in response to Mr. Heidell's
25 testimony that isolates the additional system cost savings generated by the
26 addition of the Google load. This analysis shows that Dakota Range III will

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1 generate system-wide savings of *[TRADE SECRET BEGINS*
2 *TRADE SECRET ENDS]* PVRR without the Google load, due to the
3 addition of a low-cost resource. If the Google load comes onto the system,
4 these cost savings increase to *[TRADE SECRET BEGINS*
5 *TRADE SECRET ENDS]* system-wide on a PVRR basis. Thus Dakota
6 Range III is prudent regardless of whether the Google load materializes, but
7 produces even more savings if the Google load does come online.

8
9 For our North Dakota customers, the savings are realized through changes
10 to cost allocation methods impacted by the Google load, which shift system
11 costs from North Dakota to Minnesota. These savings are described in
12 detail in the Rebuttal Testimony of Company Witness Benjamin C. Halama.

13
14 Q. DID MR. HEIDELL REQUEST AN ANALYSIS OF THE IMPACTS OF ADDING THE
15 GOOGLE DATA CENTER LOAD TO THE NSP SYSTEM?

16 A. Yes. The Company cooperated with Advocacy Staff in producing additional
17 modeling runs to reflect the impacts of the data center load (Supplemental
18 Analysis).

19
20 Q. WHAT DID MR. HEIDELL REQUEST FOR THE SUPPLEMENTAL ANALYSIS?

21 A. Mr. Heidell requested that the Company add the Google load to Strategist
22 for the Dakota Range III scenario with Markets On. The Company and
23 Advocacy Staff agreed to the relevant assumptions for the Supplemental
24 Analysis, including the load levels and load growth to include. Mr. Martin
25 discusses this further in his Rebuttal Testimony and provides the results of
26 the Supplemental Analysis. I note here that the load assumptions were

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1 *[TRADE SECRET BEGINS* *TRADE SECRET ENDS]* in
2 year one, growing steadily to *[TRADE SECRET BEGINS*
3 *TRADE SECRET ENDS]* of the Google ESA. While we believe
4 this a reasonable assumption, it is one of many different load scenarios that
5 could occur.

6
7 Q. WHAT WERE THE RESULTS OF THE SUPPLEMENTAL ANALYSIS?

8 A. The Supplemental Analysis found that the addition of Dakota Range III and
9 the assumed Google data center load results in reduced market sales in the
10 2021-2030 period by an average of *[TRADE SECRET BEGINS*
11 *TRADE SECRET ENDS]* annually, and reduced dump energy by
12 *[TRADE SECRET BEGINS* *TRADE SECRET ENDS]*
13 annually during the same timeframe. This results in an overall system cost
14 increase of *[TRADE SECRET BEGINS* *TRADE SECRET*
15 *ENDS]* PVRR system-wide for production costs.

16
17 Q. DID THE SUPPLEMENTAL ANALYSIS DEMONSTRATE SAVINGS FOR NORTH
18 DAKOTA CUSTOMERS?

19 A. Yes. The Supplemental Analysis found that while overall system production
20 costs increase as a result of the addition of the Google load, production
21 costs allocated to North Dakota decrease by *[TRADE SECRET BEGINS*
22 *TRADE SECRET ENDS]* PVRR and up to *[TRADE*
23 *SECRET BEGINS* *TRADE SECRET ENDS]* in a single
24 year due to the shifting of costs from North Dakota to Minnesota under the
25 demand allocator due to the Google load based on the system costs

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1 supported by the Strategist model. Mr. Martin and Mr. Halama discuss this
2 further in their Rebuttal Testimony.

3
4 Q. WHAT DO YOU CONCLUDE WITH RESPECT TO THE SUPPLEMENTAL
5 ANALYSIS?

6 A. I conclude that, based on the assumptions suggested by Mr. Heidell with
7 respect to the Google load, the addition of the Google load will provide cost
8 savings to North Dakota customers net of the costs of serving the load.

9
10 Q. DOES MR. HEIDELL SUPPORT YOUR CONCLUSION?

11 A. I believe so. That said, Mr. Heidell took issue with only applying the
12 demand allocator to the Strategist results rather than taking the production
13 costs embedded in the Strategist results and applying (1) the demand
14 allocator to those components allocated by demand and (2) an energy
15 allocator to those components allocated by energy. Mr. Halama discusses
16 these allocation methods and the types of costs allocated through them in
17 his Rebuttal Testimony.

18
19 Q. DID MR. HEIDELL UPDATE THE SUPPLEMENTAL ANALYSIS TO ADDRESS HIS
20 CONCERNS?

21 A. Yes. Under his own calculations, Mr. Heidell estimated savings to North
22 Dakota customers of *[TRADE SECRET BEGINS TRADE*
23 *SECRET ENDS]* to *[TRADE SECRET BEGINS TRADE*
24 *SECRET ENDS]* based on the Strategist results, depending on how often
25 the demand allocator is updated in general rate cases.

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1 Q. WHAT IS THE COMPANY’S POSITION WITH REGARD TO MR. HEIDELL’S
2 METHODOLOGY FOR CALCULATING THE COST SHIFTING UNDER THE
3 DEMAND AND ENERGY ALLOCATION METHODS?

4 A. The Company generally accepts Mr. Heidell’s methodology in this regard as
5 a reasonable approximation of the impacts of additional high-load factor
6 load to the NSP System. However, in response to Mr. Heidell’s testimony
7 and to allay his concerns, the Company performed an additional analysis
8 applying both the demand and energy allocators. As shown in Mr. Halama’s
9 Rebuttal Testimony, Exhibit___(BCH-1), Schedule 2, the Company’s
10 additional analysis estimated cost savings to North Dakota customers of
11 *TRADE SECRET BEGINS* *TRADE SECRET ENDS]*
12 PVRR based on the demand and energy allocators applied to the Strategist
13 results, at the higher end of Mr. Heidell’s range.

14
15 Q. WHAT CONCLUSIONS DID MR. HEIDELL DRAW FROM THESE ESTIMATED COST
16 SAVINGS?

17 A. Mr. Heidell concluded that the estimated cost savings to North Dakota
18 customers are reasonable, but ultimately concluded that the savings are not
19 “material” because of the inherent uncertainty of long-range forecasting, the
20 risk of curtailments, the cost of Cover RECs, lower wind energy production,
21 and increased transmission costs. As noted above, the cost of Cover RECs
22 to the Company is *TRADE SECRET BEGINS* *TRADE SECRET*
23 *ENDS]*. Additionally, the risks associated with long-range forecasting and
24 wind energy generation are inherent in and priced into in any wind PPA, and
25 cannot be used to summarily waive off real savings to customers.

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1 Q. IS THERE ANYTHING MR. HEIDELL FAILED TO CONSIDER IN CONCLUDING
2 THAT THE COST SAVINGS ARE NOT MATERIAL?

3 A. Yes. The Supplemental Analysis and Mr. Heidell's analysis used only the
4 Strategist modelling outputs to determine overall savings to North Dakota
5 customers, which the Company believes underestimates the overall cost
6 savings to our North Dakota customers.

7

8 Q. PLEASE EXPLAIN.

9 A. Strategist is a production cost model which only captures the production
10 costs of the NSP System. It does not account for the allocation of other
11 system costs when load grows in Minnesota. As Mr. Halama discusses in his
12 Rebuttal Testimony, Strategist only calculates production costs of serving
13 load, leaving out the benefits of that new load. For example, Strategist does
14 not account for the shifting of other system costs, including transmission
15 costs and certain administrative and general costs, from North Dakota to
16 Minnesota when a significant new load customer is added in Minnesota.

17

18 Q. WHEN THESE OTHER SHIFTED COSTS ARE ACCOUNTED FOR, WHAT DOES THE
19 COMPANY ESTIMATE TO BE THE TOTAL COST SAVINGS TO NORTH DAKOTA
20 CUSTOMERS?

21 A. We estimate that the Google load addition as provided for in the
22 Supplemental Analysis will result in cost savings to North Dakota customers
23 of approximately *[TRADE SECRET BEGINS* *TRADE*
24 *SECRET ENDS]* PVRR and, between *[TRADE SECRET BEGINS*
25 *TRADE SECRET ENDS]* and *[TRADE SECRET BEGINS*
26 *TRADE SECRET ENDS]* annually depending on the

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1 additional load provided by Google. These savings are net of the increased
2 system production costs to support the additional Google load. Further
3 details of our additional analysis are provided in the Rebuttal Testimony of
4 Mr. Halama.

5
6 Q. DO YOU BELIEVE THESE SAVINGS TO BE REASONABLE?

7 A. Yes. While overall system costs will increase due to the load growth, the
8 Company is procuring an inexpensive resource to serve the new load, and
9 the increase in retail sales from the new load will reduce the average cost per
10 kWh in North Dakota, as demonstrated by Mr. Halama's analysis.

11
12 As Mr. Martin discusses, these savings are commensurate with the level of
13 savings we would expect to see from this type of load growth, especially at
14 Google's very high load factor, particularly when it is paired with the
15 addition of an extremely low-cost wind resource.

16
17 **V. OTHER ISSUES RAISED BY MR. HEIDELL**

18
19 Q. DID MR. HEIDELL IDENTIFY OTHER ISSUES IN THIS PROCEEDING?

20 A. Yes. Mr. Heidell identified the allocation of transmission costs to support
21 Google as well the gains on sale of the land that Google will purchase for the
22 data center as additional potential impacts of the Google ESA. Mr. Heidell
23 also raised the issue of the timing of the Dakota Range III resource addition
24 in light of the Company's resource planning calendar.

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1 Q. PLEASE RESPOND TO MR. HEIDELL’S COMMENTS WITH RESPECT TO THE
2 TRANSMISSION COSTS TO SUPPORT GOOGLE.

3 A. Mr. Heidell is correct that the Company will be constructing additional
4 transmission infrastructure to support Google’s development of the data
5 center. While some of those facilities are directly attributable to Google and
6 its needs, a portion of those facilities would be necessary to support any load
7 growth in that area.

8

9 It is common practice at the Company and across the industry to build
10 transmission to support load, and allocate the costs system-wide because
11 constructing the infrastructure has system-wide benefits. Thus, the
12 Company is treating the Google ESA like any other large commercial and
13 industrial user that requires access to transmission infrastructure. Indeed,
14 the Commission has previously granted Certificates of Public Convenience
15 and Necessity (CPCN) to several load-serving transmission projects needed
16 to service North Dakota load but allocated across the NSP System. For
17 example, in 2017, the Commission issued a CPCN for the Minot Load
18 Serving Project, which included a new substation and 230kV transmission
19 line to serve the City of Minot alone (Case No. PU-16-644), but allocated the
20 costs system-wide.

21

22 Q. HOW DOES THE COMPANY PLAN TO DISTRIBUTE THE PROCEEDS OF THE
23 LAND SALE ASSOCIATED WITH THE GOOGLE ESA?

24 A. As Mr. Heidell noted in his testimony, the Company has executed an
25 agreement to sell a parcel of the Company’s land holdings at the Sherco
26 Generating Station to Google for construction of the data center. As with

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1 other land sales, the Company will distribute the North Dakota share of the
2 proceeds of this sale to North Dakota customers.

3
4 Q. HOW DOES THE COMPANY'S PROPOSAL RELATE TO ITS INTEGRATED
5 RESOURCE PLAN?

6 A. As the Commission is aware, the Company and Commission Staff have
7 discussed the development of a North Dakota Resource Plan process for the
8 Company. In early July, the Company will file its Upper Midwest Resource
9 Plan with the Minnesota Public Utilities Commission and will provide the
10 Commission with a copy of the plan consistent with our commitments in the
11 Settlement Agreement in Case No. PU-07-776.

12
13 Mr. Heidell suggests in his testimony that the Company's filing of this ADP
14 forces the Commission to make a resource procurement decision outside of
15 the Company's Integrated Resource Plan (IRP) and long-range resource
16 procurement plan. The Company disagrees with this assertion and notes
17 that resource additions frequently happen outside of the IRP cycle. While
18 the Dakota Range III PPA, if approved, will be included in the Company's
19 IRP, the IRP itself is outside of the scope of this proceeding and does not
20 bear on the prudence of the Dakota Range III PPA.

21
22 **VI. IMPACTS OF REJECTING THE ADP APPLICATION**

23
24 Q. WHAT DOES THE COMPANY PROPOSE SHOULD THE COMMISSION REJECT ITS
25 ADP APPLICATION?

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1 A. As discussed throughout my Rebuttal Testimony, the Company believes and
2 the record in this Case supports that the Dakota Range III resource addition
3 is prudent. The Company has not made a formal proposal as to how to
4 address the possibility that the Commission could reject our Application.
5 However, as I mentioned earlier in my Rebuttal Testimony and in my Direct
6 Testimony, should the Commission choose not to participate in the costs
7 associated with the Google ESA, we do not believe that it is equitable for
8 our North Dakota customers to enjoy the benefits of the Google load.

9
10 Q. HOW DOES MR. HEIDELL PROPOSE TO ADDRESS THE COSTS OF DAKOTA
11 RANGE III IF THE COMMISSION REJECTS THE ADP?

12 A. If the Commission rejects the Company's request for an ADP for the
13 Dakota Range III PPA, Mr. Heidell proposes addressing the costs of the
14 PPA in the Fuel Cost Rider (FCR) by removing the cost of the PPA from
15 the Company's fuel and purchased power costs, and removing the load of
16 the data center from system sales in the calculation of average system fuel
17 and power costs. Thus, the PPA and the Google data center load would be
18 removed from the numerator and denominator, respectively, of the
19 Company's calculation of the system average cost of fuel. Mr. Heidell
20 proposes to do this in a three-step process, with the goal being to ensure that
21 North Dakota does not share in the benefits of the PPA or the costs of
22 serving the Google data center load.

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1 Q. DOES MR. HEIDELL'S PROPOSAL ACCOMPLISH HIS GOALS?

2 A. While the Company appreciates Mr. Heidell's thoughtful approach to this
3 difficult issue, we do not believe his proposal would accomplish his stated
4 goals.

5

6 Q. IN YOUR VIEW, WHAT ARE THE ISSUES ASSOCIATED WITH MR. HEIDELL'S
7 PROPOSAL?

8 A. At base, Mr. Heidell's proposal only addresses the fuel-based impacts of
9 separating the Google load and resources from North Dakota. He does not
10 address the base rate impacts of the Google load and how to effectively
11 identify the system costs deriving exclusively from Google, nor the demand
12 allocator and energy allocator shifts caused exclusively by the Google load.

13

14 Q. PLEASE EXPLAIN.

15 The Company believes it is simply not possible to isolate the system costs
16 associated with the Google load in order to prevent them from being applied
17 to North Dakota. Further, as discussed above and in the Rebuttal
18 Testimony of Mr. Martin and Mr. Halama, the addition of a large load
19 customer in Minnesota shifts the demand and energy allocations from North
20 Dakota to Minnesota. This produces savings to North Dakota customers
21 that would also have to be accounted for in Mr. Heidell's calculations. Thus,
22 to fully account for the impacts of the transaction, the Company would have
23 to adjust these allocation factors based on the expected impacts of serving
24 the Google load. While Google sales can easily be accounted for, it would
25 be difficult or impossible for the Company to directly correlate actual certain

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1 system costs to the Google load, for example, the addition of a new
2 generating resource.

3
4 Q. WHAT ARE THE IMPLICATIONS OF MR. HEIDELL'S PROPOSAL?

5 A. In many ways, Mr. Heidell is suggesting an initial form of system separation
6 that the Company had proposed in its Resource Treatment Framework
7 (Case Nos. PU-12-813, *et al.*). By adjusting system costs for both production
8 costs and load impacts, Mr. Heidell is essentially proposing to eliminate the
9 impact of the Google load on North Dakota customers. I note that the
10 Google load has the potential to be the largest customer on the NSP System
11 and at modelled load levels would account for almost *[TRADE SECRET*
12 *BEGINS* *TRADE SECRET ENDS]* of system demand. At
13 the high range of Google's expected *[TRADE SECRET BEGINS*
14 *TRADE SECRET ENDS]*, it would account for *[TRADE*
15 *SECRET BEGINS* *TRADE SECRET ENDS]* of system
16 demand. And, at the maximum load provided for in the ESA, Google
17 would account for almost *[TRADE SECRET BEGINS*
18 *TRADE SECRET ENDS]* of the total NSP System. This would have
19 material impacts on system planning going into the future.

20
21 Q. WHAT IS THE COMPANY'S RECOMMENDATION IN THIS RESPECT?

22 A. The Company believes it has demonstrated the prudence of Dakota Range
23 III, and therefore the Commission should grant the requested ADP and this
24 issue does not need to be addressed. However, should the Commission
25 deny our requested ADP, we believe additional proceedings will be necessary
26 to determine how best to proceed.

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VII. OTHER COMPANY REBUTTAL WITNESSES

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

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

- Mr. Philip Joseph “P.J.” Martin, whose testimony addresses the results of additional analyses done at Mr. Heidell’s request and in response to his testimony; and
- Mr. Benjamin C. Halama, whose Rebuttal Testimony addresses the impacts of the Google data center load on cost allocations between North Dakota and Minnesota.

VIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

A. For the reasons stated above, the Dakota Range III PPA is prudent and should be approved without conditions. Further, while the Google ESA is not at issue in this proceeding, the Company’s Supplemental Analysis demonstrates that the addition of the Google load to the NSP System will reduce system costs for existing customers even more so than the addition of Dakota Range III alone.

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

A. Yes, it does.

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


NORTHERN STATES POWER COMPANY
ADVANCE PRUDENCE
151.2 MW DAKOTA RANGE III WIND FACILITY

CASE No. PU-18-430

VERIFICATION

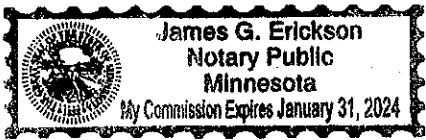
STATE OF MINNESOTA)
)SS.
COUNTY OF HENNEPIN

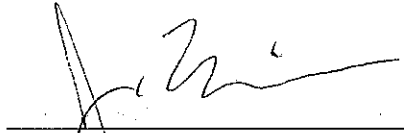
Bria E. Shea, being first duly sworn on oath, deposes and says that she is the Director of Regulatory and Strategic Analysis for Applicant Northern States Power Company, a Minnesota corporation, in the above-captioned matter, that the testimony submitted in the above-captioned matter under her name was 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.



Bria E. Shea

Subscribed and sworn to before me on this 12th day of June, 2019





Notary Public
My Commission expires: January 31, 2024